FMC CORP
Form 10-Q
November 06, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2007

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission File Number 1-2376

FMC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**94-0479804** **(I.R.S. Employer** **Identification No.)**
1735 Market Street **Philadelphia, Pennsylvania**	**19103**

(Address of principal executive offices) **(Zip Code)**

Registrant s telephone number, including area code: 215/299-6000

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS YES x NO ¨

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, OR A NON-ACCELERATED FILER (AS DEFINED IN RULE 12b-2 OF THE ACT.) (CHECK ONE)

LARGE ACCELERATED FILER x ACCELERATED FILER ¨ NON-ACCELERATED FILER ¨

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT) YES ¨ NO x

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE

Class	**Outstanding at September 30, 2007**
Common Stock, par value $0.10 per share	75,611,338

Table of Contents

FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

INDEX

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
(in Millions, Except Per Share Data)	(unaudited)		(unaudited)	
Revenue	$ 626.6	$ 572.2	$ 1,958.6	$ 1,758.6
Costs and Expenses				
Costs of sales and services	440.2	412.6	1,351.4	1,220.9
Selling, general and administrative expenses	73.8	69.5	229.1	207.5
Research and development expenses	20.5	25.6	67.4	70.2
In-process research and development	1.0		2.0	2.0
Restructuring and other charges	23.0	0.8	140.0	67.6
Total costs and expenses	558.5	508.5	1,789.9	1,568.2
Income from continuing operations before equity in (earnings) loss of affiliates, minority interests, interest expense, net, loss on extinguishment of debt and income taxes	68.1	63.7	168.7	190.4
Equity in (earnings) loss of affiliates	0.4	(0.4)	(2.3)	(1.7)
Minority interests	2.9	2.0	6.1	6.5
Interest expense, net	8.6	7.5	27.0	25.1
Loss on extinguishment of debt	0.3		0.3	
Income from continuing operations before income taxes	55.9	54.6	137.6	160.5
Provision for income taxes	14.5	16.0	26.8	48.3
Income from continuing operations	41.4	38.6	110.8	112.2
Discontinued operations, net of income taxes	(4.3)	(3.5)	(19.3)	6.9
Net income	$ 37.1	$ 35.1	$ 91.5	$ 119.1
Basic earnings per common share:				
Continuing operations	$ 0.55	$ 0.50	$ 1.47	$ 1.46
Discontinued operations	(0.06)	(0.04)	(0.26)	0.09
Net income	$ 0.49	$ 0.46	$ 1.21	$ 1.55
Diluted earnings per common share:				
Continuing operations	$ 0.54	$ 0.49	$ 1.42	$ 1.41
Discontinued operations	(0.06)	(0.05)	(0.24)	0.09
Net income	$ 0.48	$ 0.44	$ 1.18	$ 1.50

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

Table of Contents

FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in Millions, Except Share and Par Value Data)	September 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 115.9	$ 165.5
Trade receivables, net of allowance of $20.7 at September 30, 2007 and $13.5 at December 31, 2006	613.1	537.9
Inventories	256.6	219.4
Prepaid and other current assets	120.8	91.3
Deferred income taxes	67.8	53.7
Total current assets	1,174.2	1,067.8
Investments	21.3	22.1
Property, plant and equipment, net	935.1	1,025.1
Goodwill	175.4	163.6
Other assets	140.4	125.6
Deferred income taxes	291.8	330.8
Total assets	$ 2,738.2	$ 2,735.0
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Short-term debt	$ 65.8	$ 53.7
Current portion of long-term debt	89.9	52.5
Accounts payable, trade and other	296.5	301.4
Accrued and other liabilities	288.3	228.5
Guarantees of vendor financing	22.0	25.6
Accrued pensions and other postretirement benefits, current	7.5	7.5
Income taxes	1.3	33.3
Total current liabilities	771.3	702.5
Long-term debt, less current portion	416.4	523.5
Accrued pension and other postretirement benefits, long-term	100.8	132.9
Environmental liabilities, continuing and discontinued	167.4	157.8
Reserve for discontinued operations	33.7	36.3
Other long-term liabilities	138.1	103.5
Minority interests in consolidated companies	55.4	59.0
Commitments and contingent liabilities (Note 18)		
Stockholders equity		
Preferred stock, no par value, authorized 5,000,000 shares; no shares issued in 2007 or 2006		
Common stock, $0.10 par value, authorized 130,000,000 shares in 2007 and 2006; 92,991,896 issued shares at September 30, 2007 and December 31, 2006, respectively	9.3	9.3
Capital in excess of par value of common stock	407.7	426.3
Retained earnings	1,232.2	1,166.4
Accumulated other comprehensive loss	(23.7)	(57.1)
Treasury stock, common, at cost: 17,380,558 shares at September 30, 2007 and 16,356,838 shares at December 31, 2006	(570.4)	(525.4)
Total stockholders equity	1,055.1	1,019.5

