FMC CORP
Form 10-K
February 25, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 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** **(Address of principal executive offices)**	**19103** **(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange
	Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A WELL-KNOWN SEASONED ISSUER, AS DEFINED BY RULE 405 OF THE SECURITIES ACT.   YES x   NO ¨

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS NOT REQUIRED TO FILE REPORTS PURSUANT TO SECTION 13 AND SECTION 15(d) OF THE ACT   YES ¨   NO x

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 IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. ¨

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NON-ACCELERATED FILER, OR A SMALLER REPORTING COMPANY. SEE THE DEFINITIONS OF LARGE ACCELERATED FILER , ACCELERATED FILER, AND SMALLER REPORTING COMPANY IN RULE 12b-2 OF THE EXCHANGE ACT. (CHECK ONE):

LARGE ACCELERATED FILER   x   ACCELERATED FILER   ¨   NON-ACCELERATED FILER   ¨ SMALLER REPORTING COMPANY   ¨

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

THE AGGREGATE MARKET VALUE OF VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT AS OF JUNE 30, 2007, THE LAST DAY OF THE REGISTRANT S SECOND FISCAL QUARTER WAS $3,380,548,415. THE MARKET VALUE OF VOTING STOCK HELD BY NON-AFFILIATES EXCLUDES THE VALUE OF THOSE SHARES HELD BY EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT.

THE NUMBER OF SHARES OF THE REGISTRANT S COMMON STOCK, $0.10 PAR VALUE, OUTSTANDING AS OF DECEMBER 31, 2007 WAS 75,129,401.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	FORM 10-K REFERENCE
Portions of Proxy Statement for 2008 Annual Meeting of Stockholders	Part III

FMC Corporation

2007 Form 10-K Annual Report

Table of Contents

		Page
	Part 1	
Item 1	Business	3
Item 1A	Risk Factors	19
Item 1B	Unresolved Staff Comments	20
Item 2	Properties	20
Item 3	Legal Proceedings	21
Item 4	Submission of Matters to a Vote of Security Holders	22
Item 4A	Executive Officers of the Registrant	22
	Part II	
Item 5	Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	23
Item 6	Selected Financial Data	26
Item 7	Management s Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	46
Item 8	Financial Statements and Supplementary Data	49
Item 9	Changes in Disagreements with Accountants on Accounting and Financial Disclosure	106
Item 9A	Controls and Procedures	106
Item 9B	Other Information	106
	Part III	
Item 10	Directors, Executive Officers and Corporate Governance	107
Item 11	Executive Compensation	107
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	107
Item 13	Certain Relationships and Related Transactions, and Director Independence	108
Item 14	Principal Accountant Fees and Services	108
	Part IV	
Item 15	Exhibits and Financial Statement Schedules	109
SIGNATURES		113

Table of Contents

PART I

FMC Corporation (FMC) was incorporated in 1928 under Delaware law and has its principal executive offices at 1735 Market Street, Philadelphia, Pennsylvania 19103. Throughout this Annual Report on Form 10-K, except where otherwise stated or indicated by the context, FMC , We, Us, or Our means FMC Corporation and its consolidated subsidiaries and their predecessors. Copies of the annual, quarterly and current reports we file with the SEC, and any amendments to those reports, are available on our website at *www.FMC.com* as soon as practicable after we furnish such materials to the SEC.

On August 17, 2007, the Board of Directors of FMC declared a two-for-one split of our common stock (the Stock Split) effected in the form of a distribution of one newly issued share paid on September 13, 2007 with respect to 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-K have been adjusted to reflect the Stock Split for all prior periods presented.

ITEM 1. BUSINESS
General

We are a diversified, global chemical company providing innovative solutions, applications and market-leading products to a wide variety of markets. We operate in three distinct business segments: Agricultural Products, Specialty Chemicals and Industrial Chemicals. Our Agricultural Products segment primarily focuses on insecticides, which are used in agriculture to enhance crop yield and quality by controlling a broad spectrum of pests and in pest control for non-agricultural applications, and on herbicides, which are used to reduce the need for manual or mechanical weeding by inhibiting or preventing weed growth. Specialty Chemicals consists of our BioPolymer and lithium businesses and focuses on food ingredients that are used to enhance texture, structure and physical stability, pharmaceutical additives for binding, encapsulation and disintegrant applications, ultrapure biopolymers for medical devices and lithium specialties for pharmaceutical synthesis, specialty polymers and energy storage. Our Industrial Chemicals segment manufactures a wide range of inorganic materials, including soda ash, hydrogen peroxide, specialty peroxygens and phosphorus chemicals.

The following table shows the principal products produced by our three business segments and their raw materials and uses:

Segment	Product	Raw Materials	Uses
Agricultural Products	Insecticides	Synthetic chemical intermediates	Protection of crops, including cotton, maize, soybeans, rice, sugarcane, cereals, fruits and vegetables from insects and for non-agricultural applications, including pest control for home, garden and other specialty markets
	Herbicides	Synthetic chemical intermediates	Protection of crops, including cotton, maize, soybeans, rice, sugarcane, cereals, fruits and vegetables, turf and roadsides from weed growth
Specialty Chemicals	Microcrystalline Cellulose	Specialty pulp	Drug dry tablet binder and disintegrant, food ingredient
	Carrageenan	Refined seaweed	Food ingredient for thickening and stabilizing, encapsulants for pharmaceutical and nutraceutical
	Alginates	Refined seaweed	Food ingredients, pharmaceutical excipient, wound care, orthopedic uses and industrial uses

Table of Contents

Segment	Product	Raw Materials	Uses
	Lithium	Mined lithium	Pharmaceuticals, polymers, batteries, greases and lubricants, air conditioning and other industrial uses
Industrial Chemicals	Soda Ash	Mined trona ore	Glass, chemicals, detergents
	Peroxygens	Hydrogen	Pulp & paper, chemical processing, detergents, antimicrobial disinfectants, environmental applications, electronics, and polymers
	Phosphorus Chemicals	Mined phosphate rock	Detergents, cleaning compounds, animal feed

We have operations in many areas around the world. With a worldwide manufacturing and distribution infrastructure, we are able to respond rapidly to global customer needs, offset downward economic trends in one region with positive trends in another and better match revenues to local costs to mitigate the impact of currency volatility. The charts below detail our sales and long-lived assets by major geographic region.

Revenues by Region - 2007

Revenue: $2,632.9 million

Long-lived Assets by Region - 2007

Long-lived Assets: $1,280.3 million

Our Strategy

Our corporate strategy is balanced between driving growth and innovation within our Specialty Chemicals and Agricultural Products segments and generating strong cash flow in our Industrial Chemicals segment. Our long-term objectives are as follows:

Realize the operating leverage inherent in our businesses. We intend to maximize earnings growth and return on capital by maintaining or enhancing our market positions, reducing costs and prudently managing our asset base. In soda ash, we continually strive to optimize our proprietary and low-cost solution mining and longwall mining techniques, thereby reducing our production costs, which we believe are already the lowest in the industry. In Foret, we have selectively shut down higher cost production capacity to improve profitability. These initiatives have positioned our Industrial Chemicals business to profitably benefit from higher capacity utilization rates. In Agricultural Products, we began to phase out operations at our Baltimore, Maryland facility as part of our ongoing program to reduce manufacturing costs by producing our products and/or intermediates in lower-cost locations. Agricultural Products also benefits from its efforts to continually streamline its supply chain and reduce logistics costs.

Table of Contents

Maintain strategic and financial flexibility. Going forward, we expect continued, sustained growth in our operating profit and resulting cash provided by operating activities. Furthermore, our businesses will meet future expected demand growth through a combination of debottlenecking current production, restarting mothballed capacity and sourcing from third parties. Lastly, we continue to explore asset sale opportunities. 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. This sale is expected to close in the first half of 2008. We intend to reinvest a portion of these proceeds into new, more cost efficient research facilities for our Agricultural Products and Specialty Chemicals businesses.

Focus the portfolio on higher growth businesses. Our goal is to achieve the highest overall growth while continuing to generate returns above our cost of capital. In this regard, we intend to focus on building upon our core franchises in the food ingredient, pharmaceutical, energy storage, crop protection and non-agricultural pest control markets that exist within the Specialty Chemicals and Agricultural Products segments. Internal development will continue to be a core element of our growth strategy. Our BioPolymer business is developing new pharmaceutical delivery systems and ultra-pure biopolymers for medical devices, and working closely with top global food companies in the development of new health and convenience foods. Our lithium business is developing applications for energy storage markets to serve the rapid growth in global demand for hand-held electronic devices. Our Agricultural Products business is testing proprietary product differentiating technologies which could improve the biological efficacy and/or the cost competitiveness of existing and new chemistries, thereby potentially enhancing those products market acceptance and value to end-users. Product or business acquisitions, in-licensing, alliances and equity ventures are strategic options to enhance our technology offerings, broaden our market access and extend our geographic footprint. Each growth opportunity will be evaluated in the context of continued value creation for our shareholders, including the degree to which the opportunity complements one of our existing franchises, generates substantial synergies and are accretive to earnings. In addition, we intend to divest any business that cannot sustain a return above its cost of capital.

Financial Information about Our Business Segments

See Note 19 to our consolidated financial statements included in this Form 10-K. Also see below for selected financial information related to our segments.

Agricultural Products

Financial Information (In Millions)

Agricultural Products:

Revenue and Operating Margin 2003-2007

Agricultural Products:

Capital Expenditures and Depreciation and Amortization 2003-2007

Table of Contents

Overview

Our Agricultural Products segment, which represents approximately 34 percent of our 2007 consolidated revenues, develops, manufactures and sells a portfolio of crop protection, professional pest control and lawn and garden products. Our innovation and growth efforts focus on developing environmentally compatible solutions that can effectively increase farmers yields and provide more cost-effective alternatives to older chemistries to which insects or weeds may have developed resistance. Over the last several years, we restructured and redeployed our R&D resources to focus our innovation efforts towards accelerating the delivery of new products and productivity-enhancing technologies to our customers. Our goal is to shorten the innovation cycle and provide quicker payback on development and technology spending.

We differentiate ourselves by our focused strategy in selected products, crops and markets coupled with our low-cost manufacturing strategy. We are continually working to gain access to proprietary chemistries and technologies from third parties which are complementary to our existing products and market focus. We are encouraged by our progress in licensing and partnering to create proprietary products, developing technically advanced delivery systems and commercializing unique product premixes and combinations. We are optimistic that these efforts will continue to result in sales and profit growth over the next few years.

Products and Markets

Agricultural Products:

2007 Sales Mix

Agricultural Products:

2007 Revenue by Region

Agricultural Products provides a wide range of proprietary, branded products based on both patented and off-patent technologies for global crop protection, professional pest control, and lawn and garden markets. Product branding is a prevalent industry practice used to help maintain and grow market share by promoting end-user recognition and product and supplier reputation. Agricultural Products enjoys relatively strong niche positions in crop and non-crop market segments in the Americas, Europe and other parts of the world and derived approximately 78 percent of its revenue from outside North America in 2007.

Insecticides represent the majority of our sales in the Agricultural Products segment, particularly pyrethroid and carbamate chemistries, in which we maintain leading market positions based on revenues. Pyrethroids are a major class of insecticides whose efficient application rates and cost competitiveness are differentiated compared to most other classes of insecticides. They are most effective against worm pests. Carbamates are broad spectrum insecticides used to control a wide variety of pests in both soil and foliar applications. Our proprietary herbicides have grown significantly over the last several years. Our herbicide portfolio primarily targets niche uses and controls a wide variety of difficult-to-control weeds. We are also selectively evaluating opportunities to enhance our market position in fungicides, so that we can broaden our portfolio across the three major pesticide categories, i.e. insecticides, herbicides and fungicides.

Table of Contents

The following table summarizes the principal product chemistries in Agricultural Products and the principal uses of each chemistry:

			Cotton	Corn	Rice	Cereals	Fruits, Vegetables	Soybeans	Sugar Cane	Tobacco	Oil Seed Rape	Prof.Pest Control Home & Garden
Insecticides	Pyrethroids	permethrin	X	X	X	X	X	X		X		X
		cypermethrin	X	X	X	X	X	X		X		X
		bifenthrin	X	X		X	X	X	X	X	X	X
		zeta-cypermethrin	X	X	X	X	X	X	X		X	X
	Carbamates	carbofuran	X	X	X	X	X	X	X	X		
		carbosulfan	X	X	X	X	X	X	X	X		
	Other	cadusafos					X			X		
Herbicides		carfentrazone-ethyl	X	X	X	X	X	X	X			X
		clomazone	X		X		X	X	X	X	X	
		sulfentrazone					X	X	X	X		X

Over the last several years, we have entered into a number of key agreements with third-party pesticide producers under which we work together to develop, market and/or distribute existing and new pesticide chemistries in various markets. These proprietary chemistries and technologies are complementary to our existing products and market strategies. The chemistries include flonicamid, a unique insecticide for controlling sucking pests, cyazofamid, a novel fungicide for crop and non-crop uses in the Americas and acetamiprid for pest control markets in North America. We also have numerous supply and access agreements with third-party producers for other pesticide products including the commercialization of proprietary premixes and combinations.

We access the market in key Western European markets through the Belgian-based pesticide distribution company, Belchim Crop Protection N.V., in which we have an ownership interest. We also have joint venture arrangements with Nufarm Limited in several key countries in Eastern Europe, which should allow us to capitalize on anticipated growth in this part of Europe. In North America, we access the market through several major national and regional distributors and recently strengthened our access capabilities by signing a long-term distribution agreement with Nufarm to market and sell a number of proprietary chemistries in Canada. Through these and other alliances, along with our own targeted marketing efforts and access to novel technologies, we expect to enhance our access in key agricultural and non-crop markets and develop new products that will help us continue to compete effectively.

We maintain competitive manufacturing cost positions through our strategy of sourcing raw materials, intermediates and finished products from third parties in lower-cost manufacturing countries such as China, India and Mexico. We are in the ninth year of implementing this low-cost manufacturing strategy. This strategy has resulted in significant cost savings and lower capital spending, and has reduced the fixed capital intensity of the business. In June 2007, we implemented the next stage of this strategy with the decision to phase out operations of our Baltimore, Maryland manufacturing facility by the end of the first quarter of 2008. This initiative will produce additional annual cost savings of approximately $25 million to $30 million, which is expected to be fully realized in fiscal year 2009.

Growth

We plan to grow by obtaining new and approved uses for existing product lines and acquiring, accessing, developing, marketing, distributing and/or selling complementary chemistries and/or related technologies from third parties in order to enhance our current product portfolio and our capabilities to effectively service our target

Table of Contents

markets and customers. Our growth will depend on our ability to deliver unique innovative solutions to our customers at an accelerating rate. Over the next several years, growth is anticipated from our proprietary insecticides and herbicides, and newly-accessed third party chemistries and/or technologies. For our proprietary insecticides, we launched a number of new products, expanded labels and/or unique formulations that deliver value-adding solutions to our customers. The emergence and spread of herbicide-resistant weeds and shifts in weed populations, coupled with several newly launched product formulations, expanded labels, and premixes, provide growth opportunities for our proprietary herbicide chemistries.

Industry Overview

The three principal categories of agricultural chemicals are herbicides, representing approximately half of global industry revenue, insecticides, representing approximately a quarter of global industry revenue, and fungicides, representing most of the remaining portion of global industry revenue.

Insecticides are used to control a wide range of insects, including chewing pests (such as caterpillars) and sucking pests (such as aphids). Insecticides are applied as sprays, dusts or granules and are used on a wide variety of crops such as fruits, vegetables, cotton, soybean, maize and cereals. There are several major classes of insecticide chemistries, including organophosphates, carbamates, pyrethroids and neonicotinoids.

Herbicides prevent or inhibit weed growth, thereby reducing or eliminating the need for manual or mechanical weeding. Herbicides can be selective (controlling only specific unwanted vegetation) or non-selective (controlling all vegetation), and are also segmented by their time of application: pre-planting, pre-emergent and post-emergent.

Fungicides prevent or inhibit the spread of plant disease which can adversely impact crop yields and quality. Fungicides are used on a wide variety of crops such as fruits, vegetables, soybean, cereals and rice.

