FMC CORP
Form 10-Q
May 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2009

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	**94-0479804**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
1735 Market Street	
Philadelphia, Pennsylvania	**19103**
(Address of principal executive offices)	**(Zip Code)**

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

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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NON-ACCELERATED FILER OR A SMALLER REPORTING COMPANY. SEE 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 EXCHANGE ACT) YES ¨ NO x

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEBSITE, IF ANY, EVERY INTERACTIVE DATA FILE REQUIRED TO BE SUBMITTED AND POSTED PURSUANT TO RULE 405 OF REGULATION S-T DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO SUBMIT AND POST SUCH FILES) YES ¨ NO ¨

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

Class	Outstanding at March 31, 2009
Common Stock, par value $0.10 per share	72,675,293

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in Millions, Except Per Share Data)	Three Months Ended March 31, 2009	2008
	(unaudited)	
Revenue	$ 690.5	$ 750.2
Costs and Expenses		
Costs of sales and services	453.9	499.2
Selling, general and administrative expenses	80.1	83.7
Research and development expenses	20.0	21.8
Restructuring and other charges (income)	22.5	(8.3)
Total costs and expenses	576.5	596.4
Income from continuing operations before equity in (earnings) loss of affiliates, interest expense, net and income taxes	114.0	153.8
Equity in (earnings) loss of affiliates	(1.7)	(0.3)
Interest expense, net	7.0	8.7
Income from continuing operations before income taxes	108.7	145.4
Provision for income taxes	33.4	42.2
Income from continuing operations	75.3	103.2
Discontinued operations, net of income taxes	(4.4)	(6.4)
Net income	70.9	96.8
Less: Net income attributable to noncontrolling interests	1.8	2.9
Net income attributable to FMC stockholders	$ 69.1	$ 93.9
Amounts attributable to FMC stockholders:		
Continuing operations, net of tax	$ 73.5	$ 100.3
Discontinued operations, net of tax	(4.4)	(6.4)
Net income	$ 69.1	$ 93.9
Basic earnings (loss) per common share attributable to FMC stockholders:		
Continuing operations	$ 1.01	$ 1.34
Discontinued operations	(0.06)	(0.09)
Net income	$ 0.95	$ 1.25

Diluted earnings (loss) per common share attributable to FMC stockholders:		
Continuing operations	$ 1.00	$ 1.31
Discontinued operations	(0.06)	(0.08)
Net income	$ 0.94	$ 1.23

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

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FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in Millions, Except Share and Par Value Data)	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 54.9	$ 52.4
Trade receivables, net of allowance of $18.1 at March 31, 2009 and $16.3 at December 31, 2008	724.8	687.7
Inventories	409.6	380.8
Prepaid and other current assets	136.5	135.0
Deferred income taxes	155.1	176.9
Total current assets	1,480.9	1,432.8
Investments	20.5	20.6
Property, plant and equipment, net	915.6	939.2
Goodwill	194.9	197.0
Other assets	171.2	160.7
Deferred income taxes	236.9	243.6
Total assets	$ 3,020.0	$ 2,993.9
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt	$ 48.5	$ 28.6
Current portion of long-term debt	1.9	2.1
Accounts payable, trade and other	305.4	372.3
Accrued and other liabilities	307.8	301.0
Guarantees of vendor financing	23.7	20.3
Accrued pensions and other postretirement benefits, current	10.2	10.2
Income taxes	25.2	24.6
Total current liabilities	722.7	759.1
Long-term debt, less current portion	617.8	592.9
Accrued pension and other postretirement benefits, long-term	364.4	366.1
Environmental liabilities, continuing and discontinued	155.2	158.8
Reserve for discontinued operations	40.0	37.5
Other long-term liabilities	112.2	113.1
Commitments and contingent liabilities (Note 19)		
Equity		
Preferred stock, no par value, authorized 5,000,000 shares; no shares issued in 2009 or 2008		
Common stock, $0.10 par value, authorized 130,000,000 shares in 2009 and 2008; 92,991,896 issued shares at March 31, 2009 and December 31, 2008, respectively	9.3	9.3
Capital in excess of par value of common stock	392.8	395.5
Retained earnings	1,584.7	1,524.7
Accumulated other comprehensive income (loss)	(291.3)	(276.1)
Treasury stock, common, at cost: 20,316,603 shares at March 31, 2009 and 20,481,937 shares at December 31, 2008	(744.4)	(750.5)
Total FMC stockholders equity	951.1	902.9
Noncontrolling interests	56.6	63.5

Total equity	1,007.7	966.4
Total liabilities and equity	$ 3,020.0	$ 2,993.9

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

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FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Millions)	Three Months Ended March 31, 2009	2008
	(unaudited)	
Cash provided (required) by operating activities of continuing operations:		
Net income attributable to FMC stockholders	$ 69.1	$ 93.9
Discontinued operations	4.4	6.4
Income from continuing operations	$ 73.5	$ 100.3
Adjustments from income from continuing operations to cash provided (required) by operating activities of continuing operations:		
Depreciation and amortization	30.3	31.0
Equity in (earnings) loss of affiliates	(1.7)	(0.3)
Restructuring and other charges (income)	22.5	(8.3)
Deferred income taxes	39.9	38.8
Net income attributable to noncontrolling interests	1.8	2.9
Other	10.1	5.5
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Trade receivables, net	(43.6)	(148.3)
Guarantees of vendor financing	3.5	(1.8)
Inventories	(36.7)	(17.9)
Other current assets and other assets	0.3	(25.8)
Accounts payable	(60.2)	(6.7)
Accrued and other current liabilities and other liabilities	(4.8)	(8.4)
Income taxes	1.4	5.8
Accrued pension and other postretirement benefits, net	(3.5)	(14.1)
Environmental spending, continuing, net of recoveries	(2.7)	(2.4)
Restructuring and other spending	(5.3)	(4.8)
Cash provided (required) by operating activities	24.8	(54.5)
Cash provided (required) by operating activities of discontinued operations:		
Environmental spending, discontinued, net of recoveries	(5.4)	(6.6)
Payments of other discontinued reserves	(4.2)	(5.3)
Cash provided (required) by operating activities of discontinued operations	(9.6)	(11.9)