Total liabilities and stockholders equity	$ 2,738.2	$ 2,735.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Millions)	Nine Months Ended September 30, 2007	2006
	(unaudited)	
Cash provided (required) by operating activities of continuing operations:		
Net Income	$ 91.5	$ 119.1
Discontinued operations	19.3	(6.9)
Income from continuing operations	110.8	112.2
Adjustments from income from continuing operations to cash (required) provided by operating activities of continuing operations:		
Depreciation and amortization	100.7	98.0
Loss on extinguishment of debt	0.3	
Equity in (earnings) loss of affiliates	(2.3)	(1.7)
Restructuring and other charges	140.0	67.6
In-process research and development	2.0	2.0
Deferred income taxes	11.1	48.3
Minority interests	6.1	6.5
Other	5.4	16.4
Changes in operating assets and liabilities:		
Trade receivables, net	(64.4)	(36.6)
Guarantees of vendor financing	(3.6)	(7.1)
Inventories	(24.1)	28.0
Other current assets and other assets	3.3	(13.0)
Accounts payable	(15.9)	(36.6)
Accrued and other current liabilities and other liabilities	22.7	29.1
Income taxes	5.1	11.4
Accrued pension and other postretirement benefits, net	(37.2)	(36.3)
Environmental spending, continuing	(4.0)	(3.2)
Restructuring and other spending	(25.9)	(33.9)
Cash provided by operating activities	230.1	251.1
Cash provided (required) by operating activities of discontinued operations:		
Environmental spending, discontinued	(15.7)	(18.3)
Proceeds from sale of formerly environmentally impaired property		25.3
Payments of other discontinued reserves	(13.9)	(16.8)
Cash provided (required) by operating activities of discontinued operations	(29.6)	(9.8)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Nine Months Ended September 30,	
	2007	2006
(in Millions)	(unaudited)	
Cash provided (required) by investing activities:		
Capital expenditures	$ (76.5)	$ (80.5)
In-process research and development expenditure	(1.0)	(2.0)
Proceeds from disposal of property, plant and equipment	1.3	4.6
Proceeds from sales and returns of investment and assets held for sale	4.4	9.6
Other investing activities	(6.8)	
Cash (required) by investing activities	(78.6)	(68.3)
Cash provided (required) by financing activities:		
Increase (decrease) in other short-term debt	12.0	(20.9)
Financing fees	(0.7)	
Repayment of long-term debt	(82.2)	(42.4)
Distributions to minority partners	(10.2)	(7.3)
Issuances of common stock, net	12.7	31.8
Dividends paid	(21.8)	(14.1)
Repurchases of common stock	(84.5)	(71.8)
Cash (required) by financing activities	(174.7)	(124.7)
Effect of exchange rate changes on cash and cash equivalents	3.2	2.8
Increase (decrease) in cash and cash equivalents	(49.6)	51.1
Cash and cash equivalents, beginning of period	165.5	206.4
Cash and cash equivalents, end of period	$ 115.9	$ 257.5

Supplemental disclosure of cash flow information: Cash paid for interest was $32.2 million and $32.7 million, and income taxes paid, net of refunds were $9.8 million net payments and $3.7 million net refunds for the nine months ended September 30, 2007 and 2006, respectively. In the first nine months of 2007 and 2006, we contributed approximately 2,000 and 378,000 shares of treasury stock to our employee benefit plans having a cost of $0.1 million and $11.5 million, respectively, which is considered a non-cash activity.

We declared dividends aggregating $22.8 million to our shareholders of record during the first nine months of 2007, and $7.9 million of this amount is included in Accrued and other liabilities on the condensed consolidated balance sheet as of September 30, 2007.