The agrochemicals industry has undergone significant consolidation over the past ten years. Leading crop protection companies, Syngenta AG, Bayer AG, Monsanto Company, BASF AG, The Dow Chemical Company and E. I. du Pont de Nemours and Company (DuPont), currently represent approximately 70 percent of the industry s global sales. Significant drivers for this consolidation have been the growth and grower acceptance of biotechnology, employed in row crops, and the escalation of research and development and marketing costs.

The next tier of agrochemical producers, including FMC, Makhteshim-Agan Industries Ltd., Sumitomo Chemical Company Limited, Ishihara Sangyo Kaisha, Nufarm Limited, Arysta LifeScience and Cheminova A/S, employ various differentiated strategies and compete by (1) unique technologies, (2) focusing on certain crops, markets and geographies, and/or (3) competitive pricing based on low-cost manufacturing positions. Some of these producers are generic competitors with little or no investment in innovation. There is a growing trend among these producers to partner with one another to gain economies of scale and competitive market access more comparable to larger competitors. Additionally, a number of these companies have grown rapidly through acquisition of other companies and/or product divestitures from the leading crop protection companies.

Table of Contents

Specialty Chemicals

Financial Information (In Millions)

Specialty Chemicals:

Revenue and Operating Margin

2003-2007

Specialty Chemicals:

Capital Expenditures and Depreciation and Amortization
2003-2007

Overview

Our Specialty Chemicals segment, which represents 25 percent of our 2007 consolidated revenues, is focused on high-performance food ingredients, pharmaceutical excipients and encapsulants, biomedical technologies and lithium specialty products, all of which enjoy solid customer bases and consistent, growing demand. The majority of Specialty Chemicals sales are to customers in non-cyclical end markets. We believe that our future growth in this segment will continue to be based on the value-added performance capabilities of these products and our research and development capabilities, as well as on the alliances and the close working relationships we have developed with key global customers.

Products and Markets

Specialty Chemicals:

2007 Sales Mix

Specialty Chemicals:

2007 Revenue by Region

Table of Contents

BioPolymer

BioPolymer is organized around the food, pharmaceutical and medical device markets, and is a key supplier to many companies in these markets. Many of BioPolymer s customers in the food and pharmaceutical markets have come to rely on us for the majority of their supply requirements for these product lines. We believe that such reliance is based on our innovative solutions and operational quality. The Healthcare Ventures business of BioPolymer is leveraging this competency in innovation by developing new drug delivery and biomedical technologies for the pharmaceutical and medical device markets.

BioPolymer is a supplier of microcrystalline cellulose (MCC), carrageenan and alginates ingredients that have high value-added applications in the production of food, pharmaceutical and other specialty consumer and industrial products. MCC, processed from specialty grades of both hardwood pulp and softwood pulp, provides binding and disintegrant properties for dry tablets and capsules and has unique functionality that improves the texture and stability of many food products. Carrageenan and alginates, both processed from seaweed, are used in a wide variety of food, pharmaceutical, nutraceutical and biomedical applications. In our Healthcare Ventures business, we are developing three technology platforms: NovaMatrix, which develops and supplies ultrapure biopolymers and application know-how for biomedical uses; soft capsule, which provide alginate and carrageenan-based encapsulants for pharmaceutical and nutraceutical uses; and NRobe, which offers proprietary film-based oral dose technology for pharmaceutical uses. The following chart summarizes the markets for BioPolymer s products and our chemistries in each market:

		Microcrystalline Cellulose	**Carrageenan**	**Alginates**	**Other**
Food	Beverage	X	X	X	
	Dairy	X	X	X	
	Convenience foods	X	X	X	X
	Meat and poultry		X		
	Pet food and other	X	X	X	
Pharmaceutical	Tablet binding and coating	X	X	X	X
	Anti-reflux			X	
	Liquid suspension	X	X		
	Oral care		X		
	Cosmetic care	X	X	X	X
Health Care Ventures	Biomedical			X	X
	Oral dose forms		X	X	X

Lithium

Lithium is a vertically-integrated technology business, based on both inorganic and organic lithium chemistries. While lithium is sold into a variety of end-markets, we have focused our efforts on selected growth niches such as fine chemicals for pharmaceutical synthesis, specialty polymers and energy storage.

Organolithium products are sold to fine chemical and pharmaceutical customers who use lithium s unique chemical properties to synthesize high value-added products. Organolithiums are also highly valued in the specialty polymer markets as initiators in the production of synthetic rubbers and elastomers. Based on proprietary technology, our lithium business is working with companies who have expertise in the polymer industry to develop new, highly specialized polymers for a variety of end uses, such as industrial applications and automotive coatings.

Table of Contents

The electrochemical properties of lithium make it an ideal material for portable energy storage in high performance applications, including heart pacemakers, cell phones, camcorders, personal computers and next-generation technologies that combine cellular and wireless capabilities into a single device. Lithium is also being developed as the enabling element in advanced batteries for use in hybrid electric vehicles.

The following chart summarizes the major markets for various lithium products:

	Primary Inorganics	Specialty Inorganics	Lithium Metal/Ion Battery Materials	Organometallics	Intermediates
Fine Chemicals					
Pharmaceuticals, agricultural products	X		X	X	X
Polymers					
Elastomers, synthetic rubbers, industrial coatings			X	X	X
Energy Storage					
Non-rechargeable batteries, lithium ion batteries (rechargeable)	X	X	X		
Other					
Glass & ceramics, construction, greases & lubricants, air treatment, pool water treatment	X	X			

Industry Overview

Food Ingredients

Our BioPolymer business serves the texture, structure and physical stability (TSPS) food ingredients market. TSPS ingredients impart physical properties to thicken and stabilize foods. There are many types of TSPS ingredients and a wide range of food groups served, including bakery, meats, dairy and convenience products. The industry is dispersed geographically, with the majority of our sales in Europe, North America and Asia.

Trends driving market growth include increasing consumer interest in healthier foods, greater convenience and growth in per capita consumption of processed foods in emerging markets. The trend toward health and convenience drives the need for more functional ingredients to impart desired food tastes and textures. We believe carrageenan and MCC, which address this need, are growing faster than the overall TSPS market. The global customer base for TSPS is relatively fragmented and includes large and small food processors. Consolidation among these customers

has been a significant trend over the past several years. As a result, TSPS ingredient suppliers such as us have focused on establishing alliances with market leaders with the goal of reducing costs, leveraging technology and expanding product offerings with key accounts.

Within the entire food ingredients market, there are a relatively large number of suppliers, due principally to the broad spectrum of chemistries employed. Segment leadership, global position and investment in technology are key factors to sustaining profitability. In addition, larger suppliers may often provide a broader product line and a range of services to food companies including functional systems or blends. The top suppliers of TSPS ingredients include FMC, Danisco A/S, DuPont, JM Huber, Kerry Ingredients, Cargill Incorporated, DGF Stoess AG, and Tate & Lyle PLC.

Table of Contents

Pharmaceutical Chemicals

Our BioPolymer business sells into the formulation chemicals segment of the pharmaceutical market. The major end markets for formulation chemicals include coatings and colors, fillers, binders, sweeteners and flavors, disintegrants and others.

Competitors tend to be grouped by chemistry. Our principal MCC competitors in pharmaceuticals include J. Rettenmaier & Sôhne GmbH, Ming Tai Chemical Co., Ltd., Asahi Kasei Corporation and Blanver Farmoquimica Ltda. While pricing pressure from low cost producers is a common competitive dynamic, companies like us offset that pressure by providing the most reliable and broadest range of products and services. Our customers are pharmaceutical firms who depend upon reliable therapeutic performance of their drug products.

We also supply alginates, MCC and carrageenan into oral care, cosmetics and health care markets. Highly refined extracts from selected seaweeds provide a broad range of alginate functionality, including uses in anti-reflux disorders, dental impressions, control release of drugs and wound dressings. Special grades of carrageenan extracts are used in liquid cough medicines, toothpaste and a variety of skin care products.

Lithium

Lithium is a highly versatile metal with diverse end-use markets including glass/ceramics, aluminum production, pharmaceuticals, polymers and both rechargeable and disposable batteries. The markets for lithium chemicals are global with significant demand growth occurring in developing markets of China and India. We market a wide variety of lithium-based products ranging from upstream, commodity lithium carbonate to highly specialized downstream products such as organolithium compounds and cathodic materials for batteries.

There are only three integrated producers of lithium: FMC, Rockwood Holdings, Inc., and Sociedad Quimica y Minera de Chile S.A., all of which produce lithium carbonate. FMC has a stronger presence in downstream lithium specialties where Rockwood is the primary competitor.

Industrial Chemicals

Financial Information (In Millions)

Industrial Chemicals:

Revenue and Operating Margin

2003-2007

Industrial Chemicals:

Capital Expenditures and Depreciation and Amortization
2003-2007

Table of Contents

Overview

Our Industrial Chemicals segment, which represents 41 percent of our 2007 consolidated revenues, has low-cost positions in high volume inorganic chemicals including soda ash and hydrogen peroxide, complemented by high value, niche positions in specialty alkali, phosphorus and peroxygen products.

Products and Markets

Industrial Chemicals:

2007 Sales Mix

Industrial Chemicals:

2007 Revenue by Region

Industrial Chemicals serves a diverse group of markets, from economically-sensitive industrial sectors to technology-intensive specialty markets. We process and sell refined inorganic products that are sought by customers for their critical reactivity or specific functionality in markets such as glass, detergents and pulp and paper. In addition, we produce, purify and market higher value downstream derivatives into specialized and customer-specific applications. These applications include electronics, biocides and animal nutrition.

Alkali

Our alkali chemical division produces natural soda ash. Soda ash is used by manufacturers in glass, chemical processing and detergent industries. To lesser degrees, we also produce sodium bicarbonate, caustic soda and sodium sesquicarbonate. The majority of our alkali sales are manufactured by and sold through FMC Wyoming Corporation, which we manage as an integral part of our alkali business and in which we own shares representing an 87.5 percent economic interest, with the remaining shares held by two Japanese companies.

We mine and produce natural soda ash using proprietary, low-cost mining technologies, such as longwall and solution mining, which, we believe, give us the lowest cost position. Our two production sites in Green River, Wyoming have the capacity to produce approximately 4.85 million tons of soda ash annually, with approximately eight hundred thousand tons of this capacity currently mothballed at December 31, 2007. For the past several years, the U.S. soda ash industry was essentially sold out. As a result of this condition, during 2005 and 2006 we restarted 500,000 tons of previously mothballed capacity to meet the increase in demand driven by the growth in export markets. On February 8, 2008 we announced the recomissioning of the remaining mothballed capacity in Green River, Wyoming. We expect the additional capacity to be fully online by 2012. The initial volume increase will be above 100,000 tons per year starting in 2009, and the remaining capacity, approximately 700,000 tons per year will be commissioned in increments over the next three to four years depending on export growth.

Table of Contents

Peroxygens

We produce hydrogen peroxide at production facilities in the United States, Canada and Mexico, and, as described below, through our wholly-owned Foret subsidiary, in Spain and the Netherlands. We also participate in a joint venture company in Thailand. We sell hydrogen peroxide into the pulp and paper industry, and to a lesser extent, in the chemical processing, environmental, electronics and food industries. We are a leading North American producer of hydrogen peroxide due in part to our broad product line, geographically-advantaged plant locations, state-of-the-art processing technology and superior customer service. Hydrogen peroxide represents approximately 70% percent of our peroxygens sales.

Our specialty peroxygens business supplies persulfate products primarily to polymer and printed circuit board markets and peracetic acid predominantly to the food industry for biocidal applications. Typically, we compete as a specialty player where we believe that we are differentiated by our strong technical expertise, unique process technology and geographic location.

Foret

Our European subsidiary, FMC Foret, S.A. (Foret), headquartered near Barcelona, Spain, is a leading provider of chemical products to the detergent, paper, textile, mining, and chemical industries. Foret operates seven manufacturing facilities across Europe, including one mine, with market positions in phosphates, hydrogen peroxide, perborates, percarbonates, sulfur derivatives, zeolites, silicates and sodium sulfate. Foret s sales efforts are focused in Europe, Africa, and the Middle East and in South America mainly via Tripoliven, our Venezuelan joint-venture, in which Foret holds a minority participation.

In February 2008, we completed the sale of Foret s sodium sulfate assets.

Industry Overview

We primarily participate in three product areas: soda ash, peroxygens and phosphorus chemicals. These products are generally inorganic and are generally commodities that, in many cases, have few cost-effective substitutes. Growth is typically a function of GDP in developed markets or the rate of industrialization in key export markets. Pricing tends to reflect the short-term supply and demand balance as producers add or reduce capacity in response to demand changes.

Soda Ash

Soda ash is a highly alkaline inorganic chemical essential in the production of glass and widely used in the production of chemicals, soaps and detergents, and many other products. Natural soda ash is typically produced from trona, a natural form of sodium sesquicarbonate, through mining and chemical processing. Soda ash may also be produced synthetically, but this process requires a significant amount of energy and produces large quantities of waste by-products, making it much less cost-effective than natural soda ash production.

Because of the processing cost advantages of trona and the large natural reserves of trona in the U.S., particularly in Green River, Wyoming, all U.S. soda ash is naturally produced. By contrast, due to a lack of trona, the majority of the soda ash that is manufactured in the rest of the world is produced synthetically. Other U.S. producers are OCI Chemical Corporation, Solvay S.A., The General Chemical Group Inc., and Searles Valley Minerals, which was acquired by Nirma Limited in November 2007.

Approximately 46 percent of U.S. soda ash production served export markets in 2007, with approximately 29 percent of U.S. soda ash production exported through the American Natural Soda Ash Corporation (ANSAC). ANSAC is the foreign sales association of the significant U.S. soda ash producers established in 1983 under the Webb-Pomerene Act and subsequent legislation. Since its creation, ANSAC has been successful in coordinating soda ash exports, exploiting the inherent cost benefits of U.S. produced natural soda ash and

leveraging its large scale of operations to the benefit of its member companies. Consequently, U.S. exports of soda ash have risen significantly over the last 20 years.

Peroxygens

Hydrogen peroxide is typically sold for use as a bleach or oxidizer. As such, it often competes with other chemicals capable of performing similar functions. Some of our specialty peroxygen derivatives (e.g., persulfates, perborates, percarbonates) also function as bleaching or oxidizing agents. Environmental regulations, regional cost differences primarily due to transportation costs and technical differences in product performance factor into the decision to use hydrogen peroxide or one of its derivatives rather than another product. Since these considerations vary by region, the consumption patterns vary in different parts of the world. Hydrogen peroxide is sold in aqueous solutions, usually 35 percent, 50 percent or 70 percent by weight.

The North American pulp and paper industry represents approximately 70 percent of North American demand for hydrogen peroxide. In this market, hydrogen peroxide is used as an environmentally friendly bleaching agent to brighten chemical, mechanical, and recycled pulps, as well as treat a wide range of mill pollutants in the waste stream. The North American paper market is mature and new investment in pulp and paper capacity is largely focused in Asia and South America. The other North American hydrogen peroxide producers are Akzo Nobel N.V, Arkema Inc., Evonik Industries, Kemira Ovj, and Solvay S.A.

Phosphorous Chemicals

We participate in this business in Europe, the Middle East, Africa and South America through Foret. Major competitors include Thermphos International BV, Prayon Rupel, S.A. and various Chinese producers.

Phosphorous chemicals are used in many industrial applications in a wide array of chemical compounds. Overall growth in demand for phosphorous chemicals tends to correlate with GDP. Purified phosphoric acid (PPA) and phosphate salts (e.g., sodium phosphates and calcium phosphates) are sold into many markets including detergents, cleaning compounds and animal feed.

The basic input material for making phosphates is now produced using two processes. Most industrial applications use the cost-effective process that involves making PPA by the purification of fertilizer-grade phosphoric acid. Thermal phosphoric acid, long the industry standard, is produced from elemental phosphorus but is more costly due to energy and environmental compliance costs, and is now used in limited applications. Elemental phosphorus is still produced by Thermphos in the Netherlands and in several other countries, including China.

Over the next few years, industrial demand for phosphorous chemicals is expected to grow, driven by growing demand in the detergent industry in newly industrializing nations.