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

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FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(in Millions)	Three Months Ended March 31, 2009	2008
	(unaudited)	
Cash provided (required) by investing activities:		
Capital expenditures	$ (31.0)	$ (32.6)
Proceeds from disposal of property, plant and equipment	0.9	1.6
Proceeds from sale of Princeton property		59.4
Proceeds from sale of sodium sulfate assets		16.7
Acquisitions, net of cash acquired	(12.9)	
Other investing activities	(1.4)	(0.5)
Cash provided (required) by investing activities	(44.4)	44.6
Cash provided (required) by financing activities:		
Net borrowings (repayments) under committed credit facilities	41.0	58.0
Increase (decrease) in other short-term debt	20.3	6.7
Proceeds from borrowings	11.8	
Repayments of long-term debt	(23.1)	(7.4)
Distributions to noncontrolling interests	(8.4)	(5.7)
Issuances of common stock, net	0.7	4.4
Dividends paid	(9.1)	(7.9)
Repurchases of common stock	(1.1)	(31.6)
Cash provided (required) by financing activities	32.1	16.5
Effect of exchange rate changes on cash and cash equivalents	(0.4)	0.2
Increase (decrease) in cash and cash equivalents	2.5	(5.1)
Cash and cash equivalents, beginning of period	52.4	75.5
Cash and cash equivalents, end of period	$ 54.9	$ 70.4

Supplemental disclosure of cash flow information: Cash paid for interest was $8.3 million and $8.4 million, and income taxes paid, net of refunds were $1.9 million and $2.5 million for the three months ended March 31, 2009 and 2008, respectively.

See Note 8 regarding non-cash activity related to the Princeton lease.

See Note 16 regarding quarterly cash dividend.

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

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FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Financial Information and Accounting Policies

In our opinion the condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles applicable to interim period financial statements and reflect all adjustments necessary for a fair statement of results of our operations and cash flows for the three months ended March 31, 2009 and 2008, and our financial position as of March 31, 2009. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2009 and 2008 are not necessarily indicative of the results of operations for the full year. The condensed consolidated balance sheet as of March 31, 2009 and the related condensed consolidated statements of income for the three months ended March 31, 2009 and 2008, and condensed consolidated statements of cash flows for the three months ended March 31, 2009 and 2008, have been reviewed by our independent registered public accountants. The review is described more fully in their report included herein.

Our accounting policies are set forth in detail in Note 1 to the consolidated financial statements included with our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2008 (the 2008 Form 10-K).

Note 2: Recently Issued and Adopted Accounting Pronouncements

New accounting standards

FSP FAS 132(R)-1

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets . This FSP amends FASB Statement No. 132 (revised 2003) Employers Disclosures about Pensions and Other Postretirement Benefits , to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The FSP requires additional disclosure regarding how investment allocation decisions are made, more information about major categories of plan assets, including concentrations of risk and fair-value measurements, and the fair-value techniques and inputs used to measure plan assets. We are required to adopt this Statement beginning with our 2009 Form 10-K.

Recently adopted accounting standards in 2009

SFAS No. 141(R) and FSP FAS 141(R)-1

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised), Business Combinations . Statement No. 141(R) applies to all business combinations. Under SFAS No. 141(R) an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair values on the acquisition date. In April 2009, the FASB issued FSP FAS 141(R)-1 which amends and clarifies Statement 141 (R). The FSP addresses issues related to initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. We adopted both of these Statements on January 1, 2009. There was no impact to our condensed consolidated financial statements upon adoption of these Statements. All future acquisitions, subsequent to January 1, 2009, will be accounted for under this new guidance.

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements . Statement No. 160 applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements. SFAS No. 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. Additionally, the standard provides guidance on the treatment of net income attributable to noncontrolling interests and requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. We adopted this Statement on January 1, 2009 via retrospective application of the presentation and disclosure requirements. Other than the new presentation and disclosure requirements, there was no impact to our condensed consolidated financial statements upon adoption of SFAS 160.

SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities . Statement No. 161 applies to the disclosure requirements for all derivative instruments and hedged items accounted for under SFAS No. 133 and its related interpretations. This Statement amends and expands the disclosure requirements of Statement 133, requiring qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about the credit risk related contingent features in derivative agreements. Pursuant to the transition provisions of the Statement, we adopted this Statement on January 1, 2009 and presented the required disclosures in the prescribed format on a prospective basis. Other than new disclosure, there was no impact to our condensed consolidated financial statements upon adoption of SFAS 161. See Note 5 for adoption of this Statement.

FSP EITF 03-6-1

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities . This FSP requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents to be treated as *participating securities* as defined in EITF Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, and, therefore, included in the earnings allocation in computing earnings per share under the two-class method described in FASB Statement No. 128, Earnings per Share . We adopted this FSP on January 1, 2009 and all previously reported earnings per share data was adjusted retrospectively to conform with the requirements of the FSP. Our restricted stock awards granted to employees and directors are considered participating securities as they receive non-forfeitable dividends at the same rate as common stock. The implementation of the FSP decreased our previously reported basic earnings per share by approximately $0.01 for the three months ended March 31, 2008 and had no impact on our previously reported diluted earnings per share. See Note 14 for adoption of the FSP.

FSP SFAS No. 157-2

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 , which amended FAS No. 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We adopted SFAS 157-2 for non-financial assets and liabilities on January 1, 2009. See Note 6 for adoption of this Statement. Other than new disclosure, there was no impact to our condensed consolidated financial statements upon adoption of this FSP.

EITF 08-6

In September 2008, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) with respect to EITF Issue No. 08-6, Equity Method Investment Accounting Considerations . The consensus requires an equity-method investor to recognize its proportionate share of impairment charges recognized by the investee, adjusted for basis differences, if any, between the investee s carrying amount for the impaired assets and the cost allocated to such assets by the investor. The investor is also required to perform an overall other-than-temporary impairment test of its investment in accordance with APB Opinion 18, The Equity Method of Accounting for Investments in Common Stock . We adopted this EITF on January 1, 2009. There was no impact to our condensed consolidated financial statements upon adoption of this EITF.

EITF 08-7

In November 2008, the FASB ratified the consensus reached by the EITF with respect to EITF Issue No. 08-7, Accounting for Defensive Intangible Assets . The EITF applies to acquired intangible assets in situations in which an entity does not intend to actively use the asset but intends to hold the asset to prevent others from obtaining access to the asset (a defensive intangible asset). These assets should be accounted for as separate identifiable defensive intangible assets and should be assigned a useful life that reflects the entity s consumption of the expected benefits related to that asset. We adopted this EITF on January 1, 2009. There was no impact to our condensed consolidated financial statements upon adoption of this EITF.

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NOTE 3: ACQUISITIONS

2009 Acquisitions

On February 20, 2009, we acquired the CB Professional Products line of insect control products from Waterbury Companies, Inc. for approximately $14 million, which included intangible assets of $12.1 million (primarily customer relationships and trade names), and inventory of $1.7 million. Approximately $1.0 million of the purchase price has been accrued as contingent consideration. This acquisition is being integrated into our Agricultural Products Group. This acquisition fits with our strategic goal of offering a broad product portfolio to pest control distribution and a comprehensive set of solutions to pest management professionals.