On January 1, 2007, we reclassified approximately $17 million of Income taxes to Other long-term liabilities on our condensed consolidated balance sheet in connection with the adoption of FASB Interpretation No. 48. Also in connection with the adoption of FASB Interpretation No. 48, we reclassified approximately $22 million of Income taxes to offset Deferred Income Taxes on our condensed consolidated balance sheet.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Financial Information and Accounting Policies

In our opinion the condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles applicable to interim period financial statements and reflect all adjustments necessary for a fair statement of results of operations and cash flows for the nine months ended September 30, 2007 and 2006, and our financial position as of September 30, 2007. All such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2007 and 2006 are not necessarily indicative of the results of operations for the full year. The condensed consolidated balance sheet as of September 30, 2007 and the related condensed consolidated statements of operations for the three and nine months ended September 30, 2007 and 2006, and condensed consolidated statements of cash flows for the nine months ended September 30, 2007 and 2006, have been reviewed by our independent registered public accountants. The review is described more fully in their report included herein.

Our accounting policies are set forth in detail in Note 1 to the consolidated financial statements included with our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2006 (the 2006 10-K).

Stock Split

On August 17, 2007, the Board of Directors of FMC declared a two-for-one split of our common stock (the Stock Split) to be effected in the form of a distribution of one newly issued share payable on September 13, 2007 for each share held as of the close of business on August 31, 2007. Trading in the common stock on a post-split adjusted basis began on September 14, 2007.

The number of shares outstanding and related prices, per share amounts, share conversions and share-based data throughout this Form 10-Q have been adjusted to reflect the Stock Split for all prior periods presented.

Reclassifications and Adjustments

Our results for the three and nine months ended September 30, 2007 were favorably impacted by a $6.1 million benefit ($3.8 million after-tax), or $0.05 per diluted share related to a correction of last-in, first-out (LIFO) inventory liquidations related to prior periods. The adjustment to our LIFO inventory reserves was recorded as a result of a correction in determining our initial LIFO inventory base year. We believe that the effect of this adjustment was not material to our financial position or results of operations or liquidity for any prior period as well as the reported periods for the three and nine months ended September 30, 2007. The benefit of $6.1 million has been recorded as a component of Costs of sales and services in the condensed consolidated Statement of Operations for the three and nine months ended September 30, 2007.

Note 2: Recently Issued and Adopted Accounting Pronouncements

New accounting standards

SFAS No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159 The Fair Value Option for Financial Assets and Financial Liabilities . Statement No. 159 permits entities to choose to measure many financial instruments and certain warranty and insurance contracts at fair value on a contract-by-contract basis. We are required to adopt this Statement starting in 2008 and are currently evaluating the effect that this Statement will have on our condensed consolidated financial statements.

SFAS No. 158

On December 31, 2006, we adopted SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132 . See Note 13 to our 2006 consolidated financial statements in our 2006 Form 10-K for further discussion of our adoption of this accounting standard. Effective December 31, 2008, SFAS No. 158 also requires us to measure plan assets and benefit obligations as of the date of our fiscal year end. We do not believe that the adoption of this portion of SFAS No. 158 related to the measurement of plan assets and benefit obligations will have a material impact on our condensed consolidated financial statements.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements . Statement No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and enhances disclosures about fair value measurements. The Statement applies when other accounting pronouncements require fair value measurements; it does not require new fair value measurements. We are required to adopt this statement starting in 2008 and are currently evaluating the effect that this Statement will have on our condensed consolidated financial statements.

Recently adopted in 2007

FSP AUG AIR-1

In August 2006, the FASB released guidance on the accounting for planned major maintenance activities. The guidance was issued in the form of a Financial Statement Position (FSP) and prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim reporting periods. We adopted this FSP on January 1, 2007 and its adoption did not have a material impact to our condensed consolidated financial statements.

FIN 48

In July 2006, the FASB released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement 109 (FIN 48). FIN 48 prescribes a model for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure and transition. We adopted this Interpretation starting in 2007. See Note 17 for further discussion regarding our adoption of this interpretation.

EITF No. 06-3

In June 2006, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) on Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation) . The scope of this consensus includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to sales, use, value added and some excise taxes. Additionally, this issue seeks to address how a company should address the disclosure of such items in interim and annual financial statements, either gross or net pursuant to APB Opinion No. 22 Disclosure of Accounting Policies . We adopted this statement on January 1, 2007. We record all taxes collected from customers to be remitted to governmental authorities on a net basis in our condensed consolidated statements of operations. Accordingly, the adoption of EITF 06-3 did not have an effect on our condensed consolidated financial statements.