Source and Availability of Raw Materials

Our raw material requirements vary by business segment and include mineral-related natural resources (trona ore and lithium brines), processed chemicals, seaweed, specialty wood pulps and energy sources such as oil, gas, coal and electricity. Raw materials represented approximately 28 percent of our 2007 cost of sales and services, and no one raw material represented more than 8 percent of our total raw material purchases.

Ores used in Industrial Chemicals manufacturing processes are extracted by us from mines (e.g. trona in North America) or are purchased from others (e.g. phosphorous rock). Raw materials used by Specialty Chemicals include lithium brines, various types of seaweed that are sourced on a global basis and specialty pulps which are purchased from selected global producers. Raw materials used by Agricultural Products, primarily processed chemicals, are obtained from a variety of suppliers worldwide.

Table of Contents

Patents

We own a number of U.S. and foreign patents, trademarks and licenses that are cumulatively important to our business. We do not believe that the loss of any one or group of related patents, trademarks or licenses would have a material adverse effect on the overall business of FMC. The duration of our patents depends on their respective jurisdictions. Their expiration dates range through 2027.

Seasonality

The seasonal nature of the crop protection market and the geographic spread of the Agricultural Products business can result in significant variations in quarterly earnings. Agricultural products sold into the northern hemisphere (North America, Europe and parts of Asia) serve seasonal agricultural markets from March through September, generally resulting in earnings in the first, second and third quarters. Markets in the southern hemisphere (Latin America and parts of the Asia Pacific region, including Australia) are served from July through February, generally resulting in earnings in the third, fourth and first quarters. The remainder of our businesses is generally not subject to significant seasonal fluctuations.

Competition

We have a number one or number two market position in many of our product lines, based on revenue, either globally or in North America, largely as a result of our product offerings, proprietary technologies and our position as a low-cost producer. The following product lines accounted for the majority of our 2007 consolidated revenue. Market positions are based on the most recently available revenue data.

Agricultural Products		**Specialty Chemicals**		**Industrial Chemicals**	
Product Line	**Market Position**	**Product Line**	**Market Position**	**Product Line**	**Market Position**
Pyrethroids	#2 in North America	Microcrystalline cellulose	#1 globally	Soda ash	#1 in North America
Carbofuran	#1 globally	Carrageenan	#1 globally	Peroxygens	#1 in North America
		Alginates	#1 globally (1)		
		Lithium specialties	#1 globally (1)		

(1) Shared.

We encounter substantial competition in each of our three business segments. This competition is expected to continue in both the United States and markets outside of the United States. We market our products through our own sales organization and through alliance partners, independent distributors and sales representatives. The number of our principal competitors varies from segment to segment. In general, we compete by operating in a cost-efficient manner and by leveraging our industry experience to provide advanced technology, high product quality and reliability and quality customer and technical service.

Our Agricultural Products segment competes primarily in the global chemical crop protection market for insecticides, herbicides and fungicides. The industry is characterized by a relatively small number of large competitors and a large number of smaller, often regional competitors. Industry products include crop protection chemicals and, for certain major competitors, genetically engineered (crop biotechnology) products. Competition from generic producers has increased as a significant number of product patents held industry-wide have expired in the last decade. In general, we compete as an innovator by focusing on product development, including novel formulations, proprietary mixes, and advanced delivery systems and by acquiring or licensing (mostly) proprietary chemistries or technologies that complement our product and geographic focus. We also differentiate ourselves by our global cost-competitiveness via our manufacturing strategies, establishing effective product stewardship programs and developing strategic alliances that strengthen market access in key countries and regions.

With significant positions in markets that include alginate, carrageenan, microcrystalline cellulose and lithium-based products, Specialty Chemicals competes on the basis of product differentiation, market

Table of Contents

applications expertise, customer service and price. BioPolymer competes with both direct suppliers of cellulose and seaweed extract as well as suppliers of other hydrocolloids, which may provide similar functionality in specific applications. In microcrystalline cellulose, competitors are typically smaller than us, while in seaweed extracts (alginates), we compete with other broad-based chemical companies. We and each of our two most significant competitors in lithium extract the element from naturally occurring lithium-rich brines located in the Andes Mountains of Argentina and Chile which are believed to be the world s most significant and lowest cost sources of lithium.

Industrial Chemicals serves the soda ash markets worldwide, the peroxygens markets predominantly in North America and Europe and the phosphorus markets in Europe, the Middle East and Latin America. In North America, our soda ash business competes with four domestic producers of natural soda ash, three of which operate in the vicinity of our mine and processing facilities in Green River, Wyoming. Outside of the U.S, Canada and Europe, we sell soda ash mainly through ANSAC. Internationally, our natural soda ash competes with synthetic soda ash manufactured by numerous producers, ranging from integrated multinational companies to smaller regional companies. We maintain a leading position in the North American market for hydrogen peroxide. There are currently five other firms competing in the hydrogen peroxide market in North America. The primary competitive factor affecting the sales of soda ash and hydrogen peroxide is price. We seek to maintain our competitive position by employing low cost processing technology. At Foret, we possess strong cost and market positions in phosphates, percarbonate, peroxygens, zeolites, silicates, and sulfur derivatives. In each of these markets we face significant competition from a range of multinational and regional chemical producers. Competition in phosphorus chemicals is based primarily on price and to a lesser degree product differentiation.

Research and Development Expense

We perform research and development in all of our segments with the majority of our efforts focused in the Agricultural Products segment. The product development efforts in the Agricultural Products segment focus on developing environmentally sound solutions and new product formulations that cost-effectively increase farmers yields and provide alternatives to insect-resistant chemistries. In 2006, we restructured and redeployed our Agricultural Products new chemistry discovery spending to focus our innovation efforts on delivering value-adding solutions more quickly to our customers. This shift in strategy should result in a shorter innovation cycle for the segment. Our research and development expenses in the last three years are set forth below:

		Year Ended December 31,	
	2007	2006	2005
		(in Millions)	
Agricultural Products	$ 69.7	$ 74.1	$ 72.4
Specialty Chemicals	17.0	15.0	15.1
Industrial Chemicals	7.9	7.8	6.9
Total	$ 94.6	$ 96.9	$ 94.4

Environmental Laws and Regulations

We are subject to various federal, state, local and foreign environmental laws and regulations that govern emissions of air pollutants, discharges of water pollutants, and the manufacture, storage, handling and disposal of hazardous substances, hazardous wastes and other toxic materials and remediation of contaminated sites. We are also subject to liabilities arising under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and similar state laws that impose responsibility on persons who arranged for the disposal of hazardous substances, and on current and previous owners and operators of a facility for the clean-up of hazardous substances released from the facility into the environment. In addition, we are subject to liabilities under the Resource Conservation and Recovery Act (RCRA) and analogous state laws that require owners and operators of facilities that treat, store or dispose of hazardous waste to follow certain waste management practices and to clean up releases of hazardous substances into the environment associated with past or present practices.

Table of Contents

We have been named a Potentially Responsible Party (PRP) at 30 sites on the federal government s National Priorities List (NPL) at which our potential liability has not yet been settled. In addition, we also have received notice from the EPA or other regulatory agencies that we may be a PRP or PRP equivalent, at other sites, including 39 sites at which we have determined that it is reasonably possible that we have environmental liability. In cooperation with appropriate government agencies, we are currently participating in, or have participated in, a Remedial Investigation/Feasibility Study (RI/FS) or its equivalent at most of the identified sites, with the status of each investigation varying from site to site. At certain sites, a RI/FS has only recently begun, providing limited information, if any, relating to cost estimates, timing, or the involvement of other PRPs; whereas, at other sites, the studies are complete, remedial action plans have been chosen, or a Record of Decision (ROD) has been issued.

Environmental liabilities include obligations relating to waste handling and the remediation and/or study of sites at which we are alleged to have released or disposed of hazardous substances. These sites include current operations, previously operated sites, and sites associated with discontinued operations. We have provided reserves for potential environmental obligations that we consider probable and for which a reasonable estimate of the obligation can be made. As of December 31, 2007, our net environmental reserve was $169.8 million compared to $167.2 million at December 31, 2006. We have recorded recoveries, representing probable realization of claims against insurance companies, U.S. government agencies and other third parties of $35.4 million and $37.0 million, respectively at December 31, 2007 and 2006. The recoveries at December 31, 2007 are recorded as either an offset to the Environmental liabilities, continuing and discontinued totaling $18.8 million or as Other Assets totaling $16.6 million in our consolidated balance sheets. The recoveries at December 31, 2006 are recorded as either an offset to the Environmental liabilities, continuing and discontinued totaling $22.4 million or as Other Assets totaling $14.6 million in our consolidated balance sheets. In addition, we have estimated that reasonably possible environmental loss contingencies may exceed amounts accrued by approximately $75 million at December 31, 2007.

Employees

We employ approximately 5,000 people, with approximately 2,600 people in our domestic operations and 2,400 people in our foreign operations. Approximately 34 percent of our U.S.-based employees and 39 percent of our foreign-based employees are represented by collective bargaining agreements. We have successfully concluded virtually all of our recent contract negotiations without a work stoppage. In those rare instances where a work stoppage has occurred, there has been no material effect on consolidated sales and earnings. We cannot predict, however, the outcome of future contract negotiations. In 2008, we have four collective-bargaining agreements expiring. These contracts affect approximately 2 percent of U.S.-based employees and 10 percent of foreign-based employees.

Securities and Exchange Commission Filings

Securities and Exchange Commission (SEC) filings are available free of charge on our website, www.fmc.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are posted as soon as practicable after we furnish such materials to the SEC.

In accordance with the New York Stock Exchange (NYSE) rules, on May 16, 2007, the Company filed our certification by our Chief Executive Officer (CEO) that, as of the date of the certification, he was unaware of any violation by FMC of the NYSE s corporate governance listing standards. We also file with each Form 10-Q and our Form 10-K certifications by the CEO and Chief Financial Officer under sections 302 and 906 of the Sarbanes Oxley Act of 2002.

Table of Contents

ITEM 1A. RISK FACTORS
Among the factors that could have an impact on our ability to achieve operating results and meet our other goals are:

Industry Risks:

Pricing and volumes in our markets are sensitive to a number of industry specific and global issues and events including:

Capacity utilization Our Industrial Chemicals businesses are sensitive to industry capacity utilization. As a result, pricing tends to fluctuate when capacity utilization changes occur within our industry.

Competition All of our segments face competition, which could affect our ability to raise prices or successfully enter certain markets or retain our market position. Additionally in Agricultural Products, competition from genetically modified products (GMO) as well as generic producers has increased. Generics are driven by the number of significant product patents that have expired in the last decade.

Changes in our customer base Our customer base has the potential to change, especially when long-term supply contracts are renegotiated. Our Industrial Chemicals and Specialty Chemicals businesses are most sensitive to this risk.

Climatic conditions Our Agricultural Products markets are affected by climatic conditions, which could adversely affect crop pricing and pest infestations. The nature of these events makes them difficult to predict.

Changing regulatory environment Changes in the regulatory environment, particularly in the United States and the European Union, could adversely impact our ability to continue selling certain products in our domestic and foreign markets. Our Agricultural Products business is most sensitive to this general regulatory risk. In the European Union, the regulatory risk specifically includes the new chemicals regulation known as REACH (Registration, Evaluation, and Authorization of Chemicals), which will affect each of our business segments to varying degrees. The fundamental principle behind this regulation is that manufacturers must verify that their chemicals can be marketed safely through a special registration system.

Climate change regulation Changes in the regulation of greenhouse gases, depending on their nature and scope, could subject our manufacturing operations, particularly certain Industrial Chemicals operations in the United States, to additional costs or limits on operations.

Raw materials and energy costs Our operating results are significantly affected by the cost of raw materials and energy, including natural gas. We may not be able to fully offset the impact of higher raw materials and energy costs through price increases or productivity improvements.

Supply arrangements/Chain/Production hazards Certain raw materials are critical to our production process, especially in Agricultural Products and Specialty Chemicals, and while we have made supply arrangements to meet planned operating requirements an inability to obtain the critical raw materials or execute under the contract manufacturing arrangements would adversely impact our ability to produce product. We increasingly source critical intermediates and finished products from a number of suppliers, especially in Agricultural Products. An inability to obtain these products or execute under the contract sourcing arrangements would adversely impact our ability to sell product. Our facilities and those of our key contract manufacturers are subject to operating hazards, which may disrupt our business.

Economic and political change Our business could be adversely affected by economic and political changes in the markets where we compete including: war, terrorism, civil unrest, inflation rates, recessions, trade restrictions, foreign ownership restrictions and economic embargoes imposed by the United States or any of the foreign countries in which we do business; change in governmental laws and regulations and the level of enforcement of these laws and regulations; other governmental actions; and other external factors over which we have no control.

Table of Contents

Market access risk Our results may be affected by changes in distribution channels, which could impact our ability to access the market. In certain Agricultural Products segments, we access the market through joint ventures in which we do not have majority control. Where we do not have a strong product portfolio or market access relationships, we may be vulnerable to changes in the distribution model or influence of competitors with stronger product portfolios.

Litigation and environmental risks Current reserves relating to our ongoing litigation and environmental liabilities may ultimately prove inadequate.

Hazardous materials We manufacture and transport certain materials that are inherently hazardous due to their toxic or volatile nature and while we take precautions to handle and transport these materials in a safe manner if they are mishandled or released into the environment it could cause property damage or personal injury claims against us.

Technology Risks:

Failure to make continued improvements in our product technology and new product introductions could impede our competitive position, particularly in Agricultural Products and Specialty Chemicals.

Failure to continue to make process improvements to reduce costs could impede our competitive position.

Financial Risks:

We are an international company and therefore face foreign exchange rate risks. We are particularly sensitive to the euro, the Chinese yuan, and the Brazilian real. To a lesser extent, we are sensitive to other Asian currencies, particularly the Japanese yen.

In Brazil our customers face a combination of economic factors that could result in cash flow pressures that lead to slower payments.

We have significant deferred income tax assets. The carrying value of these assets is dependent upon, among other things, our future performance and our ability to successfully implement our future business plans.

We have significant investments in long-lived assets and continually review the carrying value of these assets for recoverability in light of changing market conditions and alternative product sourcing opportunities.

Our results incorporate the financial performance of our equity affiliates. As such, our influence, though significant, is exercised in concert with our partners; accordingly, the performance of these investments is not under our control.

Obligations related to our pension and postretirement plans reflect certain assumptions. To the extent our plans actual experience differs from these assumptions, our costs and funding obligations could increase or decrease significantly.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

FMC leases executive offices in Philadelphia, Pennsylvania and operates 32 manufacturing facilities and mines in 16 countries. Our major research and development facility is in Princeton, New Jersey. See Note 9 in the notes to the consolidated financial statements for further information regarding the sale of this facility. In February 2008, we completed the sale of Foret s sodium sulfate assets, located in Toledo, Spain and this manufacturing facility is excluded from the below table.

Table of Contents

Trona ore, used for soda ash production in Green River, Wyoming, is mined primarily from property held under long-term leases. We own the mineral rights to the Salar del Hombre Muerto lithium reserves in Argentina. A number of our chemical plants require the basic raw materials that are provided by these mines, without which other sources would have to be obtained. With regard to our mining properties operated under long-term leases, no single lease or related group of leases is material to our businesses or to our company as a whole.

We believe our facilities meet present requirements and are in good operating condition. The number and location of our owned or leased production properties for continuing operations are:

	United States	Latin America and Canada	Western Europe	Asia-Pacific	Total
Agricultural Products (1)	4	1		3	8
Specialty Chemicals	3	2	4	3	12
Industrial Chemicals	4	2	6		12
Total	11	5	10	6	32

(1) Includes our Baltimore, Maryland manufacturing facility. We made the decision in June 2007 to phase out operations of this facility by the end of the first quarter of 2008.