The acquired intangible assets that are subject to amortization, primarily customer relationships and developed formulations, have useful lives ranging from 5 to 15 years. The acquired trade names in the amount of $2.4 million have an indefinite life.

Pro forma revenue, net income and earnings per share information related to this acquisition is not presented because its impact on these measures in our condensed consolidated statements of income is not significant.

2008 Acquisitions

During the third quarter of 2008, we acquired the two businesses described below for approximately $98 million. We paid $90.6 million in cash for these two businesses which represents the purchase price of approximately $98 million less cash acquired. The businesses were integrated into our Specialty Chemicals segment s BioPolymer Division. The purchase price is not considered final due to working capital adjustments expected to occur in 2009.

In August 2008, we acquired the hydrocolloids ingredients business of International Specialty Products Inc. (ISP) based in Girvan, Scotland. This acquisition is intended to strengthen our position in hydrocolloids and enhance service to the global customers in food, pharmaceutical and specialty industries. Under the agreement, we acquired ISP s alginates and food blends business (other than ISP s Germinal blending business based in Brazil), including ISP s Girvan, Scotland, manufacturing facility and employees. The results of operations of the ISP business are included in the Specialty Chemicals segment beginning on the acquisition date of August 18, 2008.

In September 2008, we acquired shares and assets comprising the food ingredients business of the Co-Living Group. The acquisition is intended to enhance our position in supplying specialty hydrocolloid products and services to the rapidly growing food ingredients market in China. The results of operations of the CoLiving business are included in the Specialty Chemicals segment beginning on the acquisition date of September 29, 2008.

We are currently finalizing the purchase price allocations of the acquisitions. This may result in additional adjustments to the initial purchase price allocation of each acquisition. The following table presents the initial purchase price allocation of our Specialty Chemical segment acquisitions described above:

(in Millions)	
Current Assets (primarily inventory)	$ 50.5
Property, Plant & Equipment	16.7
Intangible Assets (primarily customer relationships)	17.4
Goodwill	27.5
Deferred Tax Asset	10.9
Total Assets Acquired	$ 123.0
Current Liabilities	22.2
Long-Term Liabilities (primarily deferred tax liability)	2.9
Net Assets	$ 97.9

As of the acquisition dates, we began to assess and formulate plans to restructure the acquired entities. These activities are accounted for in accordance with EITF 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination (EITF 95-3). The estimated costs have been recognized as liabilities in the purchase price allocations above. As we finalize our plans to integrate or restructure certain activities of the acquired entities, further liabilities may be recorded as part of the purchase price allocations. Refer to Note 10 for a rollforward of the restructuring activities related to the Alginates operations.

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The acquired intangible assets that are subject to amortization, primarily customer relationships, have a weighted average useful life of 20 years. The $27.5 million of goodwill, which we expect to be deductible for income tax purposes, is included in our Specialty Chemicals segment.

Pro forma revenue results, had the acquisitions of ISP and CoLiving occurred on January 1, 2008, would have been $772.4 million for the three months ended March 31, 2008. This information is based on historical results of operations, and, in our opinion, is not necessarily indicative of the results that would have been achieved had we operated the entities acquired since such dates. Pro forma net income and earnings per share information related to these acquisitions is not presented because the impact of these acquisitions on these measures in our condensed consolidated statements of income is not significant.

Note 4: Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by business segment for the three months ended March 31, 2009 are presented in the table below:

(in Millions)	Agricultural Products	Specialty Chemicals	Industrial Chemicals	Total
Balance, December 31, 2008	$ 2.7	$ 193.7	$ 0.6	$ 197.0
Acquisitions	0.1			0.1
Purchase Price Allocation Adjustments		4.8		4.8
Foreign Currency Adjustments		(7.0)		(7.0)
Balance, March 31, 2009	$ 2.8	$ 191.5	$ 0.6	$ 194.9

Acquisitions for the three months ended March 31, 2009 relate to the CB Professional Products acquisition described in Note 3.

Our indefinite life intangible assets totaled $2.4 million at March 31, 2009. We did not have any indefinite life intangible assets at December 31, 2008. The indefinite life intangible assets consist of trade names acquired as part of the acquisition in our Agricultural Products segment as discussed in Note 3.

Our definite life intangible assets totaled $35.2 million and $25.9 million at March 31, 2009 and December 31, 2008, respectively. At March 31, 2009, these definite life intangibles were allocated among our business segments as follows: $16.8 million in Agricultural Products, $17.4 million in Specialty Chemicals and $1.0 million in Industrial Chemicals. Definite life intangible assets consist primarily of patents, customer relationships, access rights, industry licenses, developed formulations and other intangibles and are included in Other assets in the condensed consolidated balance sheets. The increase in definite life intangibles during the three months ended March 31, 2009 was due to the intangible assets acquired in connection with the acquisition described in Note 3. Amortization was not significant in the periods presented.

Note 5: Financial Instruments and Risk Management

We mitigate certain financial exposures, including currency risk, interest rate risk, and energy purchase exposures, through a program of risk management that includes the use of derivative financial instruments. We enter into foreign exchange contracts, including forward and purchased option contracts, to reduce the effects of fluctuating foreign currency exchange rates.

We formally document all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes relating derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. We also formally assess, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If we determine that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting with respect to that derivative prospectively.

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Foreign Currency Exchange Risk Management

We conduct business in many foreign countries, exposing earnings, cash flows, and our financial position to foreign currency risks. The majority of these risks arise as a result of foreign currency transactions. Our policy is to minimize exposure to adverse changes in currency exchange rates. This is accomplished through a controlled program of risk management that includes the use of foreign currency debt and forward foreign exchange contracts. We also use forward foreign exchange contracts to hedge firm and highly anticipated foreign currency cash flows, with an objective of balancing currency risk to provide adequate protection from significant fluctuations in the currency markets.

The primary currency movements for which we have exchange-rate exposure are the U.S. dollar versus the euro, the U.S. dollar versus the Chinese yuan and the U.S. dollar versus the Brazilian real.

Commodity Price Risk

We are exposed to risks in energy costs due to fluctuations in energy prices, particularly natural gas. We attempt to mitigate our exposure to increasing energy costs by hedging the cost of future deliveries of natural gas and entering into fixed-price contracts for the purchase of coal and fuel oil.

Interest Rate Risk

We use various strategies to manage our interest rate exposure, including entering into interest rate swap agreements to achieve a targeted mix of fixed- and variable-rate debt. In the agreements, we exchange, at specified intervals, the difference between fixed- and variable-interest amounts calculated on an agreed-upon notional principal amount. As of March 31, 2009 and December 31, 2008, we have no such swap agreements in place.