SFAS No. 156

In March 2006, the FASB issued SFAS No. 156 Accounting for Servicing of Financial Assets . This statement amends Statement No. 140, with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Statement also addresses the recognition and measurement of separately recognized servicing assets and liabilities and provides an approach to simplify efforts to obtain hedge-like (offset) accounting. We adopted this statement starting in 2007. The adoption of this pronouncement did not have an effect on our condensed consolidated financial statements.

SFAS No. 155

In February 2006, the FASB issued SFAS No. 155 Accounting for Certain Hybrid Financial Instruments . This statement amends parts of FASB Statements No. 133, Accounting for Derivatives and Hedging Activities and No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities , and allows an entity to remeasure at fair value a hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation from the host, if the holder irrevocably elects to account for the whole instrument on a fair value basis. Subsequent changes in fair value of the instrument would be recognized in earnings. We adopted this statement starting on January 1, 2007. The adoption of this pronouncement did not have an effect on our condensed consolidated financial statements.

Note 3: Goodwill and Intangible Assets

Goodwill at September 30, 2007 and December 31, 2006 was $175.4 million and $163.6 million, respectively. The majority of goodwill is attributed to an acquisition in the Specialty Chemicals segment. There are no other material indefinite life intangibles, other than goodwill related to this acquisition. The change in goodwill from December 31, 2006 to September 30, 2007 was due to the effect of foreign currency translation on the euro.

Our definite life intangibles totaled $11.3 million and $12.9 million at September 30, 2007 and December 31, 2006, respectively. At September 30, 2007, these definite life intangibles were allocated among our business segments as follows: $9.3 million in Agricultural Products, $0.3 million in Specialty Chemicals and $1.7 million in Industrial Chemicals. Definite life intangible assets consist primarily of patents, access rights, industry licenses and other intangibles. Amortization was not significant in the periods presented.

Note 4: Financial Instruments and Risk Management

The portion of derivative gains or losses excluded from assessments of hedge effectiveness, related to our outstanding cash flow hedges which were recorded to earnings during the three and nine months ended September 30, 2007, was $0.2 million and was less than $0.1 million for the three and nine months ended September 30, 2006.

At September 30, 2007, the net deferred hedging loss in accumulated other comprehensive loss was $7.4 million compared to a net loss of $15.7 million at December 31, 2006. Approximately $7.7 million of net losses are expected to be recognized in earnings during the twelve months ending September 30, 2008, as the underlying hedged transactions are realized, and net gains of $0.3 million are expected to be recognized at various times subsequent to September 30, 2008 and continuing through December 31, 2008.

Note 5: Inventories

Inventories consisted of the following:

	September 30, 2007	December 31, 2006
	(in Millions)	
Finished goods and work in process	$ 182.0	$ 154.2
Raw materials	74.6	65.2
Net inventory	$ 256.6	$ 219.4

Note 6: Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	September 30, 2007	December 31, 2006
	(in Millions)	
Property, plant and equipment	$ 2,807.9	$ 2,968.5
Accumulated depreciation	1,872.8	1,943.4
Property, plant and equipment, net	$ 935.1	$ 1,025.1

In the second quarter of 2006, we entered into an agreement with the Princeton Healthcare System to sell the FMC Research Center Facility in Princeton, New Jersey. The Research Center consists of office and laboratory buildings on approximately 150 acres of land. Closing on the agreement is subject to a number of conditions, including due diligence by Princeton Healthcare System, rezoning and other governmental approvals to allow re-development of the property for medical center use. Currently, closing is not expected until early 2008, subject to the conditions discussed above.

Note 7: Asset Retirement Obligations

As of September 30, 2007, the balance of our asset retirement obligations was $14.6 million. This amount increased approximately $8.3 million from December 31, 2006. This increase was primarily associated with our decision in the second quarter of 2007 to phase out operations at our Baltimore facility. As a result of this decision, the estimated settlement dates associated with asset retirement obligations at the Baltimore facility were accelerated, resulting in an increase to the liability and an increase to capitalized asset retirement costs. The capitalized asset retirement cost will be depreciated on an accelerated basis over the remaining time we plan to operate the Baltimore facility. We plan to operate the Baltimore facility through the end of the first quarter of 2008. See Note 9 for further details on the Baltimore phase out. A more complete description of our asset retirement obligations can be found in Note 2 to our 2006 consolidated financial statements on our Form 10-K.

Note 8: In-process Research and Development

Proprietary Fungicide Agreement

In the second quarter of 2006, our Agricultural Products segment entered into agreements in which we were granted an initial right to further develop a third party s proprietary fungicide in certain geographic markets. Under those agreements, we paid $2.0 million and recorded the amount as a charge to In-process research and development in the condensed consolidated statement of operations for the nine months ended September 30, 2006.

