AMERICAN GREETINGS CORP
Form 10-K
April 29, 2009

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 February 28, 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 No. 1-13859

American Greetings Corporation

(Exact name of registrant as specified in its charter)

Ohio	**34-0065325**
(State or other jurisdiction	**(I.R.S. Employer Identification No.)**
of incorporation or organization)	
One American Road, Cleveland, Ohio	**44144**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (216) 252-7300

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

Title of each class	**Name of each exchange on which registered**
Class A Common Shares, Par Value $1.00	New York Stock Exchange

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

Class B Common Shares, Par Value $1.00

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 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 a 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 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. x

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 definition 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 ¨ (Do not check if a smaller reporting company)	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

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter, August 29, 2008 $692,183,813 (affiliates, for this purpose, have been deemed to be directors, executive officers and certain significant shareholders).

Number of shares outstanding as of April 27, 2009:

CLASS A COMMON 35,919,772

CLASS B COMMON 3,507,512

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Greetings Corporation Definitive Proxy Statement for the Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant s fiscal year (incorporated into Part III).

AMERICAN GREETINGS CORPORATION

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PART I

Unless otherwise indicated or the context otherwise requires, the Corporation, we, our, us and American Greetings are used in this report to refer to the businesses of American Greetings Corporation and its consolidated subsidiaries.

Item 1. Business
OVERVIEW

Founded in 1906, American Greetings operates predominantly in a single industry: the design, manufacture and sale of everyday and seasonal greeting cards and other social expression products. Greeting cards, gift wrap, party goods, stationery and giftware are manufactured or sold by us in North America, including the United States, Canada and Mexico, and throughout the world, primarily in the United Kingdom, Australia and New Zealand. In addition, our subsidiary, AG Interactive, Inc., distributes social expression products, including electronic greetings, physical products incorporating consumer photos, and a broad range of graphics and digital services and products, through a variety of electronic channels, including Web sites, Internet portals, instant messaging services and electronic mobile devices. Design licensing is done primarily by our subsidiary AGC, LLC, and character licensing is done primarily by our subsidiaries, Those Characters From Cleveland, Inc. and Cloudco, Inc. Our A.G. Industries, Inc. (doing business as AGI In-Store) subsidiary manufactures custom display fixtures for our products and products of others. As of February 28, 2009, we also owned and operated 341 card and gift retail stores throughout North America. On April 17, 2009, however, we sold our Retail Operations segment, including all of the card and gift store assets.

Our fiscal year ends on February 28 or 29. References to a particular year refer to the fiscal year ending in February of that year. For example, 2009 refers to the year ended February 28, 2009.

PRODUCTS

American Greetings creates, manufactures and distributes social expression products including greeting cards, gift wrap, party goods, calendars and stationery as well as custom display fixtures. Our major domestic greeting card brands are American Greetings, Carlton Cards, Gibson, Tender Thoughts and Just For You. In addition, on February 24, 2009, we acquired Recycled Paper Greetings (Recycled Paper or RPG) and now offer Recycled Paper branded greeting card products. On April 17, 2009, we also acquired the Papyrus brand and now offer Papyrus branded products. Our other domestic products include DesignWare party goods, Plus Mark gift wrap and boxed cards, DateWorks calendars and AGI In-Store display fixtures. Electronic greetings and other digital content, services and products are available through our subsidiary, AG Interactive, Inc. Our major Internet brands are AmericanGreetings.com, BlueMountain.com, Egreetings.com, Kiwee.com, PhotoWorks.com and Webshots.com. Through its Webshots and PhotoWorks sites, our AG Interactive business also operates an online photo sharing space and provides consumers the ability to use their own photos to create unique, high quality physical products, including greeting cards, calendars, online photo albums and photo books. We also create and license our intellectual properties, such as the Care Bears and Strawberry Shortcake characters. Information concerning sales by major product classifications is included in Part II, Item 7.

BUSINESS SEGMENTS

At February 28, 2009, we operated in five business segments: North American Social Expression Products, International Social Expression Products, Retail Operations, AG Interactive and non-reportable operating segments. For information regarding the various business segments comprising our business, see the discussion included in Part II, Item 7 and in Note 16 to the Consolidated Financial Statements included in Part II, Item 8.

CONCENTRATION OF CREDIT RISKS

Net sales to our five largest customers, which include mass merchandisers and national drug store and supermarket chains, accounted for approximately 36%, 37% and 36% of total revenue in 2009, 2008 and 2007, respectively. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 15%, 16% and 16% of total revenue in 2009, 2008 and 2007, respectively. No other customer accounted for 10% or more of our consolidated total revenue. Approximately 55% of the North American Social Expression Products segment s revenue in 2009, 2008 and 2007 was attributable to its top five customers. Approximately 40% of the International Social Expression Products segment s revenue in 2009, 2008 and 2007 was attributable to its top three customers.