Concentration of Credit Risk

Our counterparties to derivative contracts are limited to major financial institutions and organized exchanges. We limit the dollar amount of contracts entered into with any one financial institution and monitor counterparties credit ratings. We also enter into master netting agreements with each financial institution, where possible, which helps mitigate the credit risk associated with our financial instruments. While we may be exposed to credit losses due to the nonperformance of counterparties, we consider this risk remote.

Accounting for Derivative Instruments and Hedging Activities

Cash Flow Hedges

We recognize all derivatives on the balance sheet at fair value. On the date the derivative instrument is entered into, we generally designate the derivative as a hedge of the variability of cash flows to be received or paid related to a forecasted transaction (cash flow hedge). We record in accumulated other comprehensive income or loss (AOCI) changes in the fair value of derivatives that are designated as and meet all the required criteria for a cash flow hedge. We then reclassify these amounts into earnings as the underlying hedged item affects earnings. We record immediately in earnings changes in the fair value of derivatives that are not designated as hedges.

At March 31, 2009, we had open foreign currency forward contracts in a net loss position of $10.9 million, before-tax, designated as cash flow hedges of underlying forecasted sales and purchases. Current open contracts hedge forecasted transactions until December 2009. The net loss from the foreign currency hedges included in AOCI at March 31, 2009 was $7.2 million after-tax. At March 31, 2009, the Company had open forward contracts with various expiration dates to buy, sell or exchange foreign currencies with a U.S. dollar equivalent of approximately $345 million.

At March 31, 2009, we had current open commodity contracts in a net loss position of $24.3 million, before-tax, designated as cash flow hedges of underlying forecasted purchases, primarily natural gas. Current open commodity contracts hedge forecasted transactions until December 2010. The net loss from the open commodity contracts included in AOCI at March 31, 2009 was $15.3 million after-tax. At March 31, 2009, we had 8.4 million mmBTUs (British Thermal Units) in aggregate notional volume of outstanding natural gas commodity forward contracts to hedge forecasted purchases.

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Of the $22.5 million of net losses, representing both open foreign currency exchange contracts and open commodity contracts, approximately $21.7 million would be realized in earnings during the twelve months ending December 31, 2009 if the spot rates as of March 31, 2009 were maintained. The remaining $0.8 million would be realized at various times, subsequent to December 31, 2009. The actual effect on earnings will be dependent on actual spot rates when the forecasted transactions occur. We recognize derivative gains and losses in the Costs of sales and services line in the condensed consolidated statements of income.

Other Derivative Instruments

We hold certain forward contracts that have not been designated as hedging instruments. Contracts used to hedge the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities are not designated as hedging instruments, and changes in the fair value of these items are recorded in earnings. We also hold a cap instrument that is effective as an economic hedge of a portion of our natural gas exposure and the change in fair value of this instrument is also recorded in earnings.

We had open forward contracts with various expiration dates to buy, sell or exchange foreign currencies with a U.S. dollar equivalent of approximately $250 million at March 31, 2009. We hold a natural gas option instrument with a notional amount of approximately 1.3 million mmBTUs at March 31, 2009.

The following table provides the fair value and balance sheet presentation of our derivative instruments as of March 31, 2009.

	March 31, 2009	
(in Millions)	**Balance Sheet Location**	**Fair Value**
Derivatives Designated as Hedging Instruments		
Foreign exchange contracts	Prepaid and other current assets	$ 1.7
Commodity contracts	Prepaid and other current assets	5.6
Total Derivative Assets		7.3
Foreign exchange contracts	Accrued and other liabilities	(12.6)
Commodity contracts	Accrued and other liabilities	(30.5)
Total Derivative Liabilities		(43.1)
Net Derivative Assets/(Liabilities)		$ (35.8)
Derivatives Not Designated as Hedging Instruments		
Foreign exchange contracts	Prepaid and other current assets	$ 2.2
Commodity contracts	Prepaid and other current assets	0.1
Total Derivative Assets		2.3
Foreign exchange contracts	Accrued and other liabilities	(0.4)
Commodity contracts	Accrued and other liabilities	
Total Derivative Liabilities		(0.4)
Net Derivative Assets/(Liabilities)		$ 1.9

The information included in the above chart is also presented in our fair value table included in Note 6.

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The following tables provide the impact of derivative instruments and related hedged items on the condensed consolidated statements of income for the three months ended March 31, 2009.

Derivatives in Cash Flow Hedging Relationships

(in Millions)	Amount of Gain or (Loss) Recognized in OCI on Derivatives, net of tax (Effective Portion)	Amount of Pre-tax Gain or (Loss) Reclassified from AOCI into Income (Effective Portion) (a)	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)
	Three Months Ended March 31, 2009		
Foreign Exchange contracts	$ 9.3	$ (4.2)	$
Commodity contracts	(0.5)	(6.0)	(0.6)
Total	$ 8.8	$ (10.2)	$ (0.6)

(a) Amounts are included in Cost of sales and services on the condensed consolidated statements of income.

Derivatives Not Designated as Hedging Instruments

(in Millions)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives Three Months Ended March 31, 2009
Foreign Exchange contracts	Cost of Sales and Services	$ (1.1)
Commodity contracts	Cost of Sales and Services	(0.7)
Total		$ (1.8)

Note 6: Fair Value Measurements

We adopted the provision of SFAS No.157 on January 1, 2008 and the provisions of FSP FAS 157-2 on January 1, 2009. See Note 2 for additional details. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are defined as buyers or sellers in the principle or most advantageous market for the asset or liability that are independent of the reporting entity, knowledgeable and able and willing to transact for the asset or liability. Other than new disclosure, there was no impact to our condensed consolidated financial statements upon adoption of SFAS 157 and FSP FAS 157-2.

Fair Value Hierarchy

In accordance with SFAS No. 157, we have categorized our assets and liabilities that are recorded at fair value, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Our assets and liabilities required to be measured at fair value are recorded on the condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that we have the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives and most U.S. Government and agency securities).

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Level 2. Assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Examples of Level 2 inputs include quoted prices for identical or similar assets or liabilities in non-active markets and pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate, currency swaps and energy derivatives).

Level 3. Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table presents our fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis in our condensed consolidated balance sheets as of March 31, 2009.