In the first quarter of 2007, our Agricultural Products segment acquired further rights from this third-party company to develop their proprietary fungicide. In acquiring those further rights, we paid an additional $1.0 million and have recorded this amount as a charge to In-process research and development in the condensed consolidated statement of operations for the nine months ended September 30, 2007.

This product is subject to development of a commercially acceptable product for use in key markets and, if such product is developed, EPA and other foreign regulatory approvals are needed to allow us to sell and market the product in the exclusive territories.

Collaboration and License Agreement

In the third quarter of 2007, our Agricultural Products segment entered into a collaboration and license agreement with a third-party company for the purpose of obtaining certain technology and intellectual property rights. We accrued an initial $1.0 million upon entering into this agreement and have recorded the amount as a charge to In-process research and development in the condensed consolidated statement of operations for the three and nine months ended September 30, 2007.

Note 9: Restructuring and Other Charges

Nine Months Ended September 30, 2007

Baltimore Phase Out

On June 15, 2007, we made the decision to phase out operations of our Baltimore, Maryland facility in our Agricultural Products segment by March 2008. Our decision is consistent with our strategy to maintain globally cost-competitive manufacturing positions by sourcing raw materials, intermediates and finished products in lower-cost manufacturing locations.

We recorded charges totaling $89.7 million during the nine months ended September 30, 2007 which consisted of (i) plant and equipment impairment charges and accelerated depreciation on fixed assets to be abandoned of approximately $84.1 million, and (ii) severance and employee benefits of $5.6 million. The plant and equipment impairment charges were primarily the result of the abandonment of a significant amount of assets at this facility before the end of their previously estimated useful life. We also expect to incur restructuring and other charges of approximately $35 to $45 million over the next three quarters primarily representing additional charges associated with fixed assets to be abandoned.

Abandonment of Foret Co-Generation Facility, Other Foret Fixed Asset Abandonments and Assets Held for Sale

During the second quarter of 2007, we committed to the abandonment of a co-generation facility at Foret and recorded an impairment charge of $7.9 million. This facility, which is part of our Industrial Chemicals segment, produced electric power and thermal energy by co-generation for use at one of Foret s production properties. Historically, excess electricity produced from this facility was sold into the Spanish market. We own 75% of this co-generation facility and have recorded minority interest associated with this charge of $1.4 million as part of Minority interests in the condensed consolidated statements of operations for the nine months ended September 30, 2007.

During the third quarter of 2007, we committed to the abandonment of certain fixed assets also at Foret and recorded impairment charges of $4.0 million. These fixed assets were at various facilities at Foret.

Table of Contents

Additionally during the third quarter of 2007, we reported Foret s sodium sulfate long-lived assets as assets held for sale in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . The assets held for sale in the amount of $14.8 million are included in prepaid and other current assets on our September 30, 2007 condensed consolidated balance sheet. We expect the sale of these assets to occur sometime in either late 2007 or early 2008 and we expect to record a gain on the sale of these assets.

Solutia Legal Settlement

In 2003, Solutia, our joint venture partner in Astaris, filed a lawsuit against us, which ultimately proceeded in U.S. District Court for the Southern District of New York, claiming that, among other things, we had breached our joint venture agreement due to the alleged failure of the PPA technology we contributed to Astaris and also failed to disclose the information we had about the PPA technology. On April 2, 2007, the parties agreed to settle all claims relating to the litigation in return for a payment of $22.5 million by us. The settlement was approved by the U.S. Bankruptcy Court in the Southern District of New York (where Solutia had filed for Chapter 11 bankruptcy protection in 2003) on May 1, 2007 without any appeal having been taken. This litigation is associated with our Industrial Chemicals business. The $22.5 million has been reflected in Restructuring and other charges in our condensed consolidated statements of operations for the nine months ended September 30, 2007.

Other Items

We recorded $1.3 million of charges related to an agreement to settle state court cases alleging violations of antitrust law involving our microcrystalline cellulose product (MCC) in our Specialty Chemicals Business. See the following disclosure under the Nine months ended September 30, 2006 caption and Note 18 for further details regarding MCC legal settlement.

Additional restructuring and other charges for the nine months ended September 30, 2007 also included $5.0 million of severance costs, of which $3.7 million related to our Industrial Chemicals segment and $1.3 million related to our Agricultural Products Segment. We also recorded $1.1 million of asset abandonment charges and $2.3 million of other charges primarily in our Industrial Chemicals segment, as well as $6.2 million relating to continuing environmental sites as a Corporate charge.