CONSUMERS

We believe that women purchase the majority of all greeting cards sold and that the median age of our consumers is approximately 47. We also believe that approximately 86% of American households purchase greeting cards each year, the average number of greeting cards purchased per transaction is approximately 2.7, and consumers make approximately ten card purchasing trips per year.

COMPETITION

The greeting card and gift wrap industries are intensely competitive. Competitive factors include quality, design, customer service and terms, which may include payments and other concessions to retail customers under long-term agreements. These agreements are discussed in greater detail below. There are an estimated 3,000 greeting card publishers in the United States, ranging from small family-run organizations to major corporations. In general, however, the greeting card business is extremely concentrated. We believe that we are one of only two main suppliers offering a full line of social expression products. Our principal competitor is Hallmark Cards, Inc. Based upon our general familiarity with the greeting card and gift wrap industry and limited information as to our competitors, we believe that we are the second-largest company in the industry and the largest publicly owned greeting card company.

The market for consumer photofinishing and digital imaging services is highly competitive and still emerging. Competitive factors include brand awareness, innovative and differentiated products and services, quality and competitive prices. The major competitors in the consumer photofinishing and digital imaging market are Kodak, Snapfish and Shutterfly. In addition to these major competitors, there are numerous other companies that offer online photofinishing services. There are no significant proprietary or other barriers to entry into the digital or consumer photofinishing industry.

PRODUCTION AND DISTRIBUTION

In 2009, our channels of distribution continued to be primarily through mass retail, which is comprised of mass merchandisers, chain drug stores and supermarkets. Other major channels of distribution included card and gift retail stores, department stores, military post exchanges, variety stores and combo stores (stores combining food, general merchandise and drug items). As of February 28, 2009, we owned and operated 341 card and gift retail stores in the United States and Canada through the Retail Operations segment, which are primarily located in malls and strip shopping centers. Prior to the sale of our Retail Operations segment on April 17, 2009, we also sold our products through these company-owned card and gift retail stores. Following the sale, we will continue to sell products to these stores, but the stores are no longer owned by us. From time to time, we also sell our products to independent, third-party distributors. Our AG Interactive segment provides social expressions content through the Internet and wireless platforms.

Many of our products are manufactured at common production facilities and marketed by a common sales force. Our manufacturing operations involve complex processes including printing, die cutting, hot stamping and embossing. We employ modern printing techniques which allow us to perform short runs and multi-color printing, have a quick changeover and utilize direct-to-plate technology, which minimizes time to market. Our products are manufactured globally, primarily at facilities located in North America and the United Kingdom. We also source products from domestic and foreign third party suppliers. The photofinishing products provided through our AG Interactive segment are provided primarily by third party vendors. Additionally, information by geographic area is included in Note 16 to the Consolidated Financial Statements included in Part II, Item 8.

Production of our products is generally on a level basis throughout the year. Everyday inventories (such as birthday and anniversary related products) remain relatively constant throughout the year, while seasonal inventories peak in advance of each major holiday season, including Christmas, Valentine s Day, Easter, Mother s Day, Father s Day and Graduation. Payments for seasonal shipments are generally received during the month in which the major holiday occurs, or shortly thereafter. Extended payment terms may also be offered in response to competitive situations with individual customers. Payments for both everyday and seasonal sales from customers that have been converted to a scan-based trading (SBT) model are received generally within 10 to 15 days of the product being sold by those customers at their retail locations. As of February 28, 2009, three of our five largest customers in 2009 conduct business with us under an SBT model. The core of this business model rests with American Greetings owning the product delivered to its retail customers until the product is sold by the retailer to the ultimate consumer, at which time we record the sale. American Greetings and many of its competitors sell seasonal greeting cards, other seasonal products and everyday cards at certain foreign locations with the right of return. Sales of other products are generally sold without the right of return. Sales credits for these products are issued at our discretion for damaged, obsolete and outdated products. Information regarding the return of product is included in Note 1 to the Consolidated Financial Statements included in Part II, Item 8.

During the year, we experienced no material difficulties in obtaining raw materials from our suppliers.