ITEM 3. LEGAL PROCEEDINGS

Like hundreds of other industrial companies, we have been named as one of many defendants in asbestos-related personal injury litigation. These cases (most cases involve between 25 and 200 defendants) allege personal injury or death resulting from exposure to asbestos in premises of FMC or to asbestos-containing components installed in machinery or equipment manufactured or sold by discontinued operations. The machinery and equipment businesses we owned or operated did not fabricate the asbestos-containing component parts at issue in the litigation, and to this day, neither the U.S. Occupational Safety and Health Administration nor the EPA has banned the use of these components. Further, the asbestos-containing materials were housed inside of machinery and equipment and accessible only at the time of infrequent repair and maintenance. Therefore, we believe that, overall, the claims against FMC are without merit and consider ourselves to be a peripheral defendant in these matters. Indeed, the bulk of the claims against us to date have been dismissed without payment.

As of December 31, 2007, there were approximately 29,000 premises and product asbestos claims pending against FMC in several jurisdictions. To date, we have had discharged approximately 75,000 asbestos claims against FMC, the overwhelming majority of which have been dismissed without any payment to the plaintiff. Settlements by us with claimants to date have totaled approximately $17.7 million.

We intend to continue managing these cases in accordance with our historical experience. We have established a reserve for this litigation and believe that the outcome of these cases will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

In late June 2004, we were served in a lawsuit captioned Lewis et al v FMC Corporation which was filed in United States District Court for the Western District of New York. The suit was brought by thirteen residents of Middleport, New York who allege that we violated certain state and federal environmental laws and seeks injunctive relief and monetary damages for personal injuries and property damage in connection with such alleged violations. We believe this suit is without merit.

We have certain other contingent liabilities arising from litigation, claims, performance guarantees and other commitments incident to the ordinary course of business. Based on information currently available and established reserves, the ultimate resolution of our known contingencies, including the matters described in Note 18 to the consolidated financial statements in this Form 10-K, is not expected to have a material adverse effect on our consolidated financial position or liquidity. However, there can be no assurance that the outcome of these

21

contingencies will be favorable, and adverse results in certain of these contingencies could have a material adverse effect on our consolidated financial position, results of operations or liquidity.

See Note 1 Principal Accounting Policies and Related Financial Information Environmental Obligations, Note 12 Environmental and Note 18 Commitments, Guarantees and Contingent Liabilities in the notes to our consolidated financial statements beginning on page 55, page 78 and page 95, respectively, included in this Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of FMC Corporation, the offices currently held by them, their business experience since at least January 1, 1999 and earlier and their ages as of December 31, 2007, are as follows:

Name	Age on 12/31/2007	Office, year of election and other information
William G. Walter	62	Chairman, Chief Executive Officer and President (01-present); Executive Vice President (00); Vice President and General Manager Specialty Chemicals Group (97); General Manager Alkali Chemicals Division (92); General Manager, Defense Systems International (86); Board member, International Paper Company (05-present)
W. Kim Foster	59	Senior Vice President and Chief Financial Officer (01-present); Vice President and General Manager Agricultural Products Group (98); Director, International, Agricultural Products Group (96); General Manager, Airport Products and Systems Division (91); Board member, Hexcel Corporation (May 2007 present)
Andrea E. Utecht	59	Vice President, General Counsel and Secretary (01-present); Senior Vice President, Secretary and General Counsel, Atofina Chemicals, Inc. (96)
Theodore H. Butz	49	Vice President and General Manager Specialty Chemicals Group (03-present); General Manager, BioPolymer Division (99); General Manager, Food Ingredients Division (96); Director BioProducts and Group Development, Specialty Chemicals (95)
Milton Steele	59	Vice President and General Manager Agricultural Products Group (01-present); International Director, Agricultural Products (99); General Manager Bio Product Division (98); General Manager, Asia Pacific (96); Area Manager, Asia Pacific (92)
D. Michael Wilson	45	Vice President and General Manager Industrial Chemicals Group (03-present); General Manager Lithium Division (97); Vice President and General Manager, Technical Specialty Papers Division, Wausau Paper Corporation (96); Vice President Sales and Marketing, Rexam, Inc. (93)
Thomas C. Deas, Jr.	57	Vice President and Treasurer (01-present); Vice President, Treasurer and CFO, Applied Tech Products Corp. (98); Vice President, Treasurer and CFO, Airgas, Inc. (97); Vice President, Treasurer and CFO, Maritrans, Inc. (96); Vice President Treasury and Assistant Treasurer, Scott Paper Company (88)
Graham R. Wood	54	Vice President, Corporate Controller (01-Present); Group Controller Agricultural Products Group (99); Chief Financial Officer European Region (97); Group Controller FMC Foodtech (93)

No family relationships exist among any of the above-listed officers, and there are no arrangements or understandings between any of the above-listed officers and any other person pursuant to which they serve as an officer. All officers are elected to hold office for one year or until their successors are elected and qualified.

22

Table of Contents

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

FMC common stock of $0.10 par value is traded on the New York Stock Exchange and the Chicago Stock Exchange (Symbol: FMC). There were 5,096 registered common stockholders as of December 31, 2007. Presented below are the 2007 and 2006 quarterly summaries of the high and low prices of the company s common stock after giving effect to our September 2007 Stock Split for all prior periods presented. In 2006, the Board of Directors approved the initiation of a quarterly cash dividend of $0.09 per share which was paid in April, July, and October 2006, and January and April 2007. In April 2007, the Board announced its plan to increase the quarterly dividend by 17 percent from $0.09 to $0.105 per share and dividends at this rate were paid in July and October 2007 and January 2008. Total cash dividends of $29.7 million and $21.0 million were paid in 2007 and 2006, respectively. No cash dividends were paid in 2005. The following table sets forth, for the indicated periods, the high and low price ranges of our common stock.

	2007				2006			
Common stock prices:	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
High	$ 39.73	$ 44.96	$ 52.45	$ 59.00	$ 31.69	$ 33.34	$ 32.74	$ 38.99
Low	$ 35.63	$ 36.47	$ 41.56	$ 50.77	$ 25.87	$ 30.36	$ 27.75	$ 31.84

FMC s annual meeting of stockholders will be held at 2:00 p.m. on Tuesday, April 22, 2008, at the National Constitution Center, Kirby Auditorium 2nd Level, 525 Arch Street at Independence Mall, Philadelphia, PA 19106. Notice of the meeting, together with proxy materials, will be mailed approximately 30 days prior to the meeting to stockholders of record as of February 26, 2008.

Transfer Agent and Registrar of Stock:	National City Bank Corporate Trust Operations P.O. Box 92301 Cleveland, Ohio 44193-0900

Table of Contents

Stockholder Return Performance Presentation

The graph that follows shall not be deemed to be incorporated by reference into any filing made by FMC under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The following Stockholder Performance Graph compares the five-year cumulative total return on FMC s Common Stock for the period from January 1, 2003 to December 31, 2007 with the S&P Midcap 400 Index and the S&P 400 Chemicals Index. The comparison assumes $100 was invested on December 31, 2002 in FMC s Common Stock and in both of the Indices, and the reinvestment of all dividends.

	2002	2003	2004	2005	2006	2007
FMC Corp	100.00	124.93	176.79	194.62	282.83	402.31
S&P 400 Midcap Index	100.00	135.34	155.93	173.57	189.34	202.09
S&P 400 Chemicals Index	100.00	117.69	150.15	144.58	166.49	208.84

Table of Contents

For the three and twelve months ended December 31, 2007, we made the following share repurchases:

PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Total Dollar Value of Purchases under the Program	Maximum Dollar Value of Shares that May Yet be Purchased Under the Program
Total 1Q 2007	592,186	$ 37.39	536,422	$ 19,999,938	$ 39,990,511
Total 2Q 2007	775,186	$ 42.17	705,752	$ 29,999,990	$ 220,000,010
Total 3Q 2007	677,904	$ 44.58	672,980	$ 29,999,965	$ 190,000,045
October 1-31, 2007		$		$	$ 190,000,045
November 1-30, 2007	250,369	$ 52.58	248,700	$ 13,068,152	$ 176,931,893
December 1-31, 2007	342,224	$ 54.54	310,985	$ 16,931,822	$ 160,000,071
Total 4Q 2007	592,593	$ 53.71	559,685	$ 29,999,974	$ 160,000,071
Total 2007	2,639,869	$ 44.31	2,474,839	$ 109,999,867	$ 160,000,071

On April 24, 2007, the Board of Directors authorized the repurchase of up to $250 million of our common stock. The new $250 million share repurchase program replaces the $150 million program authorized in February 2006. During the twelve months ended December 31, 2007, we repurchased 2,474,839 of our shares at an aggregate cost of approximately $110 million, including 536,422 shares for approximately $20 million under the old program and 1,938,417 shares for approximately $90 million under the new program.

We also reacquire shares from time to time in connection with the vesting and exercise of awards under our equity compensation plans, and such reacquisitions are included in the share repurchases reported under this Item.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial and other data presented below for, and as of the end of, each of the years in the five-year period ended December 31, 2007, are derived from our consolidated financial statements. The selected consolidated financial data should be read in conjunction with our consolidated financial statements for the year ended December 31, 2007.

	Year Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(in Millions, except per share data and ratios)				
Income Statement Data:					
Revenue	$ 2,632.9	$ 2,345.9	$ 2,146.0	$ 2,055.6	$ 1,921.1
Income from continuing operations before equity in (earnings) loss of affiliates, investment gains, minority interests, interest expense, net, loss on extinguishment of debt, income taxes and cumulative effect of change in accounting principle	228.0	250.8	235.3	229.7	201.4
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	185.7	212.4	189.1	135.5	37.7
Income from continuing operations before cumulative effect of change in accounting principle	156.7	144.1	108.4	178.3	39.6
Discontinued operations, net of income taxes (1)	(24.3)	(12.8)	6.1	(15.4)	(13.3)
Cumulative effect of change in accounting principle, net of income taxes (2)			(0.5)		
Net income	$ 132.4	$ 131.3	$ 114.0	$ 162.9	$ 26.3
Basic earnings (loss) per common share (3):					
Continuing operations	$ 2.08	$ 1.88	$ 1.44	$ 2.46	$ 0.56
Discontinued operations	(0.32)	(0.17)	0.08	(0.21)	(0.19)
Cumulative effect of change in accounting principle			(0.01)		
Net earnings (loss) per common share	$ 1.76	$ 1.71	$ 1.51	$ 2.25	$ 0.37
Diluted earnings (loss) per common share (3):					
Continuing operations	$ 2.02	$ 1.82	$ 1.38	$ 2.39	$ 0.56
Discontinued operations	(0.31)	(0.16)	0.08	(0.21)	(0.19)
Cumulative effect of change in accounting principle			(0.01)		
Net earnings (loss) per common share	$ 1.71	$ 1.66	$ 1.45	$ 2.18	$ 0.37
Balance Sheet Data:					
Total assets	$ 2,733.4	$ 2,740.7	$ 2,745.3	$ 2,982.1	$ 2,834.2
Long-term debt	$ 497.3	$ 576.0	$ 640.7	$ 893.0	$ 1,036.4
Other Data:					
Ratio of earnings to fixed charges **(4)**	5.1x	5.3x	2.5x	2.4x	2.0x

Footnotes:

(1) Discontinued operations, net of income taxes includes the following items related to our discontinued businesses: gains and losses related to adjustments to our estimates of our liabilities for general liability, workers compensation, tax liabilities, postretirement benefit

obligations, legal defense, property maintenance and other costs, losses for the settlement of litigation and environmental reserves and gains related to property sales.

Table of Contents

(2) On December 31, 2005, we adopted FASB Interpretation No. 47 Accounting for Conditional Asset Retirement Obligations . The cumulative effect of adoption was an after-tax charge of $0.5 million.

(3) On August 17, 2007, the Board of Directors of FMC declared a two-for-one split of our common stock effected in the form of a distribution of one newly issued share paid on September 13, 2007 with respect to 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-K have been adjusted to reflect the Stock Split for all prior periods presented.

(4) In calculating this ratio, earnings consist of income from continuing operations before income taxes and cumulative effect of change in accounting principle plus minority interests, interest expense, net, amortization expense related to debt discounts, fees and expenses, amortization of capitalized interest, interest included in rental expenses (assumed to be one third of rent) and equity in (earnings) loss of affiliates. Fixed charges consists of interest expense, net, amortization of debt discounts, fees and expenses, interest capitalized as part of fixed assets and interest included in rental expenses.

FORWARD-LOOKING INFORMATION

Statement under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995: We and our representatives may from time to time make written or oral statements that are forward-looking and provide other than historical information, including statements contained in Management s Discussion and Analysis of Financial Condition and Results of Operations within, in our other filings with the Securities and Exchange Commission, or in reports to our stockholders. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. These factors include, among other things, the risk factors listed in Item 1A of this Form 10-K.

In some cases, we have identified forward-looking statements by such words or phrases as will likely result, is confident that, expect, expects, should, could, may, will continue to, believe, believes, anticipates, predicts, forecasts, estimates, projects, potential, in expressions identifying forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including the negative of those words and phrases. Such forward-looking statements are based on our current views and assumptions regarding future events, future business conditions and the outlook for the company based on currently available information. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, these statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a diversified, global chemical company providing innovative solutions and applications to a wide variety of end markets. We operate in three business segments: Agricultural Products, Specialty Chemicals and Industrial Chemicals. Agricultural Products principal focus is on insecticides, which are used to enhance crop yield and quality by controlling a wide spectrum of pests, and on herbicides, which are used to reduce the need for manual or mechanical weeding by inhibiting or preventing weed growth. Specialty Chemicals consists of our BioPolymer and lithium businesses and focuses on food ingredients that are used to enhance texture, structure and physical stability, pharmaceutical additives for binding and disintegrant use and lithium specialties for pharmaceutical synthesis, specialty polymers and energy storage. Our Industrial Chemicals segment manufactures a wide range of inorganic materials, including soda ash, peroxygens and phosphorus chemicals.

2007 Highlights

2007 was a year in which we experienced continued sales growth in all of our business segments. Consolidated revenue of $2,632.9 million was up 12.2 percent from the prior year. Agricultural Products, Specialty Chemicals and Industrial Chemicals had revenue increases of 16 percent, 11 percent and 10 percent, respectively. We also had strong performance across most of our business segments for the year ended December 31, 2007. Segment operating profit, as presented in Note 19 to the consolidated financial statements in this Form 10-K, increased 21.0 percent for the year ended December 31, 2007 compared to the prior period. We continue to be impacted by higher energy costs and higher raw material costs. Included in our net income were various restructuring and other income and charges which are described in more detail below under Results of Operations. Our segment results for the year ended December 31, 2007 were impacted, in particular, by the following:

Agricultural Products segment operating profits increased significantly due to higher sales in all geographic regions, particularly in Brazil as a result of buoyant market conditions, including high commodity prices for most crops, as well as continued global supply chain productivity improvements, which more than offset higher incremental selling and distribution costs due to increased sales and higher energy and raw materials costs.

Specialty Chemicals segment operating profits increased as a result of higher selling prices in primary lithium compounds and strong commercial performance in both pharmaceutical and food businesses in BioPolymer. Segment operating profit also increased due to improved mix and continued productivity improvements, which more than offset increased raw material costs.

Industrial Chemicals segment operating profits decreased for the year ended December 31, 2007 and were unfavorably impacted by higher energy and raw material costs across its businesses and lower electricity selling prices in Spain in the first three quarters of the year, where Foret operates electricity cogeneration facilities and excess electricity is sold into the Spanish electrical grid. These higher costs more than offset higher selling prices and export volume growth in soda ash.

2008 Outlook

In 2008, we expect continued growth in our revenue and earnings. The increase in revenue is expected to be driven by higher selling prices for soda ash, higher volumes in BioPolymer and lithium, higher selling prices in Biopolymer and, in Agricultural Products, a healthy global agribusiness economy, new product introductions and increased demand for biofuels. The increase in earnings is expected to be driven by sales growth, new product introductions and further supply chain productivity improvements in Agricultural Products, continued strong commercial performance in BioPolymer, and aggregate price and volume benefits in Industrial Chemicals. Higher raw material and energy costs are expected to partially offset our profit growth. We expect cash flow generation from our business segments to remain strong.

Table of Contents

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with U.S generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have described our accounting policies in Note 1 to our consolidated financial statements included in this Form 10-K. We have reviewed these accounting policies, identifying those that we believe to be critical to the preparation and understanding of our consolidated financial statements. We have reviewed with the Audit Committee those accounting policies that we have deemed critical. These policies are central to our presentation of results of operations and financial condition and require management to make estimates and judgments on certain matters. We base our estimates and judgments on historical experience, current conditions and other reasonable factors.