(in Millions)	**3/31/2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Available-for-sale securities (1)	$ 0.3	$ 0.3	$	$
Derivatives Energy (2)	5.7		5.7	
Derivatives Foreign Exchange (2)	3.9		3.9	
Other (3)	15.4	15.4		
Total Assets	$ 25.3	$ 15.7	$ 9.6	$
Liabilities				
Derivatives Energy (4)	$ 30.5	$	$ 30.5	$
Derivatives Foreign Exchange (4)	13.0		13.0	
Other (5)	22.9	22.9		
Total Liabilities	$ 66.4	$ 22.9	$ 43.5	$

(1) Amounts included in Investments in the condensed consolidated balance sheets.
(2) Amounts included in Prepaid and other current assets in the condensed consolidated balance sheets
(3) Consists of a deferred compensation arrangement, through which we hold various investment securities, recognized on our balance sheet. Both the asset and liability are recorded at fair value. Asset amounts included in Other assets in the condensed consolidated balance sheets.
(4) Amounts included in Accrued and other liabilities in the condensed consolidated balance sheets.
(5) Consists of a deferred compensation arrangement recognized on our balance sheet. Both the asset and liability are recorded at fair value. Liability amounts included in Other long-term liabilities in the condensed consolidated balance sheets.

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The following table presents our fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis in our condensed consolidated balance sheets as of March 31, 2009.

(in Millions)	3/31/2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Assets					
Long-lived assets to be abandoned (1)	$	$	$	$	$ (8.8)
Assets acquired through acquisitions (2)	13.9		1.5	12.4	
Total Assets	$ 13.9	$	$ 1.5	$ 12.4	$ (8.8)
Liabilities					
Asset retirement obligations (3)	$ 3.6	$	$	$ 3.6	$
Liabilities associated with acquisitions (2)	1.0			1.0	
Liabilities associated with exit activities (4)	5.2		5.2		(5.2)
Total Liabilities	$ 9.8	$	$ 5.2	$ 4.6	$ (5.2)

(1) We initiated multiple facility phase-outs during the quarter primarily the Santa Clara facility and the Bayport butyllithium facility. In connection with the phase-outs, we recorded charges to write down the value of the related long-lived assets to be abandoned to their fair value of zero as the long-lived assets have no future use and are anticipated to be demolished. The loss noted in the above table represents the accelerated depreciation of these assets recorded during the period. The remaining accelerated depreciation of $5.1 million to adjust the assets to the fair value of zero will be recognized as the phase-outs are completed in 2009. See Note 10 for additional details of the charges incurred during the three months ended March 31, 2009.

(2) As part of the CB Professional Products acquisition discussed in Note 3, we are required to recognize the assets acquired, liabilities assumed and contingent consideration at their fair values on the acquisition date. The level 3 assets identified above represent various acquired intangible assets that were valued using various forms of the income valuation approach. The valuation inputs included an estimate of future cash flows and discount rates based on the internal rate of return and the weighted average rate of return. The level 3 liabilities identified above represent the fair value of contingent consideration incurred as part of the acquisition.

(3) In connection with the facility phase-outs during the quarter primarily the Santa Clara facility and the Bayport butyllithium facility, we accelerated the estimated settlement dates associated with the asset retirement obligations at these facilities and as a result recorded an increase to these obligations in the amount of $3.6 million. We estimated the fair value of the asset retirement obligations based on engineering estimates provided by experienced engineers who have dealt with the retirement of and disposal of contaminated equipment, instruments and hazardous chemicals. The associated asset retirement obligations are capitalized as part of the carrying amount of related long-lived assets and this capitalized cost is depreciated on an accelerated basis over the remaining phase-out period of the expected facility operation.

(4) In connection with the facility phase-outs noted above, we recorded liabilities in the amount of $5.2 million related to severance costs and contract termination fees. See Note 10 for additional details of the charges incurred during the three months ended March 31, 2009.

Note 7: Inventories

Inventories consisted of the following:

	March 31, 2009	December 31, 2008
	(in Millions)	
Finished goods and work in process	$ 269.0	$ 249.7
Raw materials	140.6	131.1
Net inventory	$ 409.6	$ 380.8

Note 8: Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	March 31, 2009	December 31, 2008
	(in Millions)	
Property, plant and equipment	$ 2,586.9	$ 2,641.5
Accumulated depreciation	1,671.3	1,702.3
Property, plant and equipment, net	$ 915.6	$ 939.2

In August 2008, we entered into an agreement with Princeton South Development, LLC to lease our new R&D facility (which was still under construction as of March 31, 2009) in Ewing Township, NJ. The facility is being developed, owned, and operated by a non-affiliated company. We are required to be treated, for accounting purposes only, as the owner of the Princeton facility, in accordance with EITF 97-10, The Effect of Lessee Involvement in Asset Construction . At March 31, 2009, the cost of the asset is included in construction in progress in the amount of $6.3 million, with an offset to Other long-term liabilities on the condensed consolidated balance sheets.

Note 9: Asset Retirement Obligations

As of March 31, 2009, the balance of our asset retirement obligations was $10.6 million. This amount increased approximately $2.9 million from December 31, 2008 primarily due to the addition of asset retirement obligation liabilities associated with our decision to shutdown our Bayport butyllithium and Santa Clara facilities, partially offset by payments against the reserve. A more complete description of our asset retirement obligations can be found in Note 9 to our 2008 consolidated financial statements on our 2008 Form 10-K.

Note 10: Restructuring and other charges (income)

Three Months Ended March 31, 2009

Santa Clara Shutdown

In March 2009, we made the decision to shut down our manufacturing operations at our Peroxygens facility in Santa Clara, Mexico, which is part of our Industrial Chemicals segment. The decision to shut down the Santa Clara operations was made in an effort to maximize cost savings and improve efficiencies.

We recorded charges totaling $6.5 million during the three months ended March 31, 2009 which consisted of (i) accelerated depreciation on fixed assets to be abandoned of approximately $3.3 million, (ii) severance and employee benefits of $1.5 million, and (iii) other shut down costs of approximately $1.7 million.

Bayport Shutdown

In March 2009, we made the decision to close our Bayport butyllithium facility located in Bayport, Texas. The Bayport butyllithium facility is part of our Lithium division which is included in our Specialty Chemicals segment. Our decision is consistent with our ongoing strategy to be globally competitive and focus on products consistent with market demands.

We recorded charges totaling $4.1 million during the three months ended March 31, 2009 which consisted of (i) accelerated depreciation on fixed assets to be abandoned of approximately $3.4 million and (ii) severance and employee benefits of $0.7 million.

Alginates Restructuring

In January 2009, we announced plans to realign our BioPolymer alginates manufacturing operations in Norway and the United Kingdom as the company continues integration of the International Specialty Products (ISP) alginates business acquired in August 2008. A portion of the restructuring charges associated with this realignment were recognized as liabilities in the purchase price allocation described in Note 3.

We recorded charges totaling $2.8 million during the three months ended March 31, 2009 which consisted of (i) accelerated depreciation on fixed assets to be abandoned of approximately $1.3 million and, (ii) severance and employee benefits of $1.5 million. These charges are not eligible to be recorded as part of purchase accounting as they are not related to acquired entities.