INTELLECTUAL PROPERTY RIGHTS

We have a number of trademarks, service marks, trade secrets, copyrights, inventions, patents, and other intellectual property, which are used in connection with our products and services. Our designs, artwork, musical compositions, photographs and editorial verse are protected by copyright. In addition, we seek to register our trademarks in the United States and elsewhere. From time to time, we seek protection of our inventions by filing patent applications for which patents may be granted. We also obtain license agreements for the use of intellectual property owned or controlled by others. Although the licensing of intellectual property produces additional revenue, we do not believe that our operations are dependent upon any individual invention, trademark, service mark, copyright, patent or other intellectual property license. Collectively, our intellectual property is an important asset to us. As a result, we follow an aggressive policy of protecting our rights in our intellectual property and intellectual property licenses.

EMPLOYEES

At February 28, 2009, we employed approximately 9,000 full-time employees and approximately 17,600 part-time employees which, when jointly considered, equate to approximately 17,800 full-time equivalent employees. Approximately 1,600 of our hourly plant employees are unionized and covered by collective bargaining agreements. The following table sets forth by location the unions representing our domestic employees, together with the expiration date of the applicable governing collective bargaining agreement.

Union	Location	Contract Expiration Date
International Brotherhood of Teamsters	Bardstown, Kentucky;	March 20, 2011
	Kalamazoo, Michigan;	April 30, 2015
	Cleveland, Ohio	March 31, 2010
UNITE-HERE Union	Greeneville, Tennessee (Plus Mark)	October 19, 2011

Other locations with unions are the United Kingdom, Mexico and Australia. We believe that labor relations at each location where we operate have generally been satisfactory.

SUPPLY AGREEMENTS

In the normal course of business, we enter into agreements with certain customers for the supply of greeting cards and related products. We view the use of such agreements as advantageous in developing and maintaining business with our retail customers. Under these agreements, the customer typically receives from American Greetings a combination of cash payments, credits, discounts, allowances and other incentive considerations to be earned by the customer as product is purchased from us over the stated term of the agreement or the effective time period of the agreement to meet a minimum purchase volume commitment. The agreements are negotiated individually to meet competitive situations and, therefore, while some aspects of the agreements may be similar, important contractual terms vary. The agreements may or may not specify American Greetings as the sole supplier of social expression products to the customer. In the event an agreement is not completed, in most instances, we have a claim for unearned advances under the agreement.

Although risk is inherent in the granting of advances, we subject such customers to our normal credit review. We maintain an allowance for deferred costs based on estimates developed by using standard quantitative measures incorporating historical write-offs. In instances where we are aware of a particular customer s inability to meet its performance obligation, we record a specific allowance to reduce the deferred cost asset to our estimate of its value based upon expected recovery. These agreements are accounted for as deferred costs. Losses attributed to these specific events have historically not been material. The balances and movement of the valuation allowance accounts are disclosed on Schedule II of this Annual Report on Form 10-K. See Note 10 to the Consolidated Financial Statements in Part II, Item 8, and the discussion under the Deferred Costs heading in the Critical Accounting Policies in Part II, Item 7 for further information and discussion of deferred costs.

ENVIRONMENTAL REGULATIONS

Our business is subject to numerous foreign and domestic environmental laws and regulations maintained to protect the environment. These environmental laws and regulations apply to chemical usage, air emissions, wastewater and storm water discharges and other releases into the environment as well as the generation, handling, storage, transportation, treatment and disposal of waste materials, including hazardous waste. Although we believe that we are in substantial compliance with all applicable laws and regulations, because legal requirements frequently change and are subject to interpretation, these laws and regulations may give rise to claims, uncertainties or possible loss contingencies for future environmental remediation liabilities and costs. We have implemented various programs designed to protect the environment and comply with applicable environmental laws and regulations. The costs associated with these compliance and remediation efforts have not and are not expected to have a material adverse effect on our financial condition, cash flows or operating results. In addition, the impact of increasingly stringent environmental laws and regulations, regulatory enforcement activities, the discovery of unknown conditions and third party claims for damages to the environment, real property or persons could also result in additional liabilities and costs in the future.

AVAILABLE INFORMATION

We make available, free of charge, on or through the Investors section of our *www.corporate.americangreetings.com* Web site, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). Copies of our filings with the SEC also can be obtained at the SEC s Internet site, *www.sec.gov.* Information contained on our Web site shall not be deemed incorporated into, or be part of, this report.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of the Board s Audit Committee, Compensation and Management Development Committee, and Nominating and Governance Committee are available on or through the Investors section of our *www.corporate.americangreetings.com* Web site, and will be made available, free of charge, in print upon request by any shareholder to the Secretary of American Greetings.

Item 1A. Risk Factors

You should carefully consider each of the risks and uncertainties we describe below and all other information in this report. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect our business, financial condition, cash flows or results of operations. Additional information on risk factors is included in Item 1. Business and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Our business, results of operations and financial condition may be adversely affected by volatility in the demand for our products, which may be adversely affected by factors outside of our control.