Environmental obligations

We provide for environmental-related obligations when they are probable and amounts can be reasonably estimated. Where the available information is sufficient to estimate the amount of liability, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used.

Estimated obligations to remediate sites that involve oversight by the EPA, or similar government agencies, are generally accrued no later than when a ROD, or equivalent, is issued, or upon completion of a RI/FS that is submitted by us to the appropriate government agency or agencies. Estimates are reviewed quarterly by our environmental remediation management, as well as by financial and legal management and, if necessary, adjusted as additional information becomes available. The estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, required remediation methods, and other actions by or against governmental agencies or private parties.

Our environmental liabilities for continuing and discontinued operations are principally for costs associated with the remediation and/or study of sites at which we are alleged to have disposed of hazardous substances. Such costs principally include, among other items, RI/FS, site remediation, costs of operation and maintenance of the remediation plan, fees to outside law firms and consultants for work related to the environmental effort, and future monitoring costs. Estimated site liabilities are determined based upon existing remediation laws and technologies, specific site consultants engineering studies or by extrapolating experience with environmental issues at comparable sites.

Included in the environmental reserve balance, other assets and reasonably possible loss contingencies for 2007 are potentially recoverable amounts from third party insurance policies, and some of these amounts have been recognized as offsetting recoveries in 2007.

Provisions for environmental costs are reflected in income, net of probable and estimable recoveries from named PRPs or other third parties. Such provisions incorporate inflation and are not discounted to their present values.

In calculating and evaluating the adequacy of our environmental reserves, we have taken into account the joint and several liability imposed by CERCLA and the analogous state laws on all PRPs and have considered the identity and financial condition of each of the other PRPs at each site to the extent possible. We have also considered the identity and financial condition of other third parties from whom recovery is anticipated, as well as the status of our claims against such parties. Although we are unable to forecast the ultimate contributions of PRPs and other third parties with absolute certainty, the degree of uncertainty with respect to each party is taken into account when determining the environmental reserve by adjusting the reserve to reflect the facts and circumstances on a site-by-site basis. Our liability includes our best estimate of the costs expected to be paid before the consideration of any potential recoveries from third parties. We believe that any recorded recoveries related to PRPs are realizable in all material respects. Recoveries are recorded as either an offset in Environmental liabilities, continuing and discontinued or as Other Assets in our consolidated balance sheets.

Table of Contents

Impairments and valuation of long-lived assets

Our long-lived assets include property, plant and equipment and long-term investments, goodwill and intangible assets. We test for impairment whenever events or circumstances indicate that the net book value of these assets may not be recoverable from the estimated undiscounted expected future cash flows expected to result from their use and eventual disposition. In cases where the estimated undiscounted expected future cash flows are less than net book value, an impairment loss is recognized equal to the amount by which the net book value exceeds the estimated fair value of assets, which is based on discounted cash flows at the lowest level determinable. The estimated cash flows reflect our assumptions about selling prices, volumes, costs and market conditions over a reasonable period of time.

We prepare an annual impairment test of goodwill. The assumptions used to estimate fair value include our best estimate of future growth rates, discount rates and market conditions over a reasonable period. We performed this test in 2007 and determined that no impairment charge was required.

Pensions and other postretirement benefits

We provide qualified and nonqualified defined benefit and defined contribution pension plans, as well as postretirement health care and life insurance benefit plans to our employees. Effective July 1, 2007, all of our newly hired and rehired salaried and nonunion hourly employees are no longer eligible for our defined benefit pension plans. The costs (benefits) and obligations related to these benefits reflect key assumptions related to general economic conditions, including interest (discount) rates, healthcare cost trend rates, expected rates of return on plan assets and the rates of compensation increases for employees. The costs (benefits) and obligations for these benefit programs are also affected by other assumptions, such as average retirement age, mortality, employee turnover, and plan participation. To the extent our plans actual experience, as influenced by changing economic and financial market conditions or by changes to our own plans demographics, differs from these assumptions, the costs and obligations for providing these benefits, as well as the plans funding requirements, could increase or decrease. When actual results differ from our assumptions, the difference is typically recognized over future periods. In addition, the unrealized gains and losses related to our pension and postretirement benefit obligations may also affect periodic benefit costs (benefits) in future periods.

We use certain calculated values of assets under methods both to estimate the expected rate of return on assets component of pension cost and to calculate our plans funding requirements. The expected rate of return on plan assets is based on a market-related value of assets that recognizes investment gains and losses over a five-year period. We use an actuarial value of assets to determine our plans funding requirements. The actuarial value of assets must be within a certain range, high or low, of the actual market value of assets, and is adjusted accordingly.

We recorded $11.5 million, $15.1 million and $10.6 million of net annual pension and other postretirement benefit cost in 2007, 2006 and 2005, respectively.

As of December 31, 2006 we adopted a new pension accounting standard (see Note 13 to the consolidated financial statements in this Form 10-K) which required us to recognize in our consolidated balance sheet the total underfunded status of our defined benefit postretirement plans. The underfunded status is defined as the difference between the fair value of the plan assets and the projected benefit obligation. At December 31, 2007 and 2006, our net underfunded status recorded on our consolidated balance sheets was $110.6 million and $140.2 million, respectively.

We made voluntary cash contributions to our U.S. qualified pension plan of $30.0 million in both 2007 and 2006. In addition, we paid nonqualified pension benefits from company assets of $3.0 million and $2.7 million, for 2007 and 2006, respectively. We paid other postretirement benefits, net of participant contributions, of $4.7 million and $5.0 million for 2007 and 2006, respectively. Our estimated cash contributions for 2008 include approximately $3.0 million in nonqualified pension benefits, $4.2 million in other postretirement benefits, and we plan to make voluntary cash contributions to our U.S. qualified pension plan of approximately $30.0 million.

Table of Contents

We select the discount rate used to calculate pension and other postretirement obligations based on a review of available yields on high-quality corporate bonds, including Moody s Investors Service, Inc. (Moody s) Aa-rated Corporate and Industrial bond indices. In selecting the discount rate for 2007, we placed particular emphasis on a yield-curve approach designed by our actuary to derive an appropriate discount rate for computing the present value of the future cash flows associated with our pension and other postretirement obligations taking into consideration both the timing and amount of the cash flows. The specific interest rates supporting the yield curve were derived from calculated returns (yields) from a portfolio of high-quality (Aa-graded or higher) bond investments constructed by our actuary.

In developing the expected long-term rate of return on asset assumption for our plan, we take into consideration the technical analysis performed by our outside actuaries, including historical market returns, information on long-term real return expectations by asset class, inflation assumptions, and expectations for standard deviation related to these best estimates. We also consider the historical performance of our own plan s trust, which has earned a compound annual rate of return of approximately 9.5 percent over the last 10 years (which is in excess of comparable market indices for the same period) as well as other factors. The current asset allocation for our plan is approximately 79 percent equities (U.S. and non-U.S.), 18 percent fixed-income and 3 percent cash and other short-term investments. Given an actively managed investment portfolio, the expected annual rates of return by asset class for our portfolio, using geometric averaging, and after being adjusted for an estimated inflation rate of approximately 3 percent, is between 9 percent and 11 percent for both U.S. and non-U.S. equities, and between 5 percent and 7.5 percent for fixed-income investments, which generates a total expected portfolio return that is in line with our rate of return assumption. We continually monitor the appropriateness of this rate in light of current market conditions. For the sensitivity of our pension costs to incremental changes in assumptions see our discussion below.

Sensitivity analysis related to key pension and postretirement benefit assumptions.

A one-half percent increase in the assumed discount rate would have decreased pension and other postretirement benefit obligations by $52.5 million at December 31, 2007 and $53.0 million at December 31, 2006, and decreased pension and other postretirement benefit costs by $3.7 million, $5.2 million and $3.0 million for 2007, 2006 and 2005, respectively. A one-half percent decrease in the assumed discount rate would have increased pension and other postretirement benefit obligations by $57.7 million at December 31, 2007 and $57.1 million at December 31, 2006, and increased pension and other postretirement benefit net periodic benefit cost by $6.1 million, $5.9 million and $5.6 million for 2007, 2006 and 2005, respectively.

A one-half percent increase in the assumed expected long-term rate of return on plan assets would have decreased pension costs by $4.0 million, $3.6 million and $3.4 million for 2007, 2006 and 2005, respectively. A one-half percent decrease in the assumed long-term rate of return on plan assets would have increased pension costs by $4.0 million, $3.6 million and $3.4 million for 2007, 2006 and 2005, respectively.

Further details on our pension and other postretirement benefit obligations and net periodic benefit costs (benefits) are found in Note 13 to our consolidated financial statements in this Form 10-K.

Income taxes

We have recorded a valuation allowance to reduce deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for this allowance, we have considered a number of factors including future income, the jurisdictions in which such income is earned and our ongoing tax planning strategies. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Similarly, should we conclude that we would be able to realize certain deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made. At December 31, 2007 and 2006, the valuation allowance was $65.1 million and $81.5 million, respectively.

Table of Contents

Results of Operations 2007, 2006 and 2005

Overview

	Year Ended December 31,					
	2007		2006		2005	
		Per Share (Diluted)		Per Share (Diluted)		Per Share (Diluted)
	(In Millions, Except Per Share Data)					
Consolidated Revenue	**$ 2,632.9**		**$ 2,345.9**		**$ 2,146.0**	
Net income	**$ 132.4**	**$ 1.71**	**$ 131.3**	**$ 1.66**	**$ 114.0**	**$ 1.45**
Net income includes the following after-tax charges (gains):						
Restructuring and other charges/(income), net (1)	$ 97.0	$ 1.25	$ 57.9	$ 0.73	$ 26.1	$ 0.33
In-process research and development	1.2	0.02	1.2	0.02		
Astaris restructuring (2)					(0.2)	
Investment gains (3)					(24.1)	(0.31)
Loss on extinguishment of debt	0.2	0.01			37.4	0.48
Cumulative effect of change in accounting principle					0.5	0.01
Discontinued operations	24.3	0.31	12.8	0.16	(6.1)	(0.08)
Tax adjustments	(15.4)	(0.21)	12.5	0.16	21.7	0.28
After-tax income from continuing operations excluding restructuring and other income and charges (4)	$ 239.7	$ 3.09	$ 215.7	$ 2.73	$ 169.3	$ 2.16

(1) In addition to the line item Restructuring and other charges of $162.9 million ($102.5 million after-tax) as presented in our consolidated statement of income this line in the above reconciliation includes the following:

Amounts shown for 2007 reflect a gain of $0.4 million ($0.3 million after-tax) from the difference between the carrying value of our remaining investment in the Astaris joint venture and cash received from the joint venture. This gain is included in Equity in (earnings) of affiliates in the consolidated statement of income for the year ended December 31, 2007. In 2005 Astaris sold substantially all of the assets of its business and the buyers assumed certain of the liabilities of Astaris.

The amounts shown for 2007 also reflect minority interest of $1.4 million associated with our decision to abandon a co-generation facility at Foret during the second quarter of 2007. This amount is shown in Minority interest on the consolidated statement of income for the year ended December 31, 2007.

Additionally, the amounts shown for 2007 reflect a $6.1 million ($3.8 million after-tax) benefit related to a correction of LIFO inventory reserves related to prior periods. See Note 1 to our consolidated financial statements in this Form 10-K for further detail on this matter. This adjustment has been recorded as a component of Costs of sales and services in the consolidated statements of income for the year ended December 31, 2007.

(2) Our share of charges recorded by Astaris, the phosphorous joint venture prior to the sale of substantially all of its assets is included in Equity in (earnings) loss of affiliates in the consolidated statements of income. Income for the year ended December 31, 2005 represents adjustments to liabilities related to restructuring and other charges recorded by Astaris prior to the sale of substantially all of its assets.

(3) Investment gains include a gain in connection with Astaris s sale of substantially all of its assets. This gain is included in equity in (earnings) loss of affiliates in the consolidated statements of income for the year ended December 31, 2005.

(4) We believe that the Non-GAAP financial measure After-tax income from continuing operations, excluding restructuring and other income and charges, and its presentation on a per-share basis, provides useful information about our operating results to investors and securities analysts. We also believe that excluding the effect of restructuring and other income and charges from operating results allows management and investors to compare more easily the financial performance of our underlying businesses from period to period. This measure should not be considered as a substitute for net income (loss) or other measures of performance or liquidity reported in accordance with GAAP. The after-tax charges (gains) included in net income presented in the chart above can be found in the results of operations discussions below for 2007 compared to 2006 and for 2006 compared to 2005.

See Segment Results for a detailed discussion of events affecting our results for 2007, 2006 and 2005.

Results of Operations 2007 compared to 2006

In the following discussion, year refers to the year ended December 31, 2007 and prior year refers to the year ended December 31, 2006. Additionally, in the discussion below, please refer to our consolidated statements of income and our segment information from Note 19 included in Item 8 of this Form 10-K as well as the after-tax charges included in net income in the above table. All comparisons are between the periods unless otherwise noted.

Revenue for the year ended December 31, 2007 was $2,632.9 million, an increase of 12.2 percent compared to the $2,345.9 million recorded in the prior year period. This increase was driven by higher sales in all of our segments, which are discussed separately below.

In-Process Research and Development for the years ended December 31, 2007 and 2006 was $2.0 million ($1.2 million after tax) and $2.0 million ($1.2 million after tax), respectively. In the first quarter of 2007, our Agricultural Products segment acquired further rights for $1.0 million from a third-party company to develop a proprietary compound. 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 paid an initial $1.0 million upon entering into this agreement.

For the year ended December 31, 2006, our Agricultural Products segment entered into development agreements with a third-party company whereby we were given the right to develop further one of such party s products in certain geographic markets for $2.0 million.

Restructuring and other charges were $162.9 million ($102.5 million after-tax) in 2007 compared to $74.8 million ($57.9 million after-tax) in 2006. Charges in this category for the year ended December 31, 2007 primarily include the following:

- Charges totaling $104.9 million for our phase-out of the Agricultural Products chemical facility in Baltimore, Maryland in our Agricultural Products segment. These charges consisted of (i) plant and equipment impairment charges and accelerated depreciation on fixed assets to be abandoned of approximately $98.7 million and (ii) severance and employee benefits of $6.2 million. We also expect to incur restructuring and other charges related to this phase out of approximately $20 to $30 million over the next two quarters primarily representing additional charges associated with fixed assets to be abandoned.
- Solutia legal settlement of $22.5 million in our Industrial Chemicals segment. This 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.

Table of Contents

Asset abandonment charges of $12.2 million at Foret which is part of our Industrial Chemicals business. These charges include an impairment charge of $8.2 million related to a co-generation facility at Foret. This facility produced electric power and thermal energy by co-generation for use at one of Foret s production properties.

We recorded $1.8 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 segment.

$6.8 million of severance costs, of which $5.6 million related to our Industrial Chemicals segment and $1.2 million related to our Agricultural Products segment.

$1.1 million of asset abandonment charges in our Industrial Chemicals segment and $3.4 million of other charges primarily in our Industrial Chemicals and Specialty Chemicals segments.

$10.2 million relating to continuing environmental sites as a Corporate charge.

The restructuring and other charges of $74.8 million that we recorded in 2006 were primarily a result of the following:

We reached an agreement to settle a federal class action lawsuit, as well as other individual claims, alleging violations of antitrust laws involving our microcrystalline cellulose (MCC) product in our Specialty Chemicals business in the amount of $25.7 million.

We committed to the abandonment of a plant building in our Agricultural Products segment and recorded a charge of $6.0 million.

The European Commission imposed a fine on us regarding alleged violations of competition law in the hydrogen peroxide business in Europe during the period 1997-1999 which we have appealed. This fine is associated with our Industrial Chemicals segment. We have recorded a charge of 25 million ($30 million at then-prevailing exchange rates) charge for this fine. Since we are not required to make the payment during the appeal process, which may extend beyond one year, the liability has been classified as long-term in the consolidated balance sheets as of December 31, 2007 and 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 product and technologies. We incurred $3.4 million of severance charges as a result of this decision. These severance costs related to approximately 70 people who have separated from us. We also abandoned assets as a result of these decisions and recorded a charge of $1.9 million.