Collaboration and License Agreement

In the third quarter of 2007, our Agricultural Products segment entered into a collaboration and license agreement with another third-party company for the purpose of obtaining certain technology and intellectual property rights. During the first quarter of 2009, we extended our rights under this agreement. We paid an additional $1.0 million and have recorded this amount as a charge to Restructuring and other charges (income) in the condensed consolidated statements of income for the three months ended March 31, 2009.

Baltimore Phase Out

In June 2007, we made the decision to phase out operations of our Baltimore, Maryland facility in our Agricultural Products segment. Our decision was consistent with our strategy to maintain globally cost-competitive manufacturing positions by sourcing raw materials, intermediates and finished products in lower-cost manufacturing locations. We ceased production at this facility in the second quarter of 2008.

During the three months ended March 31, 2009, we recorded charges totaling $0.8 million which related to demolition costs.

Other Items

In addition to the Santa Clara, Bayport, Alginates and the Baltimore phase out restructurings described above, we engaged in certain other restructuring activities which resulted in severance and asset abandonment charges. These restructuring charges are expected to improve our global competitiveness through improved cost efficiencies. These activities which were included as part of restructuring and other charges (income) for the three months ended March 31, 2009 included $1.5 million of severance costs due to workforce restructurings, primarily related to our Industrial Chemicals segment. We also recorded $3.9 million of asset abandonment charges, of which $2.5 million related to our Agricultural Products segment and $1.4 million related to our Industrial Chemicals segment. Asset abandonment charges were determined based upon our decision and related analysis to abandon these assets before the end of their previously estimated lives.

Restructuring and other charges (income) for the three months ended March 31, 2009, also included $0.7 million of other charges, primarily related to our Industrial Chemicals segment. Other charges primarily represent the accrual of interest associated with the European Commission fine as discussed within Note 19. Additionally, we recorded $1.2 million of charges for the three months ended March 31, 2009 relating to continuing environmental sites as a Corporate charge.

Three Months Ended March 31, 2008

Princeton Property Sale

On March 18, 2008, we completed the sale of our 158-acre Princeton research center to the Princeton HealthCare System. Gross proceeds from the sale were $62.5 million and net proceeds after offsets, commissions and fees totaled approximately $60 million. The gain on the sale was $29.6 million and is included in Restructuring and other charges (income) in the condensed consolidated statements of income for the three months ended March 31, 2008. The gain on sale was reduced by the sale/leaseback deferral described below.

We entered into a sale-leaseback as part of the sale under which certain of the buildings sold to the Princeton HealthCare System were leased back to us for a period up to approximately three years. The leaseback was accounted for as an operating lease and the present value of the lease payments was deferred as part of the gain on sale. We recorded a deferred gain on sale in the amount of $6.7 million. This is being recognized as a reduction of rent expense over the term of the lease. As of March 31, 2009, the remaining balance of the deferred gain is $3.9 million and is included in Accrued and other liabilities on the condensed consolidated balance sheets.

Sodium Sulfate Assets Sale

In February 2008, we completed the sale of Foret s non-cogeneration sodium sulfate assets. Foret is part of our Industrial Chemicals segment. We recognized a gain on sale of these assets of $3.6 million which is included in Restructuring and other charges (income) in the condensed consolidated statements of income for the three months ended March 31, 2008. Net proceeds from the transaction were $16.7 million.

We did not complete the sale of the sodium sulfate co-generation facility at the time we sold the other sodium sulfate assets noted above. We expect the sale of this asset to occur sometime in the second quarter of 2009. This asset is considered to be an asset held for sale and the amount of $3.7 million is included in Prepaid and other current assets on our condensed consolidated balance sheets at March 31, 2009 and December 31, 2008.

Baltimore Phase Out

We recorded charges totaling $15.8 million during the three months ended March 31, 2008 which consisted of (i) accelerated depreciation on fixed assets to be abandoned of approximately $15.4 million, and (ii) severance and employee benefits of $0.4 million.

Other Items

In addition to the Baltimore phase out restructuring described above, we initiated certain other restructuring activities within all three of our segments during the three months ended March 31, 2008 which resulted in severance charges. These restructuring charges are expected to improve our global competitiveness through improved cost efficiencies. These activities which were included as part of restructuring and other charges (income) for the three months ended March 31, 2008 included $3.2 million of severance costs due to workforce restructurings, of which $1.9 million related to our Agricultural Products segment, $1.1 million related to our Industrial Chemicals segment and $0.2 million related to our Specialty Chemicals segment.

We recorded $4.9 million of charges relating to continuing environmental sites as a Corporate charge. Approximately $1.8 million of these continuing environmental charges was triggered as a result of the sale of our Princeton property discussed previously within this Note. We also recorded $1.0 million of other charges primarily in our Industrial Chemicals segment.

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Rollforward of Restructuring and Other Reserves

The following table shows a rollforward of restructuring and other reserves and the related spending and other changes:

(in Millions)	Santa Clara Facility Shutdown	Bayport Butyllithium Facility Shutdown	Alginates Restructuring	Baltimore and Jacksonville Facility Shutdowns	Other Workforce Related and Facility Shutdowns (1)	Total
Balance at 12/31/08	$	$	$ 3.0	$ 3.4	$ 2.1	$ 8.5
Increase in reserves (2)	3.2	0.7	4.0	0.8	1.7	10.4
Cash payments	(0.5)	(0.1)	(0.1)	(2.5)	(2.1)	(5.3)
Balance at 3/31/09 (3)	$ 2.7	$ 0.6	$ 6.9	$ 1.7	$ 1.7	$ 13.6

(1) Primarily severance costs related to workforce reductions and facility shutdowns described in the Other Items sections above.
(2) Primarily severance costs. The impairment and accelerated depreciation charges noted above impacted our property, plant and equipment balances and are not included in the above tables. Additionally, in 2009, the payment associated with the Collaboration and License Agreement is not included in the above table.
(3) Included in Accrued and other liabilities and Other long-term liabilities on the Condensed Consolidated Balance Sheets.

Note 11: Debt

Debt maturing within one year:

Debt maturing within one year consists of the following:

(in Millions)	March 31, 2009	December 31, 2008
Short-term debt	$ 48.5	$ 28.6
Current portion of long-term debt	1.9	2.1
Total debt maturing within one year	$ 50.4	$ 30.7

Short-term debt consisted of foreign credit lines at March 31, 2009 and December 31, 2008. We provide parent-company guarantees to lending institutions providing credit to our foreign subsidiaries.