Our success depends on the sustained demand for our products. Many factors affect the level of consumer spending on our products, including, among other things, general economic conditions, interest rates, the availability of consumer credit, taxation, the effects of war, terrorism, fuel prices and consumer confidence in future economic conditions, all of which are beyond our control. Economic conditions have recently deteriorated significantly in the United States, and worldwide, and may remain depressed for the foreseeable future. Because consumer purchases of our products decline during periods of economic downturn, when disposable income is lower, our revenues and earnings have been adversely affected and may continue to be if the global economic downturn continues.

The growth of our greeting card business is critical to future profitability and cash flow.

One of our key business strategies has been to gain profitable market share by revamping our core greeting card business. Although the majority of the expense associated with these efforts has now been incurred, the need to continuously update and refresh our product offerings is an ongoing, evolving process that will continue to impact net sales, earnings and cash flows over future periods. The actual amount and timing of the expenditures will depend on the success of the strategy and the schedules of our retail partners. Moreover, our long-term success will depend in part on how well we implement our strategy to revamp the greeting card business and we cannot assure you that this strategy will either increase our revenue or profitability. Even if we are able to implement, to a significant degree, this strategy, we may experience systemic, cultural and operational challenges that may prevent any significant increase in profitability or that may otherwise negatively influence our cash flow. In addition, even if our strategy is successful, our profitability may be adversely affected if consumer demand for lower priced, value cards continues to expand, thereby eroding our average selling prices. Our strategy may also have flaws and may not be successful. For example, we may not be able to anticipate or respond in a timely manner to changing customer demands and preferences for greeting cards. If we misjudge the market, we may significantly overstock unpopular products and be forced to grant significant credits or accept significant returns, which would have a negative impact on our results of operations and cash flows. Conversely, shortages of key items could materially and adversely impact our results of operations and financial condition.

We rely on a few mass-market retail customers for a significant portion of our sales.

A few of our customers are material to our business and operations. Net sales to our five largest customers, which include mass merchandisers and chain drug stores, accounted for approximately 36%, 37% and 36% of total revenue for fiscal years 2009, 2008 and 2007, respectively. Approximately 55% of the North American Social Expression Products segment s revenue in 2009, 2008 and 2007 was attributable to its top five customers, and approximately 40% of the International Social Expression Products segment s revenue in 2009, 2008 and 2007 was attributable to its top three customers. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 15%, 16% and 16% of total revenue in 2009, 2008 and 2007, respectively. There can be no assurance that our large customers will continue to purchase our products in the same quantities that they have in the past. The loss of sales to one of our large customers could materially and adversely affect our business, results of operations and financial condition.

We operate in extremely competitive markets, and our business, results of operations and financial condition will suffer if we are unable to compete effectively.

We operate in highly competitive industries. There are an estimated 3,000 greeting card publishers in the United States ranging from small family-run organizations to major corporations. In general, however, the greeting card business is extremely concentrated. We believe that we are one of only two main suppliers offering a full line of social expression products. Our main competitor, Hallmark Cards, Inc., may have substantially greater financial, technical or marketing resources, a greater customer base, stronger name recognition and a lower cost of funds than we do. That competitor may also have longstanding relationships with certain large customers to which it may offer products that we do not provide, putting us at a competitive disadvantage. As a result, this competitor as well as other competitors that may be smaller than us, may be able to:

- adapt to changes in customer requirements or consumer preferences more quickly;
- take advantage of acquisitions and other opportunities more readily;
- devote greater resources to the marketing and sale of its products; and
- adopt more aggressive pricing policies.

There can be no assurance that we will be able to continue to compete successfully in this market or against such competition. If we are unable to introduce new and innovative products that are attractive to our customers and ultimate consumers, or if we are unable to allocate sufficient resources to effectively market and advertise our products to achieve widespread market acceptance, we may not be able to compete effectively, our sales may be adversely affected, we may be required to take certain financial charges, including goodwill impairments, and our results of operations and financial condition could otherwise be adversely affected.

Our business, results of operations and financial condition may be adversely affected by retail consolidations.

With the growing trend toward retail trade consolidation, we are increasingly dependent upon a reduced number of key retailers whose bargaining strength is growing. We may be negatively affected by changes in the policies of our retail customers, such as inventory de-stocking, limitations on access to display space, scan-based trading and other conditions. Increased consolidations in the retail industry could result in other changes that could damage our business, such as a loss of customers, decreases in volume and less favorable contractual terms. In addition, as the bargaining strength of our retail customers grows, we may be required to grant greater credits, discounts, allowances and other incentive considerations to these customers. We may not be able to recover the costs of these incentives if the customer does not purchase a sufficient amount of products during the term of its agreement with us, which could materially and adversely affect our business, results of operations and financial condition.