Restructuring spending, net of recoveries, during the nine months ended September 30, 2007 was primarily severance payments for previously announced workforce reductions. The increase to reserves in 2007 is primarily a result of the Baltimore phase out discussed above. The following table shows a rollforward of restructuring and other reserves for the first nine months of 2007 and the related spending and other changes:

(in Millions)	**Total (1)**
Balance at 12/31/2006	$ 3.7
Increase in reserves	11.1
Cash payments	(3.4)
Balance at 9/30/2007 (2)	$ 11.4

(1) Primarily severance costs related to workforce reductions and facility shutdowns. The impairment charges noted above impacted our property, plant and equipment balances and are not included in the above table. The Solutia legal settlement noted above and the MCC legal settlement noted below were paid by us in the second quarter of 2007 and third quarter of 2006, respectively, and are not included in the above table. Additionally, the European Commission fine that we accrued during the nine months ended September 30, 2006 is included as a component of the Other long-term liabilities balance in our condensed consolidated balance sheets and is not included in the above table.

(2) Included in Accrued and other liabilities and Other long-term liabilities on the condensed consolidated balance sheets.

Nine months Ended September 30, 2006

Plant Building Abandonment

In the second quarter of 2006, we committed to the abandonment of a building in our Agricultural Products segment and recorded a charge of $6.1 million.

Research and Development Redeployment

In the second quarter of 2006, we announced a plan to redeploy our discovery research and development resources within our Agricultural Products segment to shorten the innovation cycle and accelerate the delivery of new products and technologies. We incurred $3.4 million of severance charges as a result of this decision. These severance costs related to approximately 70

Table of Contents

people who have separated from us. We also abandoned assets as a result of these decisions and recorded a charge of $1.9 million.

MCC Legal Settlement

In July of 2006, we reached an agreement in principle to settle a federal class action lawsuit alleging violations of antitrust laws involving our microcrystalline cellulose (MCC) product in our Specialty Chemicals business in the amount of $25.0 million. This amount has been reflected in restructuring and other charges in our condensed consolidated statement of operations for the nine months ended September 30, 2006. See Note 18 for further details on this matter.

European Commission Fine

On April 26, 2006, the European Commission imposed a fine on us regarding alleged violations of competition law in the hydrogen peroxide business in Europe prior to the year 2000 which we have appealed. This fine is associated with our Industrial Chemicals segment. We have recorded a 25 million (U.S. $30 million) charge for this fine. The amount of $30 million has been reflected in restructuring and other charges in our condensed consolidated statement of operations for the nine months ended September 30, 2006. See Note 18 for further details on this matter.

Other Items

Additional restructuring and other charges for 2006 totaled $1.2 million. These charges included $1.0 million of asset abandonment charges in our Industrial Chemicals segment and $0.8 million of charges to increase legal fee reserves related to ongoing environmental matters. Offsetting these charges was a gain of $0.6 million in our Specialty Chemicals segment from the completion of the sale of our previously disclosed assets held for sale related to our Copenhagen, Denmark carrageenan plant which we closed in 2005. The gain represented the difference between the asset held for sale balance and the final proceeds. The final proceeds from the sale totaled $9.6 million.

Note 10: Debt

Domestic Credit Agreement Refinancing

On August 28, 2007, we executed a new Domestic Credit Agreement (the Agreement) which provided for a five-year, $600 million revolving credit facility. The proceeds from this facility are available for general corporate purposes, including issuing letters of credit up to a $300 million sub-limit. The Agreement also contains an option under which, subject to certain conditions, we may request an increase in the facility to $1 billion.

There were no borrowings under the new facility at inception, and our prior credit agreement dated as of June 21, 2005 was terminated at that time. Obligations under the prior credit agreement and related transaction costs, fees, and expenses for the new Agreement were paid with available cash.

Loans under the new facility bear interest at a floating rate, either a base rate as defined, or the applicable Eurocurrency rate for the relevant term plus an applicable margin. The initial margin is 0.35 percent per year, subject to adjustment based on the credit rating assigned to our senior unsecured debt. At September 30, 2007, if we had borrowings under our Domestic Credit Agreement, then the applicable rate would have been 5.37 percent per annum.