Additional restructuring charges for 2006 totaled $7.8 million. These charges included $1.2 million of asset abandonment charges in our Industrial Chemicals segment and $1.3 million of severance costs were recorded in our Specialty Chemicals segment due to a workforce restructuring. We also recorded $5.4 million relating to continuing environmental sites. 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. Additional restructuring and other charges were recorded in Industrial Chemicals for $0.5 million.

Equity in (earnings) loss of affiliates was $2.5 million of earnings in 2007 which was essentially level with $2.3 million of earnings recorded in the prior year.

Interest expense, net increased to $34.9 million compared to $32.9 million in 2006 primarily due to a reduction in interest income caused by lower cash balances.

Table of Contents

Loss on extinguishment of debt was $0.3 million ($0.2 million after-tax) for the year ended December 31, 2007 which represented losses related to the write off of certain deferred financing fees related to our previous credit agreement which was replaced in the third quarter of 2007 with our new Domestic Credit Agreement. We did not incur any comparable charge for the year ended December 31, 2006.

Provision for income taxes was $29.0 million in 2007 compared with $68.3 million in 2006 reflecting effective tax rates of 15.6% and 32.2%, respectively. The change in effective tax rates is the result of tax adjustments resulting in income in 2007 as opposed to tax adjustments resulting in expense in 2006. These tax adjustments are described below. The change in effective rates is also a result of the mix of domestic income compared to income earned outside the U.S. and the European Commission fine of 25 million ($30 million at then-prevailing exchange rates) incurred in 2006 that was nondeductible for tax purposes in 2006.

2007 tax adjustments were favorable in the amount of $15.4 million and primarily include tax benefits related to the reversal of certain tax valuation allowances. These valuation allowances are no longer necessary because of our expectation that the related deferred tax assets are now likely to be realized. Partially offsetting these valuation adjustments are charges associated with adjustments for prior year tax matters.

2006 tax adjustments were unfavorable in the amount of $12.5 million and primarily include charges associated with adjustments to deferred taxes.

Discontinued operations, net of income tax totaled a loss of $24.3 million in 2007 versus a loss of $12.8 million in 2006. The 2007 loss is primarily related to environmental charges associated with our Middleport, Front Royal and Modesto sites and charges for legal reserves and expenses related to discontinued operations. Discontinued environmental and legal charges include environmental remediation costs at sites of discontinued businesses for which we are responsible for environmental compliance.

The 2006 loss includes net charges of $27.3 million related to environmental issues and legal reserves and expenses related to previously discontinued operations. The charges in 2006 were primarily related to our Front Royal and Middleport sites as well as to increase reserves for operating and maintenance activities. Offsetting these charges was a gain of $14.0 million from the sale of 23 acres real estate property in San Jose, California related to our former Defense business. This completed the sale of land that was formerly used by FMC s defense business, which was divested in 1997.

Net Income increased to $132.4 million in 2007 compared with $131.3 million in 2006 primarily attributable to changes in the after-tax items included in net income described above. Additionally, net income in 2007 was favorably impacted by higher earnings in our Agricultural Products and Specialty Chemicals segments.

Other Financial Data

Corporate Expenses were $52.3 million in 2007 compared to $46.2 million in 2006, due to higher incentive compensation expenses.

Other income (expense), net is comprised primarily of LIFO inventory adjustments and pension expense. Other expense increased to $12.0 million in the year ended December 31, 2007 compared to income of $3.0 million in the year ended December 31, 2006. During 2006 inventory balances were reduced in the U.S. due to liquidation of inventory quantities carried at lower costs as compared with the cost of 2006 purchases. This resulted in income recorded in 2006 related to a decrease in LIFO inventory reserves that did not repeat in 2007.

Segment Results 2007 compared to 2006

Information about how each of these items relates to our businesses at the segment level and results by segment are discussed below and in Note 19 to our consolidated financial statements included in this Form 10-K.

Table of Contents

Agricultural Products

	Year Ended December 31,		Increase/ (Decrease)	
	2007	2006	$	%
	(in Millions)			
Revenue	$ 889.7	$ 765.9	$ 123.8	16%
Operating Profit	207.0	149.9	57.1	38

Revenue in Agricultural Products was $889.7 million, an increase of 16 percent versus the prior year. Higher sales were realized in all geographic regions, but were particularly strong in Brazil due to increased planted acres in other key crops and higher commodity prices. Sales growth in Europe was driven by increased demand for biofuels crops, new product introductions and the benefits of the stronger Euro. In Asia, sales increased due to better growing conditions in several countries.

Segment operating profit was $207.0 million, an increase of 38 percent from the year earlier, as a result of the higher sales and continued global supply chain productivity improvements, which more than offset higher incremental selling and distribution costs due to the increased sales and higher energy and raw materials costs.

In 2008, full-year revenue growth is expected to be up 5-10 percent as a result of a healthy global agricultural economy, new product introductions and increased demand for biofuels. Full-year segment operating profit is expected to increase approximately 10-15 percent driven by the sales growth and further supply chain productivity improvements partially offset by higher raw material costs.

In our Agricultural Products segment, several products are undergoing re-registration in the U.S. and a comparable regulatory review by EU governmental authorities. In August 2006, the U.S. Environmental Protection Agency issued its Interim Reregistration Eligibility Decision (IRED) for our carbofuran insecticide. The IRED proposes cancellation of all carbofuran uses in the United States, subject to a phase out period for certain minor crop uses. FMC does not agree with the scientific analysis or conclusions in the IRED. In early February 2008, the EPA convened a Scientific Advisory Panel meeting to evaluate scientific issues relevant to a draft Notice of Intent to Cancel Carbofuran prepared by EPA. At this meeting, EPA and FMC presented their views on the relevant scientific assessments of carbofuran. We are vigorously defending the U.S. registration and have conducted new studies to address EPA s stated concerns; we will undertake other appropriate actions to seek to maintain carbofuran as a registered product. If EPA chooses to issue a final Notice of Intent to Cancel carbofuran after the Scientific Advisory Panel reports its recommendations to EPA, FMC plans to challenge such decision by requesting review by an administrative law judge. The outcomes of the Scientific Advisory Panel meeting and any administrative hearing are uncertain. FMC can continue to sell carbofuran in the United States at this time and through 2008. Sales can continue through the duration of any administrative hearing if a hearing takes place, it is not expected to conclude before December 31, 2008.

In November 2006, the EU Commission s Standing Committee on Animal Health and Food Chain voted not to include our carbofuran, carbosulfan and cadusafos products on the official list of active ingredients approved for continued sale in the EU. We believe the Committee s decision was based on a flawed underlying scientific review, and we have initiated litigation against the European Food Safety Authority. In June 2007, the European Commission published its decisions not to include carbofuran, carbosulfan and cadusafos on the official list of active ingredients approved for continued sale in the European Union. The published decisions required EU Member States to de-register the products within 6 months, and so, FMC ceased its sales of these products in December 2007. The Commission decision requires that channel sales generally cease within 12 months afterwards. We disagree with the Commission and have initiated litigation in the European Community courts, seeking annulment of the carbofuran and carbosulfan decisions. We have re-submitted cadusafos for approval on the official list and plan to re-submit carbofuran and carbosulfan in parallel with our litigation. The outcome of these cases and our regulatory resubmissions is uncertain. We currently anticipate that lost sales attributable to

Table of Contents

the cancellation of EU registrations for carbofuran, carbosulfan and cadusafos will have a modest negative impact in this region over the next few years, but we believe that growth in other products, new registrations and/or label expansions should offset such impact over time.

We intend to defend vigorously all our products in the U.S. and EU regulatory processes. Several of FMC s pesticide products will be reviewed in the ordinary course of regulatory programs during 2008 as part of the ongoing cycle of re-registration in countries around the world; this will include EU review of two of our pyrethroid insecticide products.

Specialty Chemicals

	Year Ended December 31,		Increase/ (Decrease)	
	2007	2006	$	%
		(in Millions)		
Revenue	$ 659.5	$ 592.8	$ 66.7	11%
Operating Profit	142.7	118.8	23.9	20

Revenue in Specialty Chemicals was $659.5 million, an increase of 11 percent versus the prior year, driven by higher selling prices for primary lithium compounds and strong commercial performance in both pharmaceutical and food businesses in BioPolymer.

Segment operating profit of $142.7 million increased 20 percent versus the prior year due to higher sales, improved mix, and continued productivity improvements, which more than offset increased raw material costs.

In 2008, we expect full-year revenue growth in the mid-single digits due to higher volumes across the segment and higher selling prices in BioPolymer. Full-year segment operating profit growth in the low single digits is expected, as strong commercial performance in BioPolymer and the benefit of continued productivity improvements are expected to be mitigated by lower selling prices for primary lithium compounds and higher export taxes in Argentina.

Industrial Chemicals

	Year Ended December 31,		Increase/ (Decrease)	
	2007	2006	$	%
		(in Millions)		
Revenue	$ 1,087.1	$ 990.9	$ 96.2	10%
Operating Profit	92.5	96.7	(4.2)	(4)

Revenue in Industrial Chemicals was $1,087.1 million, an increase of 10 percent versus the prior year as a result of higher selling prices for soda ash and volume growth across the segment.

Segment operating profit of $92.5 million decreased 4 percent versus the prior year, due to higher energy and raw material costs across the segment and lower electricity selling prices in Spain in the first three quarters of the year, where Foret operates electricity cogeneration facilities and excess electricity is sold into the Spanish electrical grid. These higher costs more than offset the positive impact of higher sales.

For 2008, we expect full-year revenue growth of 5-10 percent as a result of higher volumes and selling prices across all businesses, particularly in soda ash. Full-year segment operating profit is expected to be up 55-60 percent as aggregate price and volume benefits and improved power market conditions in Spain more than offset higher raw material costs.

Table of Contents

A major factor affecting phosphorus products in Foret in 2008 will be raw material costs, particularly for phosphate rock, where prices have increased dramatically versus 2007. We purchase phosphate rock in Foret from Morocco. The escalation in phosphate rock prices has been driven by tight supply conditions. We intend to recover these raw material cost increases in Foret in the form of higher pricing.

Results of Operations 2006 compared to 2005

In the following discussion, year refers to the year ended December 31, 2006 and prior year refers to the year ended December 31, 2005. Additionally, in the discussion below, please refer to our consolidated statements of income and our segment information from Note 19 included in Item 8 of this Form 10-K as well as the after-tax charges included in net income in the above table. All comparisons are between the periods unless otherwise noted.

Revenue for the year ended December 31, 2006 was $2,345.9 million, an increase of 9 percent compared to the $2,146.0 million recorded in the prior year period. This increase was driven by higher sales in all of our segments, which are discussed separately below.

In-Process Research and Development for the year ended December 31, 2006 was $2.0 million ($1.2 million after tax). See previous discussion under Results of Operations 2007 compared to 2006 which describes In-Process Research and Development charges. We did not incur any comparable charge for the year ended December 31, 2005.

Restructuring and other charges were $74.8 million ($57.9 million after-tax) in 2006 compared to $40.4 million ($26.1 million after-tax) in 2005. Charges in this category for the year ended December 31, 2006 are primarily related to the 25 million fine ($30 million at then-prevailing exchange rates) in our Industrial Chemicals Segment, the MCC Legal Settlements of $25.7 million in our Specialty Chemicals segment, a $6.0 million charge for the abandonment of a building in our Agricultural Products segment and severance and asset abandonment charges of $5.2 million related to research and development redeployment in our Agricultural Products segment. We also incurred $5.4 million of charges related to continuing environmental sites as a Corporate charge.

The charges of $40.4 million we recorded for the year ended December 31, 2005 primarily related to the $17.0 million for the closing of our carrageenan plant in Copenhagen, Denmark in our Specialty Chemicals segment, $5.4 million for the abandonment of certain assets in our Agricultural Products segment and $7.5 million for impairment and shutdown charges at our Spring Hill, West Virginia facility in our Industrial Chemicals segment. We also incurred charges of $6.1 million at our Pocatello site to increase reserves for demolition and other shutdown costs.

Equity in (earnings) loss of affiliates was $2.3 million of earnings in 2006 versus $70.6 million of earnings in the prior year. The significant decrease was primarily the result of our sale of Astaris and substantially all of its assets in the fourth quarter of 2005. We recorded a gain from this sale of $57.7 million ($21.7 million after-tax). The decrease is also the result of income at Astaris up to the date of the asset sale in 2005.

Investment gains for the year ended December 31, 2005 were due to the sale of our 50% equity method investment in Sibelco. We recorded a gain of $9.3 million ($2.4 million after-tax) in conjunction with this sale in our consolidated statement of income. There were no gains from the sale of investments for the year ended December 31, 2006.

Interest expense, net decreased to $32.9 million compared to $58.1 million in 2005. The decrease primarily reflected lower interest costs and debt levels in the year ended December 31, 2006 compared to the prior year. The decreases were due to our debt refinancing in June 2005 and the redemption of the 10.25 percent Senior Notes in July 2005.

Table of Contents

Loss on extinguishment of debt was $60.5 million ($37.4 million after-tax) in 2005. In 2005, in connection with our Industrial Revenue Bond refinancing, we incurred an approximately $2.1 million loss and in connection with entering into the 2005 Credit Agreement, we wrote off approximately $1.2 million of deferred financing fees associated with the previous agreement and $0.6 million of fees associated with the new agreement. Additionally, in 2005, we incurred a loss of $56.6 million associated with the redemption of the 10.25 percent Senior Notes.

Provision for income taxes was $68.3 million in 2006 compared with $80.7 million in 2005 reflecting effective tax rates of 32.2% and 42.7%, respectively. The change was primarily due to higher tax adjustments in 2005 which include income taxes associated with the repatriations under the American Jobs Creation Act (AJCA). Tax adjustments are described separately below. Offsetting this decrease was the effect on the tax provision in 2006 from having the $30 million European Commission fine that is non-deductible for tax purposes. Excluding the effect of these tax adjustments and the non-deductibility of the European Commission fine, the change from 2005 to 2006 is primarily a result of the mix of domestic income compared to income earned outside of the U.S., dividends received from foreign operations and valuation allowance adjustments.

2006 tax adjustments of $12.5 million primarily include charges associated with adjustments to deferred taxes.

2005 tax adjustments of $21.7 million primarily include charges of $31.9 million associated with repatriations, net tax benefits of $19.2 million primarily related to agreement on certain prior year tax matters previously reserved and charges of $9.5 million associated with adjustments to deferred tax liabilities.

Cumulative effect of change in accounting principle, net of income tax. On December 31, 2005, we adopted FASB Interpretation No. 47 Accounting for Conditional Asset Retirement Obligations . The cumulative effect of adoption was a charge of $0.5 million in 2005.

Discontinued operations, net of income tax totaled a loss of $12.8 million in 2006 versus a gain of $6.1 million in 2005. The 2006 loss includes net charges of $27.3 million related to environmental issues and legal expenses related to previously discontinued operations. Discontinued environmental and legal charges include environmental remediation costs at sites of discontinued businesses for which we are responsible for environmental compliance. The charges in 2006 were primarily related to our Front Royal and Middleport sites as well as to increase reserves for operating and maintenance activities. Offsetting these charges was a gain of $14.0 million from the sale of 23 acres real estate property in San Jose, California related to our former Defense business. This completed the sale of land that was formerly used by FMC s defense business, which was divested in 1997.

The 2005 net gain included income of $29.2 million related to a sale to the city of San Jose, California of approximately 52 acres of land used by our former Defense Systems operations. Primarily offsetting this income in 2005 was net environmental and legal charges of $23.4 million. The charges in 2005 were primarily related to our Front Royal and Middleport sites and in recognition of our share of liabilities related to a consent order between the EPA and the primary responsible parties at the Anniston site.

Net Income increased to $131.3 million in 2006 compared with $114.0 million in 2005 primarily as a result of changes in the after-tax items included in net income described above. The change in these items was the primary driver behind the increase in net income from 2005 to 2006 which was also due to higher earnings from our Agricultural Products, Specialty Chemicals and Industrial Chemicals segments and a decrease in interest expense.