Long-term debt:

Long-term debt consists of the following:

	March 31, 2009			
(in Millions)	Interest Rate Percentage	Maturity Date	3/31/2009	12/31/2008

Pollution control and industrial revenue bonds (less unamortized discounts of $0.3 million and $0.3 million, respectively)	0.46-7.05%	2009-2035	$ 201.3	$ 189.4
Debentures (less unamortized discounts of $0.1 million and $0.1 million, respectively)	7.75%	2011	45.4	45.4
European credit agreement	1.51-3.41%	2010	129.0	157.2
Domestic credit agreement	0.69-3.25%	2012	244.0	203.0
Total debt			619.7	595.0
Less: debt maturing within one year			1.9	2.1
Total long-term debt			$ 617.8	$ 592.9

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At March 31, 2009, we had $129.0 million in U.S. dollar equivalent revolving credit facility borrowings under the European Credit Agreement compared to $157.2 million at December 31, 2008. Available funds under this facility were $163.6 million and $150.2 million at March 31, 2009 and December 31, 2008, respectively.

We had $244.0 million of borrowings under our Domestic Credit Agreement at March 31, 2009 compared to $203.0 million of borrowings at December 31, 2008. Letters of credit outstanding under the Domestic Credit Agreement totaled $149.6 million and $151.5 million at March 31, 2009 and December 31, 2008, respectively. As such, available funds under the Domestic Credit Agreement were $206.4 million and $245.5 million at March 31, 2009 and December 31, 2008, respectively.

Among other restrictions, the Domestic Credit Agreement and the European Credit Agreement contain financial covenants applicable to FMC and its consolidated subsidiaries related to leverage (measured as the ratio of debt to adjusted earnings) and interest coverage (measured as the ratio of adjusted earnings to interest expense). Our actual leverage for the four consecutive quarters ended March 31, 2009 was 1.2 which is within the maximum leverage 3.5. Our actual interest coverage for the four consecutive quarters ended March 31, 2009 was 19.9 which is within the minimum interest coverage of 3.5. We were in compliance with all covenants at March 31, 2009.

Note 12: Discontinued Operations

Our results of discontinued operations comprised the following:

	Three Months Ended March 31,	
(in Millions)	**2009**	**2008**
Adjustment for workers compensation, product liability, and other postretirement benefits related to previously discontinued operations (net of income tax expense of $0.1 million for the three months ended March 31, 2008)	$	$ 0.3
Provision for environmental liabilities and legal reserves and expenses related to previously discontinued operations (net of income tax benefit of $2.7 million and $4.1 million for the three months ended March 31, 2009 and 2008, respectively)	(4.4)	(6.7)
Discontinued operations, net of income taxes	$ (4.4)	$ (6.4)

2009

During the first three months of 2009, we recorded a $7.1 million ($4.4 million after-tax) charge to discontinued operations related to environmental issues and legal reserves and expenses. Environmental charges of $0.9 million ($0.6 million after-tax) relate primarily to operating and maintenance activities. We also recorded increases to legal reserves and expenses in the amount of $6.2 million ($3.8 million after-tax). (See a rollforward of our environmental reserves in Note 13.)

At March 31, 2009 and December 31, 2008, substantially all other discontinued operations reserves recorded on our condensed consolidated balance sheets were related to other post-retirement benefit liabilities, self-insurance and long-term obligations related to legal proceedings associated with operations discontinued between 1976 and 2001.

2008

During the first three months of 2008, we recorded a $10.8 million ($6.7 million after-tax) charge to discontinued operations related to environmental issues and legal reserves and expenses. Environmental charges of $3.6 million ($2.2 million after-tax) related to a provision to increase our reserves for environmental issues primarily for operating and maintenance activities. We also recorded increases to legal reserves and expenses in the amount of $7.2 million ($4.5 million after-tax).

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Note 13: Environmental Obligations

We have provided reserves for potential environmental obligations, which management considers probable and for which a reasonable estimate of the obligation could be made. Accordingly, reserves of $188.3 million and $194.2 million, excluding recoveries, have been provided at March 31, 2009 and December 31, 2008, respectively.

At March 31, 2009 and December 31, 2008, expected recoveries were $46.5 million and $47.7 million, respectively, with the majority at each date relating to existing contractual arrangements with U.S. government agencies, insurance carriers and other third parties. Recoveries are recorded as either an offset to the Environmental liabilities, continuing and discontinued balance totaling $19.9 million and $21.5 million at March 31, 2009 and December 31, 2008, respectively, or as Other assets totaling $26.6 million and $26.2 million at both March 31, 2009 and December 31, 2008, respectively, in the condensed consolidated balance sheets. Cash recoveries recorded as realized claims against third parties were $3.0 million in the first three months of 2009. Total cash recoveries recorded for the year ended December 31, 2008 were $5.6 million.

The long-term portion of environmental reserves, net of recoveries, totaling $155.2 million and $158.8 million at March 31, 2009 and December 31, 2008, respectively, is included in Environmental liabilities, continuing and discontinued . The short-term portion of continuing obligations is recorded as Accrued and other liabilities .

We have estimated that reasonably possible environmental loss contingencies may exceed amounts accrued by approximately $80 million at March 31, 2009. Obligations that have not been reserved for may be material to any one quarter s or year s results of operations in the future. However, we believe any such liability arising from potential environmental obligations is not likely to have a materially adverse effect on our liquidity or financial condition and may be satisfied over the next twenty years or longer.

The table below is a rollforward of our environmental reserves, continuing and discontinued, from December 31, 2008 to March 31, 2009:

(in Millions)	**Operating and Discontinued Sites Total**
Total environmental reserves, net of recoveries at December 31, 2008	$ 172.7
Provision	3.8
Spending, net of recoveries	(8.1)
Net Change	(4.3)
Total environmental reserves, net of recoveries at March 31, 2009	168.4
Environmental reserves, current, net of recoveries (1)	13.2
Environmental reserves, long-term continuing and discontinued, net of recoveries	155.2
Total environmental reserves, net of recoveries at March 31, 2009	168.4

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

A more complete description of our environmental contingencies and the nature of our potential obligations are included in Notes 1 and 12 to our 2008 consolidated financial statements in our 2008 10-K.

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Note 14: Earnings Per Share

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

Our potentially dilutive securities include potential common shares related to our stock options, restricted stock and restricted stock units. Diluted earnings per share (Diluted EPS) considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect. Diluted EPS excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. There were 557,226 potential common shares excluded from Diluted EPS for the three months ended March 31, 2009. There were 290,221 potential common shares excluded from Diluted EPS for the three months ended March 31, 2008.

As discussed in Note 2, we adopted FSP EITF 03-6-1 on January 1, 2009. Our unvested restricted stock awards contain rights to receive nonforfeitable dividends, and thus, are participating securities requiring the two-class method of computing EPS. The two-class method determines EPS by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of shares of common stock outstanding for the period. In calculating the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average shares outstanding during the period.