In connection with entering into the Domestic Credit Agreement, we wrote off $0.3 million of deferred financing fees associated with our previous credit agreement. These fees were previously a component of Other assets in our condensed consolidated balance sheet and were recorded as Loss on extinguishment of debt in the condensed consolidated statements of income for the three and nine months ended September 30, 2007.

Debt maturing within one year:

Debt maturing within one year consists of the following:

(in Millions)	September 30, 2007	December 31, 2006
Short-term debt	$ 65.8	$ 53.7
Current portion of long-term debt	89.9	52.5
Total debt maturing within one year	$ 155.7	$ 106.2

Table of Contents

Short-term debt consisted of foreign credit lines at September 30, 2007 and December 31, 2006. We provide parent-company guarantees to lending institutions providing credit to our foreign subsidiaries.

Long-term debt:

Long-term debt consists of the following:

	September 30, 2007			
(in Millions)	Interest Rate Percentage	Maturity Date	9/30/2007	12/31/2006
Pollution control and industrial revenue bonds (less unamortized discounts of $0.3 million and $0.3 million, respectively)	3.90 7.05	2007 2035	$ 216.5	$ 216.7
Debentures (less unamortized discounts of $0.1 million and $0.1 million, respectively)	7.75	2011	45.4	45.4
Medium-term notes (less unamortized discounts of $0.1 million at 12/31/06)	7.00	2008	77.5	117.4
European Credit Agreement	5.08	2010	166.9	196.4
Domestic Credit Agreement	5.37	2012		
Other debt				0.1
Total debt			506.3	576.0
Less: debt maturing within one year			89.9	52.5
Total long-term debt			$ 416.4	$ 523.5

At September 30, 2007, we had $166.9 million in U.S. dollar equivalent revolving credit facility borrowings under the European Credit Agreement compared to $196.4 million at December 31, 2006. Available funds under this facility were $143.0 million and $91.7 million at September 30, 2007 and December 31, 2006, respectively.

At both September 30, 2007 and December 31, 2006, we had no revolving credit facility borrowings under our Domestic Credit Agreement. Letters of credit outstanding under the Domestic Credit Agreement totaled $146.1 million and $144.5 million at September 30, 2007 and December 31, 2006, respectively. As such, available funds under the Domestic Credit Agreement were $453.9 million and $455.5 million at September 30, 2007 and December 31, 2006, respectively.

Among other restrictions, the Domestic Credit Agreement and the European Credit Agreement contain financial covenants applicable to FMC and its consolidated subsidiaries related to leverage (measured as the ratio of debt to adjusted earnings) and interest coverage (measured as the ratio of adjusted earnings to interest expense). We were in compliance with all covenants at September 30, 2007.

A more complete description of our European Credit Agreement is included in Note 11 to our 2006 consolidated financial statements in our Form 10-K.

Table of Contents

Note 11: Discontinued Operations

Our results of discontinued operations comprised the following:

(in Millions)	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Income/(Expense)				
Income from sale of real estate property in San Jose (net of income tax expense of $9.9 million)	$	$ (0.1)	$	$ 14.1
Adjustment for workers compensation, product liability, and other postretirement benefits related to previously discontinued operations (net of income tax expense/(benefit)) of $0.1 million and $0.5 million and $0.3 million and $0.3 million for the three and nine months ended September 30, 2007 and 2006, respectively)	0.3	0.5	1.0	0.4
Provision for environmental liabilities and legal reserves and expenses related to previously discontinued operations (net of income tax benefit of $2.8 million and $12.3 million and $2.5 million and $4.7 million for the three and nine months ended September 30, 2007 and 2006, respectively)	(4.6)	(3.9)	(20.3)	(7.6)
Discontinued operations, net of income taxes	$ (4.3)	$ (3.5)	$ (19.3)	$ 6.9

2007

During the first nine months of 2007, we recorded a $32.6 million ($20.3 million after-tax) charge to discontinued operations related primarily to environmental issues and legal reserves and expenses. Environmental charges of $19.6 million ($12.1 million after-tax) related primarily to a provision to increase our reserves for environmental issues at our Middleport and Modesto sites. We also recorded increases to legal reserves and expenses in the amount of $13.0 million ($8.2 million after tax). See a rollforward of our environmental reserves in Note 12.

At September 30, 2007 and December 31, 2006, substantially all other discontinued operations reserves recorded on our condensed consolidated balance sheets were related to other post-retirement benefit liabilities, self-insurance and other long-term obligations associated with operations discontinued between 1976 and 2001.