Table of Contents

Other Financial Data

Corporate Expenses were $46.2 million in 2006 compared to $45.1 million in 2005, essentially level from the prior year.

Other income and expense, net decreased to $3.0 million from $13.9 million in the prior year due to a gain related to the settlement of certain energy contracts in 2005 which was not repeated in 2006 as well as higher pension expense and the recognition of stock option expense in 2006. Offsetting these decreases was a gain recorded in 2006 related to a refund of previously submitted payroll taxes.

Segment Results 2006 compared to 2005

Information about how each of these items relates to our businesses at the segment level and results by segment are discussed below and in Note 19 to our consolidated financial statements included in this Form 10-K.

Agricultural Products

	Year Ended December 31,		Increase/ (Decrease)	
	2006	2005	$	%
		(in Millions)		
Revenue	$ 765.9	$ 720.3	$ 45.6	6%
Operating Profit	149.9	120.6	29.3	24

Revenue in Agricultural Products was $765.9 million in 2006, an increase of 6 percent versus 2005, driven primarily by strong sales growth in Latin America, particularly in Brazil, as well as by higher sales in North America and in Asia.

Segment operating profit was $149.9 million in 2006, an increase of 24 percent from the year earlier, as a result of the higher sales and the favorable impact of supply chain productivity initiatives, which more than offset the impact of generic bifenthrin competition, higher raw material costs and increased spending associated with growth initiatives.

Specialty Chemicals

	Year Ended December 31,		Increase/ (Decrease)	
	2006	2005	$	%
		(in Millions)		
Revenue	$ 592.8	$ 558.5	$ 34.3	6%
Operating Profit	118.8	108.1	10.7	10

Revenue in Specialty Chemicals was $592.8 million in 2006, an increase of 6 percent versus 2005, driven by higher sales of primary lithium compounds and continued strength in BioPolymer s pharmaceutical business.

Segment operating profit of $118.8 million in 2006 increased 10 percent versus 2005. The sales gains, improved results in BioPolymer s food ingredients business and the benefit of restructuring initiatives were partially offset by higher raw material costs and increased spending for growth initiatives.

Table of Contents

Industrial Chemicals

	Year Ended December 31,		Increase/ (Decrease)	
	2006	2005	$	%
	(in Millions)			
Revenue	$ 990.9	$ 870.4	$ 120.5	14%
Operating Profit	96.7	83.9	12.8	15

Revenue in Industrial Chemicals was $990.9 million in 2006, an increase of 14 percent versus 2005. The soda ash business accounted for the majority of the increase due to significant improvements in both domestic and export soda ash selling prices and higher volumes. North American hydrogen peroxide also benefited from higher selling prices and energy surcharges.

Segment operating profit of $96.7 million increased 15 percent in 2006 versus 2005, driven by the sales gains, offset in part by higher energy costs, particularly for natural gas in Spain, higher raw material costs and the absence of earnings from Astaris, which was divested in November 2005. Prior to its divestiture, Astaris contributed approximately $11 million of income in 2005.

Recently Adopted and Issued Accounting Pronouncements and Regulatory Items

See Note 3 to our consolidated financial statements included in this Form 10-K.

Liquidity and Capital Resources

Domestic Credit Agreement Refinancing

On August 28, 2007, we executed a new credit agreement (the Domestic Credit 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 Domestic Credit 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 December 31, 2007, if we had borrowings under our Domestic Credit Agreement, then the applicable rate would have been 4.95 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 consolidated balance sheet and were recorded as Loss on extinguishment of debt in the consolidated statement of income for the year ended December 31, 2007.

On February 21, 2008, we entered into Amendment No. 1 to the Domestic Credit Agreement (the Amendment) among us, certain of our subsidiaries, each lender and issuing bank party thereto from time to time and Citibank, N.A. as administrative agent for the lenders thereunder. The Amendment amends the Domestic Credit Agreement by correcting minor technical flaws and conforming certain definitions to the European Credit Agreement described below.

Table of Contents

European Credit Agreement

On December 16, 2005, our Dutch finance subsidiary executed a credit agreement (the European Credit Agreement) which provides for an unsecured revolving credit facility in the amount of 220 million. Borrowings may be denominated in euros or U.S. dollars. FMC and our Dutch finance subsidiary s direct parent provide guarantees of amounts due under the European Credit Agreement.

Loans under the European Credit Agreement bear interest at a eurocurrency base rate, which for loans denominated in euros is the Euro InterBank Offered Rate, and for loans denominated in dollars is London Interbank Offered Rate (LIBOR) in each case plus a margin. The applicable margin under our European Credit Agreement is subject to adjustment based on the rating assigned, to FMC by each of Moody s and S&P. At December 31, 2007 the applicable margin was 0.35 percent and the applicable borrowing rate under the European Credit Agreement was 5.12 percent per annum.

On February 21, 2008, our Dutch finance subsidiary agreed upon an amendment and restatement of its European Credit Agreement with the bank lenders party thereto and Citibank International PLC, as agent for the lenders, to conform the representations, warranties and covenants in the European Credit Agreement to those contained in the Domestic Credit Agreement.

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 December 31, 2007.

At December 31, 2007 and 2006, we had $171.7 and $196.4 million in U.S. dollar equivalent revolving credit facility borrowings under the European Credit Agreement, resulting in available funds of $147.1 million and $91.7 million, respectively.

We had no borrowings under our Domestic Credit Agreement at December 31, 2007 and 2006. Letters of credit outstanding under the Domestic Credit Agreement totaled $146.9 million and $144.5 million at December 31, 2007 and 2006, respectively. Available funds under the Domestic Credit Agreement were $453.1 million at December 31, 2007 and $455.5 million at December 31, 2006.

Cash and cash equivalents at December 31, 2007 and 2006 were $75.5 million and $165.5 million, respectively. We had total debt of $545.2 million and $629.7 million at December 31, 2007 and 2006, respectively. This included $419.6 million and $523.5 million of long-term debt (excluding current portions of $77.7 million and $52.5 million) at December 31, 2007 and 2006, respectively. Short-term debt, which consists of foreign borrowings, decreased to $47.9 million at December 31, 2007 compared to $53.7 million at December 31, 2006. The $78.7 million decrease in total long-term debt at December 31, 2007 from December 31, 2006 was primarily due to the scheduled repayment of a maturing medium-term note and partial repayment of our European Credit Agreement offset by higher exchange rates for the euro against the U.S. dollar.

Statement of Cash Flows

Cash provided by operating activities was $314.7 million for 2007 compared to $307.2 million for 2006 and $199.6 million for 2005. The increase in cash provided by operating activities in 2007 compared to 2006 reflected higher earnings from continuing operations offset by an increase in inventories and accounts receivable balances. The increase in cash provided by operating activities in 2006 compared to 2005 reflected higher earnings from continuing operations and improved working capital management in inventories and accounts payable. These were partially offset by an increase in accounts receivable balances.

Cash required by operating activities of discontinued operations was $45.1 million for 2007 compared to cash required of $43.2 million and cash provided of $17.4 million in 2006 and 2005, respectively. The change in 2007 compared to 2006 was due to the absence of proceeds from the sale of land in San Jose, California partially offset by lower discontinued operations environmental spending. The change in 2006 compared to 2005 was due to higher environmental spending in 2006 and lower cash proceeds of $25.3 million from the sale of a portion of our San Jose property in 2006 as compared to similar proceeds of $56.1 million in 2005. The majority of the spending for our discontinued operations is for environmental remediation on discontinued sites. Discontinued environmental spending was $22.4 million in 2007 compared to $44.1 million in 2006 and $24.4 million in 2005.

Cash required by investing activities was $120.6 million, $109.8 million and $6.4 million for the years ended December 31, 2007, 2006 and 2005, respectively. The increase in cash required in 2007 was a result of lower proceeds from the sales and returns of investments and assets held for sale and an increase in other investing activities which represents increases to long-term deferred costs. The increase in cash required in 2006 was a result of lower asset sale proceeds, primarily attributable to the asset sale of our former phosphorus joint venture, Astaris, which took place in 2005.

Cash required by financing activities for 2007 was $243.4 million compared to cash required of $198.5 million in 2006 and cash required by financing activities of $215.3 million in 2005. The increase in 2007 compared to 2006 was primarily due to higher repurchases of common stock and lower proceeds from the issuances of common stock which primarily represent cash received from the exercise of stock options. The decrease in 2006 compared to 2005 was primarily due to the higher redemption of long-term debt in 2005. Partially offsetting this change was the repurchase of $92.2 million of common stock and the payment of $21.0 million in dividends in 2006. We did not repurchase any common stock or pay any dividends in 2005.

For the years ended December 31, 2007, 2006 and 2005, we contributed approximately 2,000, 470,000 and 528,000 shares of treasury stock to our employee benefit plans having a cost of $0.1 million, $17.3 million and $14.9 million, respectively, which is considered a non-cash activity.

Commitments and other potential liquidity needs

Our cash needs for 2008 include operating cash requirements, capital expenditures, scheduled mandatory payments of long-term debt, dividend payments, environmental spending and restructuring. We plan to meet our liquidity needs through available cash, cash generated from operations and borrowings under our $600 million committed revolving credit facility.

We continually evaluate our options for divesting real estate holdings and property, plant and equipment that are no longer integral to any of our core operating businesses.

Projected 2008 spending includes approximately $34 million of environmental remediation spending. This spending does not include expected spending of approximately $20 million in 2008 on capital projects relating to environmental control facilities. Also, we expect to spend in the range of approximately $26 million to $27 million in 2008 for environmental compliance costs, which we will include as a component of cost of sales in our consolidated statements of income since these amounts are not covered by established reserves. Capital spending to expand, maintain or replace equipment at our production facilities may trigger requirements for upgrading our environmental controls, which may increase our spending for environmental controls above the foregoing projections.

We have historically made voluntary pension payments and plan to make such payments totaling approximately $30 million in 2008.

Table of Contents

In 2006, the Board of Directors approved the initiation of a quarterly cash dividend of $0.09 per share which was paid in April, July, and October of 2006, and January of 2007. In April 2007, the Board announced its plan to increase the quarterly dividend by 17 percent from $0.09 to $0.105 per share. We declared dividends aggregating $30.9 million to our shareholders of record during the year 2007, and $7.9 million of this amount is included in Accrued and other liabilities on the consolidated balance sheet as of December 31, 2007.

In 2006, the Board of Directors also authorized the repurchase of up to $150 million of our common stock. In April 2007, a new $250 million authorization was announced, replacing the original $150 million program. Although the new repurchase program does not include a specific timetable or price targets and may be suspended or terminated at any time, we expect the program will be accomplished over the next two years. During the year ended December 31, 2007, we repurchased 2,474,839 of our shares at an aggregate cost of approximately $110 million, including 536,422 shares for approximately $20 million under the old program and 1,938,417 shares for approximately $90 million under the new program. We also reacquire shares from time to time in connection with the vesting and exercise of awards under our equity compensation plans. See Note 1 to the consolidated financial statements in this Form 10-K for information regarding the stock split.

In 2001, we split FMC into separate chemical and machinery companies and we refer to the spun-off company, FMC Technologies, Inc. as Technologies throughout this Annual Report. We agreed to guarantee the performance by Technologies of a debt instrument (see Note 18 to the consolidated financial statements in this Form 10-K). As of December 31, 2007, these guaranteed obligations totaled $1.6 million compared to $2.4 million at December 31, 2006.

We guarantee repayment of some of the borrowings of certain foreign subsidiaries accounted for using the equity method. The other equity owners provide parallel agreements. We also guarantee the repayment of a borrowing of a minority equity holder in a foreign subsidiary that we consolidate in our financial statements. As of December 31, 2007 and 2006, these guarantees had maximum potential payments of $6.9 million and $8.2 million, respectively.

We also provide guarantees to financial institutions on behalf of certain Agricultural Product customers, principally in Brazil, for their seasonal borrowing. The total of these guarantees was $29.7 million and $25.6 million at December 31, 2007 and 2006, respectively and are recorded on the consolidated balance sheets for each date as Guarantees of vendor financing .

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

Our total significant committed contracts that we believe will affect cash over the next four years and beyond are as follows:

Contractual Commitments	Expected Cash Payments by Year					
	2008	2009	2010	2011	2012 & beyond	Total
			(in Millions)			
Debt maturities (1)	$ 125.6	$ 2.1	$ 184.2	$ 50.8	$ 183.0	$ 545.7
Contractual interest (2)	25.5	23.4	22.9	12.1	206.0	289.9
Lease obligations (3)	28.8	27.6	25.7	22.3	108.9	213.3
Forward energy and foreign exchange contracts	3.4	(0.2)				3.2
Purchase obligations (4)	25.9	8.0	4.1	4.2	7.4	49.6
Total (5)	$ 209.2	$ 60.9	$ 236.9	$ 89.4	$ 505.3	$ 1,101.7

(1) Excluding discounts.

Table of Contents

(2) Contractual interest is the interest we are contracted to pay on our long-term debt obligations. We had $213.2 million of long-term debt subject to variable interest rates at December 31, 2007. The rate assumed for the variable interest component of the contractual interest obligation was the rate in effect at December 31, 2007. Variable rates are market determined and will fluctuate over time.
(3) Before recoveries.
(4) Purchase obligations consist of agreements to purchase goods and services that are enforceable and legally binding on us and specify all significant terms, including fixed or minimum quantities to be purchased, price provisions and timing of the transaction. We have entered into a number of purchase obligations for the sourcing of materials and energy where take-or-pay arrangements apply. Since the majority of the minimum obligations under these contracts are take-or pay commitments over the life of the contract as opposed to a year by year take-or-pay, the obligations in the table related to these types of contacts are presented in the earliest period in which the minimum obligation could be payable under these types of contracts.
(5) As of December 31, 2007, the liability for uncertain tax positions was $49.4 million and this liability is excluded from the table above. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with these liabilities, we are unable to make a reasonable reliable estimate of the amount and period in which these liabilities might be paid.

Contingencies

When FMC Technologies, Inc. was spun off from us in 2001, we entered into a tax sharing agreement wherein each company is obligated for those taxes associated with its respective business, generally determined as if each company filed its own consolidated, combined or unitary tax returns for any period where Technologies is included in the consolidated, combined or unitary tax return of us or our subsidiaries. The statute of limitations for the 2001 U.S. federal income tax year has now closed and no questions regarding the spin-off were raised during the IRS audit for 2000-2001, therefore any liability for taxes if the spin-off of Technologies were not tax free due to an action taken by Technologies has been favorably concluded. The tax sharing agreement continues to be in force with respect to certain items, which we do not believe would have a material effect on our financial condition or results of operations.

On January 28, 2005 we and our wholly owned subsidiary Foret received a Statement of Objections from the European Commission concerning alleged violations of competition law in the hydrogen peroxide business in Europe during the period 1994 to 2001. All of the significant European hydrogen peroxide producers also received the Statement of Objections. We and Foret responded to the Statement of Objections in April 2005 and a hearing on the matter was held at the end of June 2005. On May 3, 2006, we received a notice from the European Commission indicating that the Commission has imposed a fine on us in the amount of 25.0 million as a result of alleged violations during the period 1997-1999. In connection with this fine, we recorded an expense of $30.0 million in our consolidated statements of income, reflecting then-prevailing exchange rates. This expense is included as a component of restructuring and other charges for 2006. Both we and Foret have appealed the decision of the Commission. During the appeal process, interest accrues on the fine at a rate of 4.1 percent per annum. We have provided a bank letter of credit in favor of the European Commission to guarantee our payment of the fine and accrued interest. At December 31, 2007, the amount of the letter of credit was 27.1 million ($39.3 million).