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

(in Millions Except Share and Per Share Data)	Three Months Ended March 31, 2009	2008
Earnings attributable to FMC stockholders:		
Income from continuing operations attributable to FMC stockholders	$ 73.5	$ 100.3
Discontinued operations, net of income taxes	(4.4)	(6.4)
Net income	$ 69.1	$ 93.9
Less: Distributed and undistributed earnings allocable to restricted award holders	(0.4)	(0.5)
Net income allocable to common stockholders	$ 68.7	$ 93.4
Basic earnings per common share attributable to FMC stockholders		
Continuing operations	$ 1.01	$ 1.34
Discontinued operations	(0.06)	(0.09)
Net income	$ 0.95	$ 1.25
Diluted earnings per common share attributable to FMC stockholders		
Continuing operations	$ 1.00	$ 1.31
Discontinued operations	(0.06)	(0.08)
Net income	$ 0.94	$ 1.23
Shares (in thousands):		
Weighted average number of shares of common stock outstanding Basic	72,252	74,649
Weighted average additional shares assuming conversion of potential common shares	1,141	1,926
Shares diluted basis	73,393	76,575

Note 15: Comprehensive Income

Comprehensive income includes all changes in equity during the period except those resulting from investments by owners and distributions to owners. Our comprehensive income for the three months ended March 31, 2009 and 2008 consisted of the following:

	Three Months ended March 31,	
(in Millions)	**2009**	**2008**
Net income	$ 70.9	$ 96.8
Reclassification adjustments for losses (gains) included in net income, net of income tax expense of $4.1 million and $1.7 million, respectively	6.5	1.3
Foreign currency translation adjustment	(24.4)	21.0
Net deferral of hedging gains (losses) and other	2.5	1.3
Net realized actuarial gains/(losses) and prior service (cost) credits	(0.1)	(0.3)
Comprehensive income	55.4	120.1
Comprehensive income attributable to the noncontrolling interest	1.5	3.2
Comprehensive income attributable to FMC stockholders	$ 53.9	$ 116.9

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Note 16: Equity

As discussed in Note 2, we adopted the provision of SFAS No. 160 on January 1, 2009. The standard requires additional disclosures around equity, equity attributable to the parent, and equity attributable to noncontrolling interests. Refer to the below table for a reconciliation of these items:

	FMC s Stockholders Equity	Noncontrolling Interest	Total Equity
		(in Millions, Except Par Value)	
Balance December 31, 2008	$ 902.9	$ 63.5	$ 966.4
Net income	69.1	1.8	70.9
Stock compensation plans	3.7		3.7
Shares for benefit plan trust	(0.3)		(0.3)
Reclassification adjustments for losses (gains) included in net income, net of income tax expense of $4.1 million	6.5		6.5
Change in pension and post-retirement benefit plans, net of income tax benefit of $0.2 million	(0.1)		(0.1)
Net deferred gain (loss) on derivative contracts, net of income tax expense of $1.5 million	2.5		2.5
Foreign currency translation adjustments	(24.1)	(0.3)	(24.4)
Dividends ($0.125 per share)	(9.1)		(9.1)
Distributions to noncontrolling interests		(8.4)	(8.4)
Balance March 31, 2009	$ 951.1	$ 56.6	$ 1,007.7

Dividends and Share Repurchases

On April 16, 2009, we paid dividends totaling $9.1 million to our shareholders of record as of March 31, 2009. This amount is included in Accrued and other liabilities on the condensed consolidated balance sheets as of March 31, 2009.

In April 2007, the Board of Directors authorized the repurchase of up to $250 million of our common stock. In October 2008, the Board authorized the repurchase of up to an additional $250 million of our common stock. Although the repurchase program does not include a specific timetable or price targets and may be suspended or terminated at any time, we expect that the program will be accomplished over a two-year period. Shares may be purchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of market conditions and other factors. We also reacquire shares from time to time in connection with the vesting and exercise of awards under our equity compensation plans. During the three months ended March 31, 2009, we did not repurchase any of our shares under the publicly announced repurchase program.

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Note 17: Pensions and Other Postretirement Benefits

The following table summarizes the components of net annual benefit cost (income) for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,			
	Pensions		Other Benefits	
(in Millions)	2009	2008	2009	2008
Components of net annual benefit cost:				
Service cost	$ 4.5	$ 4.5	$ 0.1	$
Interest cost	15.8	15.3	0.7	0.7
Expected return on plan assets	(18.8)	(19.6)		
Amortization of prior service cost	0.2	0.3	(0.2)	(0.3)
Recognized net actuarial (gain) loss	1.2	0.7	(0.2)	(0.2)
Net periodic benefit cost from continuing operations	$ 2.9	$ 1.2	$ 0.4	$ 0.2

We did not make any voluntary cash contributions to our U.S. defined benefit pension plan in the three months ended March 31, 2009. We expect that our total voluntary cash contributions to the plan for 2009 will be approximately $75 million.

Note 18: Income Taxes

Income tax expense was $33.4 million resulting in an effective tax rate of 30.7 percent for the three months ended March 31, 2009 compared to expense of $42.2 million resulting in an effective tax rate of 29.0 percent for the three months ended March 31, 2008. The increase in the effective tax rate was primarily a result of a change in the mix of domestic income compared to income earned outside of the U.S. Income we earn domestically is typically taxed at rates higher than income earned outside the U.S. The effective tax rate was also favorably impacted by tax adjustments recorded during the three months ended March 31, 2009, primarily related to reductions to our tax liabilities related to prior year tax matters.

In the second quarter of 2009, we will recognize a reduction in our liability for unrecognized tax benefits of approximately $17 million as a result of settlements of audits and expiration of statute of limitations which will reduce our income tax provision during the second quarter. In addition, we will reclassify approximately $12 million of our liability to deferred tax assets related to a reduction in our net operating losses on the condensed consolidated balance sheets. The accounting for income tax reserves requires that only information that is available at the reporting date should be considered in recognizing and measuring a tax position. Thus, the above change in available facts subsequent to March 31, 2009 will require us to recognize the change in the second quarter of 2009.

Note 19: Guarantees, Commitments, and Contingencies

We continue to monitor the conditions that are subject to guarantees and indemnifications to identify whether a liability must be recognized in our financial statements.

Guarantees and Other Commitments

The following table provides the estimated undiscounted amount of potential future payments for each major group of guarantees at March 31, 2009:

(in Millions)	March 31, 2009
Guarantees:	
- FMC Technologies, Inc. performance guarantees	$ 0.8
- Guarantees of vendor financing	23.7
- Foreign equity method investment debt guarantees	7.6

Total	$	32.1