2006

On May 24, 2006, we completed the sale of 23 acres of land located in San Jose, California to the City of San Jose for $25.3 million. This sale resulted in income of $24.0 million ($14.1 million after tax). This sale completes the sale of land that was formerly used by our defense business, which was divested in 1997. We sold an adjacent 52 acres to the City of San Jose in February 2005 for $56.1 million.

During the first nine months of 2006, we also recorded a $12.3 million ($7.6 million after tax) charge to discontinued operations primarily related to legal reserves and expenses.

Table of Contents

Note 12: Environmental Obligations

We have provided reserves for potential environmental obligations, which management considers probable and for which a reasonable estimate of the obligation could be made. Accordingly, reserves of $192.7 million and $189.6 million, before recoveries, have been provided at September 30, 2007 and December 31, 2006, respectively.

At September 30, 2007 and December 31, 2006, expected recoveries were $35.4 million and $37.0 million, respectively, with the majority at each date relating to existing contractual arrangements with U.S. government agencies, insurance carriers and other third parties. Recoveries are recorded as either an offset to the Environmental liabilities, continuing and discontinued balance totaling $19.4 million and $22.4 million at September 30, 2007 and December 31, 2006, or as Other assets totaling $16.0 million and $14.6 million at September 30, 2007 and December 31, 2006, respectively, in the condensed consolidated balance sheets. Cash recoveries recorded as realized claims against third parties were $3.6 million in the first nine months of 2007. Total cash recoveries recorded for the year ended December 31, 2006 were $3.6 million.

The long-term portions of environmental reserves, net of recoveries, totaling $167.4 million and $157.8 million at September 30, 2007 and December 31, 2006, respectively, are included in Environmental liabilities, continuing and discontinued . The short-term portion of continuing obligations is recorded as Accrued and other liabilities .

We have estimated that reasonably possible contingent environmental losses may exceed amounts accrued by as much as $70 million at September 30, 2007. Obligations that have not been reserved for may be material to any one quarter s or year s results of operations in the future. However, we believe any such liability arising from potential environmental obligations is not likely to have a material adverse effect on our liquidity or financial condition and may be satisfied over the next twenty years or longer.

The table below is a rollforward of our environmental reserves, continuing and discontinued, from December 31, 2006 to September 30, 2007:

(in Millions)	**Operating and Discontinued Sites Total**
Total environmental reserves, net of recoveries at December 31, 2006	$ 167.2
Provision (see Notes 9 and 11)	25.8
Spending, net of recoveries	(19.7)
Net Change	6.1
Total environmental reserves, net of recoveries at September 30, 2007	$ 173.3
Environmental reserves, current, net of recoveries (1)	$ 5.9
Environmental reserves, long-term continuing and discontinued, net of recoveries	167.4
Total environmental reserves, net of recoveries at September 30, 2007	$ 173.3

(1) Current includes only those reserves related to continuing operations.

A more complete description of our environmental contingencies and the nature of our potential obligations are included in Notes 1 and 12 to our 2006 consolidated financial statements in our Form 10-K.

Note 13: Earnings Per Share

Earnings per common share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period on a basic and diluted basis.

Our potentially dilutive securities include potential common shares related to our stock options and restricted stock. Diluted earnings per share (Diluted EPS) consider the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect. Diluted EPS excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. There were no excluded potential common shares from Diluted EPS for the three and nine months ended September 30, 2007. There were approximately 392,000 potential common shares excluded from Diluted EPS for the three and nine months ended September 30, 2006.

Table of Contents

Earnings applicable to common stock and common stock shares used in the calculation of basic and diluted earnings per share are as follows:

(in Millions Except Share and Per Share Data)	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Earnings (loss):				
Income from continuing operations	$ 41.4	$ 38.6	$ 110.8	$ 112.2
Discontinued operations, net of income taxes	(4.3)	(3.5)	(19.3)	6.9
Net income	$ 37.1	$ 35.1	$ 91.5	$ 119.1
Basic earnings (loss) per common share				
Continuing operations	$ 0.55	$ 0.50	$ 1.47	$ 1.46
Discontinued operations	(0.06)	(0.04)	(0.26)	0.09
Net income	$ 0.49	$ 0.46	$ 1.21	$ 1.55
Diluted earnings (loss) per common share				
Continuing operations	$ 0.54	$ 0.49	$ 1.42	$ 1.41
Discontinued operations	(0.06)	(0.05)	(0.24)	0.09
Net income	$ 0.48	$ 0.44	$ 1.18	$ 1.50
Shares (in thousands):				