We also received a subpoena in 2004 for documents from a grand jury sitting in the Northern District of California, which is investigating anticompetitive conduct in the hydrogen peroxide business in the United States during the period 1994 through 2003. In connection with these two matters, in February 2005 putative class action complaints were filed against all of the U.S. hydrogen peroxide producers in various federal courts alleging violations of antitrust laws. Federal law provides that persons who have been injured by violations of federal antitrust law may recover three times their actual damage plus attorney fees. Related cases were also filed in various state courts. All of the federal court cases were consolidated in the United States District Court for the Eastern District of Pennsylvania (Philadelphia). The District Court certified the class in January 2007, which the defendants have appealed. In early summer 2007, co-defendant Degussa agreed to a settlement in the federal

cases in the amount of $21 million which has received final Court approval. Two other co-defendants, Akzo Nobel and Kemira, have reached settlements in the amount of $23.4 million and $5.0 million respectively. Both settlements have received preliminary approval from the Court. The Akzo Nobel settlement has been approved by the Court, but the Kemira settlement remains subject to Court approval. Most of the state court cases have been dismissed, although some remain in California. In addition, putative class actions have been filed in provincial courts in Ontario, Quebec and British Columbia under the laws of Canada.

Another antitrust class action previously brought in Federal Court in the Eastern District of Pennsylvania alleging violations of antitrust laws involving our microcrystalline cellulose product was settled for $25.0 million, the same amount paid by our co-defendant Asahi Kasei Corporation. The Court approved this settlement in November 2006. The claims of plaintiffs who opted out of the class settlement were also settled late in 2006 for $0.7 million. The above amounts for 2006 have been reflected in Restructuring and other charges in our consolidated statement of income for the year ended December 31, 2006. The parties have also reached an agreement to settle a related state court case pending in California, for a total of $2.5 million, with the Company and Asahi Kasei each contributing $1.25 million. This settlement was approved by the California state court in November 2007. A third related state court case remains pending against FMC in Tennessee, although the parties have reached a tentative agreement to settle the case for $0.5 million, which will be subject to Tennessee state court approval. The above amounts for 2007 have been reflected in Restructuring and other charges in our consolidated statement of income for the year ended December 31, 2007.

We have certain other contingent liabilities arising from litigation, claims, performance guarantees and other commitments incident to the ordinary course of business. Based on information currently available and established reserves the ultimate resolution of our known contingencies, including the matters described in Note 18 to the consolidated financial statements, is not expected to have a material adverse effect on our consolidated financial position or liquidity. However, there can be no assurance that the outcome of these contingencies will be favorable, and adverse results in certain of these contingencies could have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Dividends

In 2006, the Board of Directors approved the initiation of a quarterly cash dividend of $0.09 per share which was paid in April, July, and October of 2006, and January and April of 2007. In April 2007, the Board announced its plan to increase the quarterly dividend by 17 percent from $0.09 to $0.105 per share. We declared dividends aggregating $30.9 million to our shareholders of record during the year 2007, and $7.9 million of this amount is included in Accrued and other liabilities on the consolidated balance sheet as of December 31, 2007. Total cash dividends of $29.7 million and $21.0 million were paid in 2007 and 2006, respectively, and no cash dividends were paid in 2005.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings, cash flows, and financial position are exposed to market risks relating to fluctuations in commodity prices, interest rates and foreign currency exchange rates. Our policy is to minimize exposure to our cash flow over time caused by changes in commodity, interest and currency exchange rates. To accomplish this we have implemented a controlled program of risk management consisting of appropriate derivative contracts entered into with major financial institutions.

Table of Contents

The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market rates and prices. The range of changes chosen reflects our view of changes that are reasonably possible over a one-year period. Market-value estimates are based on the present value of projected future cash flows considering the market rates and prices chosen. We calculate the market value foreign currency risk using third-party software incorporating standard pricing models to determine the present value of the instruments based on market conditions (spot and forward foreign exchange rates) as of the valuation date. We obtain estimates of the market value energy price risk from calculations performed internally and by a third party.

At December 31, 2007, our net financial instrument position was a net liability of $3.2 million compared to a net liability of $24.8 million at December 31, 2006. The change in the net financial instrument position was primarily due to lower unrealized losses in our commodity portfolio partially offset by higher unrealized losses on our foreign exchange portfolio.

Commodity Price Risk

Energy costs are approximately 13 percent of our cost of sales and services and are well balanced among coal, electricity and natural gas. We attempt to mitigate our exposure to increasing energy costs by hedging the cost of future deliveries of natural gas and by entering into fixed-price contracts for the purchase of coal and fuel oil. To analyze the effect of changing energy prices, we have performed a sensitivity analysis in which we assume an instantaneous 10 percent change in energy market prices from their levels at December 31, 2007 and December 31, 2006 with all other variables (including interest rates) held constant. A 10 percent increase in energy market prices would result in a decrease of the net liability position of $9.7 million at December 31, 2007 compared to a $13.6 million decrease in the net liability position at December 31, 2006. As a result, at December 31, 2007, the net liability position would become a net asset position. A 10 percent decrease in energy market prices would result in an increase of $9.7 million in the net liability position at December 31, 2007 compared to an increase of $13.6 million in the net liability position at December 31, 2006.

Foreign Currency Exchange Rate Risk

The primary currencies for which we have exchange rate exposure are the U.S. dollar versus the euro, the euro versus the Norwegian krone, the U.S. dollar versus the Japanese yen, the U.S. dollar versus the Chinese yuan and the U.S. dollar versus the Brazilian real. Foreign currency debt and foreign exchange forward contracts are used in countries where we do business, thereby reducing our net asset exposure. Foreign exchange forward contracts are also used to hedge firm and highly anticipated foreign currency cash flows.

To analyze the effects of changing foreign currency rates, we have performed a sensitivity analysis in which we assume an instantaneous 10 percent change in the foreign currency exchange rates from their levels at December 31, 2007 and December 31, 2006, with all other variables (including interest rates) held constant. A 10 percent strengthening of hedged currencies versus our functional currencies would have resulted in an increase of $17.6 million in the net liability position at December 31, 2007. A 10 percent strengthening of hedged currencies versus our functional currencies would have resulted in a decrease of $19.4 million in the net asset position, and as a result, would have changed the net asset position into a net liability position at December 31, 2006. A 10 percent weakening of hedged currencies versus our functional currencies would have resulted in a decrease of $17.6 million in the net liability position at December 31, 2007, compared to an increase of $17.9 million in the net asset position at December 31, 2006. As a result, at December 31, 2007, the net liability position would become a net asset position.

Table of Contents

Interest Rate Risk

One of the strategies that we use to manage interest rate exposure is to enter into interest rate swap agreements. In these agreements, we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated on an agreed-upon notional principal amount. In 2003, we entered into swaps with an aggregate notional value of $100.0 million. In 2005, we terminated these swaps at a net cost of $2.7 million and redeemed the underlying debt. As of December 31, 2007 and 2006, we had no interest rate swap agreements.

Our debt portfolio, at December 31, 2007, is composed of 52 percent fixed-rate debt and 48 percent variable-rate debt. The variable-rate component of our debt portfolio principally consists of foreign bank borrowings including borrowings under our European Credit Agreement and, variable-rate industrial and pollution control revenue bonds. Changes in interest rates affect different portions of our variable-rate debt portfolio in different ways.

Based on the variable-rate debt in our debt portfolio at December 31, 2007, a one percentage point increase or decrease in interest rates then in effect would have increased or decreased gross interest expense for 2007 by $2.6 million.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following are included herein:

(1) Consolidated Statements of Income for the years ended December 31, 2007, 2006 and 2005

(2) Consolidated Balance Sheets as of December 31, 2007 and 2006

(3) Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005

(4) Consolidated Statements of Changes in Stockholders Equity for the years ended December 31, 2007, 2006 and 2005

(5) Notes to Consolidated Financial Statements

(6) Report of Independent Registered Public Accounting Firm

(7) Management s Report on Internal Control over Financial Reporting

(8) Report of Independent Registered Public Accounting Firm

Table of Contents

FMC CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2007	2006	2005
	(in Millions, Except Per Share Data)		
Revenue	$ 2,632.9	$ 2,345.9	$ 2,146.0
Costs and expenses			
Costs of sales and services	1,830.1	1,636.5	1,505.5
Selling, general and administrative expenses	315.3	284.9	270.4
Research and development expenses	94.6	96.9	94.4
In-process research and development	2.0	2.0	
Restructuring and other charges	162.9	74.8	40.4
Total costs and expenses	2,404.9	2,095.1	1,910.7
Income from continuing operations before equity in (earnings) loss of affiliates, investment gains, minority interests, interest income and expense, loss on extinguishment of debt, income taxes, and cumulative effect of change in accounting principle	228.0	250.8	235.3
Equity in (earnings) loss of affiliates	(2.5)	(2.3)	(70.6)
Investment gains			(9.3)
Minority interests	9.6	7.8	7.5
Interest income	(2.3)	(9.1)	(4.2)
Interest expense	37.2	42.0	62.3
Loss on extinguishment of debt	0.3		60.5
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	185.7	212.4	189.1
Provision for income taxes	29.0	68.3	80.7
Income from continuing operations before cumulative effect of change in accounting principle	156.7	144.1	108.4
Discontinued operations, net of income taxes	(24.3)	(12.8)	6.1
Cumulative effect of change in accounting principle, net of income taxes			(0.5)
Net income	$ 132.4	$ 131.3	$ 114.0
Basic earnings (loss) per common share			
Continuing operations	$ 2.08	$ 1.88	$ 1.44
Discontinued operations	(0.32)	(0.17)	0.08
Cumulative effect of change in accounting principle			(0.01)
Net income	$ 1.76	$ 1.71	$ 1.51
Diluted earnings (loss) per common share			
Continuing operations	$ 2.02	$ 1.82	$ 1.38
Discontinued operations	(0.31)	(0.16)	0.08
Cumulative effect of change in accounting principle			(0.01)
Net income	$ 1.71	$ 1.66	$ 1.45

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

Table of Contents

FMC CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31, 2007	December 31, 2006
	(in Millions, Except Share and Par Value Data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 75.5	$ 165.5
Trade receivables, net of allowance of $18.0 in 2007 and $13.5 in 2006	599.7	537.9
Inventories	275.0	219.4
Prepaid and other current assets	126.9	91.3
Deferred income taxes	117.0	53.7
Total current assets	1,194.1	1,067.8
Investments	20.6	22.1
Property, plant and equipment, net	934.7	1,025.1
Goodwill	180.2	163.6
Other assets	144.8	125.6
Deferred income taxes	259.0	336.5
Total assets	**$ 2,733.4**	**$ 2,740.7**
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Short-term debt	$ 47.9	$ 53.7
Current portion of long-term debt	77.7	52.5
Accounts payable, trade and other	327.4	301.4
Accrued and other liabilities	192.1	193.1
Accrued payroll	57.9	50.4
Guarantees of vendor financing	29.7	25.6
Accrued pensions and other postretirement benefits, current	10.6	7.5
Income taxes	8.1	33.3
Total current liabilities	751.4	717.5
Long-term debt, less current portion	419.6	523.5
Accrued pensions and other postretirement benefits, long-term	100.2	132.9
Environmental liabilities, continuing and discontinued	160.1	157.8
Reserve for discontinued operations	33.5	36.3
Other long-term liabilities	145.9	103.5
Minority interests in consolidated companies	58.4	59.0
Commitments and contingent liabilities (Note 18)		
Stockholders equity		
Preferred stock, no par value, authorized 5,000,000 shares; no shares issued or outstanding in 2007 or 2006		
Common stock, $0.10 par value, authorized 130,000,000 shares in 2007 and 2006 92,991,896 issued in 2007 and 2006	9.3	9.3
Capital in excess of par value of common stock	407.5	426.3
Retained earnings	1,255.8	1,157.1
Accumulated other comprehensive income (loss)	(9.9)	(57.1)
Treasury stock, common, at cost; 17,862,495 shares in 2007 and 16,356,838 shares in 2006	(598.4)	(525.4)

Total stockholders equity	1,064.3	1,010.2
Total liabilities and stockholders equity	**$ 2,733.4**	**$ 2,740.7**

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

Table of Contents

FMC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006	2005
	(in Millions)		
Cash provided by operating activities of continuing operations:			
Net Income	$ 132.4	$ 131.3	$ 114.0
Cumulative effect of change in accounting principle			0.5
Discontinued operations	24.3	12.8	(6.1)
Income from continuing operations	$ 156.7	$ 144.1	$ 108.4
Adjustments to reconcile income from continuing operations to cash provided by operating activities:			
Depreciation and amortization	133.7	131.8	136.3
Restructuring and other charges	162.9	74.8	40.4
Investment gains			(9.3)
Equity in (earnings) loss of affiliates	(2.5)	(2.3)	(70.6)
Deferred income taxes	6.5	56.8	54.8
Minority interests	9.6	7.8	7.5
In-process research and development	2.0	2.0	
Loss on extinguishment of debt	0.3		60.5
Other	6.8	10.9	(0.3)
Changes in operating assets and liabilities:			
Trade receivables, net	(48.6)	(31.2)	(27.5)
Guarantees of vendor financing	4.1	(4.8)	(39.6)
Inventories	(39.6)	21.9	4.7
Other current assets and other assets	(16.0)	(23.1)	45.7
Accounts payable	10.5	(12.3)	(25.6)
Accrued payroll, other current liabilities and other liabilities	(0.6)	(3.1)	(13.6)
Income taxes	9.1	17.2	(22.8)
Accrued pensions and other postretirement benefits, net	(42.1)	(40.1)	(25.8)
Environmental spending, continuing	(8.3)	(4.0)	(5.1)
Restructuring and other spending	(29.8)	(39.2)	(18.5)
Cash provided by operating activities	314.7	307.2	199.6
Cash provided (required) by operating activities of discontinued operations:			
Environmental spending, discontinued	(22.4)	(44.1)	(24.4)
Proceeds from sale of formerly environmentally impaired property		25.3	56.1
Payments of other discontinued reserves	(22.7)	(24.4)	(14.3)
Cash provided (required) by operating activities of discontinued operations	(45.1)	(43.2)	17.4
Cash provided (required) by investing activities:			
Capital expenditures	(115.4)	(115.6)	(93.5)
In-process research and development expenditure	(2.0)	(2.0)	
Proceeds from sales of investments and assets held for sale		11.7	13.7
Distributions from Astaris	4.4		69.5
Acquisition of mineral rights		(9.0)	
Decrease (increase) in investments		(0.2)	
Proceeds from disposal of property, plant and equipment	5.6	5.3	3.9
Other investing activities	(13.2)		
Cash required by investing activities	(120.6)	(109.8)	(6.4)
Cash provided (required) by financing activities:			
Increase (decrease) in other short-term debt	(5.1)	(27.1)	42.9
Decrease in restricted cash			9.7
Financing fees	(0.7)		(48.6)

Increase in long term debt			594.1
Repayment of long-term debt	(95.9)	(91.5)	(849.6)
Distributions to minority partners	(10.2)	(7.3)	(4.0)
Dividends paid	(29.7)	(21.0)	
Issuances of common stock, net	14.6	40.6	40.2
Repurchases of common stock	(116.4)	(92.2)	
Cash required by financing activities	(243.4)	(198.5)	(215.3)
Effect of exchange rate changes on cash and cash equivalents	4.4	3.4	(1.3)
Decrease in cash and cash equivalents	(90.0)	(40.9)	(6.0)
Cash and cash equivalents, beginning of year	165.5	206.4	212.4
Cash and cash equivalents, end of year	$ 75.5	$ 165.5	$ 206.4

Table of Contents

Cash paid for interest was $31.3 million, $44.3 million and $71.4 million, and income taxes paid, net of refunds was $16.4 million net payments, $4.3 million net refunds and $41.4 million net payments in 2007, 2006, and 2005. For the years ended December 31, 2007, 2006 and 2005, we contributed approximately 2,000, 470,000 and 528,000 shares, respectively, of treasury stock to our employee benefit plans having a cost of $0.1 million, $17.3 million and $14.9 million, respectively, which is considered a non-cash activity.

We declared dividends aggregating $30.9 million to our shareholders of record during the year ended December 31, 2007, and $7.9 million of this amount is included in Accrued and other liabilities on the consolidated balance sheet as of December 31, 2007.

On January 1, 2007, we reclassified approximately $17 million of Income taxes to Other long-term liabilities on our consolidated balance sheets 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 consolidated balance sheet.

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

Table of Contents

FMC CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common Stock, $0.10 Par Value	Capital In Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Comprehensive Income (Loss)
			(in Millions, Except Par Value)			
Balance December 31, 2004						