Bankruptcy of key customers could give rise to an inability to pay us and increase our exposure to losses from bad debts.

Many of our largest customers are mass-market retailers. The mass-market retail channel in the U.S. has experienced significant shifts in market share among competitors in recent years. In addition, the retail industry in general has experienced significant declines due to the worldwide downturn in the economy and decreasing consumer demand. As a result, retailers have experienced liquidity problems and some have been forced to file for bankruptcy protection. There is a risk that certain of our key customers will not pay us, or that payment may be delayed because of bankruptcy or other factors beyond our control, which could increase our exposure to losses from bad debts and may require us to write-off deferred cost assets. Additionally, our business, results of operations and financial condition could be materially and adversely affected if certain of these mass-market retailers were to cease doing business as a result of bankruptcy, or significantly reduce the number of stores they operate. For example, in the United Kingdom, the bankruptcy of a major customer and another major customer implementing buying freezes during fiscal 2009 contributed to our recording a goodwill impairment with respect to one reporting unit located in the United Kingdom within the International Social Expression Products segment.

Rapidly changing trends in the children s entertainment market could adversely affect our business.

A portion of our business and results of operations depends upon the appeal of our licensed character properties, which are used to create various toy and entertainment items for children. Consumer preferences, particularly among children, are continuously changing. The children s entertainment industry experiences significant, sudden and often unpredictable shifts in demand caused by changes in the preferences of children to more on trend entertainment properties. In recent years, there have been trends towards shorter life cycles for individual youth entertainment products. Our ability to maintain our current market share and increase our market share in the future depends on our ability to satisfy consumer preferences by enhancing existing entertainment properties and developing new entertainment properties. If we are not able to successfully meet these challenges in a timely and cost-effective manner, demand for our collection of entertainment properties could decrease and our business, results of operations and financial condition may be materially and adversely affected. In addition, we may incur significant costs developing entertainment properties that may not generate future revenues at the levels that we anticipated, which could in turn create fluctuations in our reported results based on when those costs are expensed and could otherwise materially and adversely affect our results of operations and financial condition.

Our results of operations fluctuate on a seasonal basis.

The social expression industry is a seasonal business, with sales generally being higher in the second half of our fiscal year due to the concentration of major holidays during that period. Consequently, our overall results of operations in the future may fluctuate substantially based on seasonal demand for our products. Such variations in demand could have a material adverse effect on the timing of cash flows and therefore our ability to meet our obligations with respect to our debt and other financial commitments. Seasonal fluctuations also affect our inventory levels, since we usually order and manufacture merchandise in advance of peak selling periods and sometimes before new trends are confirmed by customer orders or consumer purchases. We must carry significant amounts of inventory, especially before the holiday season selling period. If we are not successful in selling the inventory during the holiday period, we may have to sell the inventory at significantly reduced prices, or we may not be able to sell the inventory at all.

We rely on foreign sources of production and face a variety of risks associated with doing business in foreign markets.

We rely to a significant extent on foreign manufacturers and suppliers for various products we distribute to customers. In addition, many of our domestic suppliers purchase a portion of their products from foreign sources. We generally do not have long-term supply contracts and some of our imports are subject to existing or potential duties, tariffs or quotas. In addition, a portion of our current operations are conducted and located abroad. The success of our sales to, and operations in, foreign markets depends on numerous factors, many of which are beyond our control, including economic conditions in the foreign countries in which we sell our products. We also face a variety of other risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as:

- political instability, civil unrest and labor shortages;
- imposition of new legislation and customs regulations relating to imports that may limit the quantity and/or increase the cost of goods which may be imported into the United States from countries in a particular region;
- lack of effective product quality control procedures by foreign manufacturers and suppliers;
- currency and foreign exchange risks; and
- potential delays or disruptions in transportation as well as potential border delays or disruptions.

Also, new regulatory initiatives may be implemented that have an impact on the trading status of certain countries and may include antidumping and countervailing duties or other trade-related sanctions, which could increase the cost of products purchased from suppliers in such countries.

Additionally, as a large, multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust and tax requirements, anti-boycott regulations, import/export/customs regulations and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to criminal or monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

Our inability to protect our intellectual property rights could reduce the value of our products and brand.

Our trademarks, trade secrets, copyrights, patents and all of our other intellectual property rights are important assets. We rely on copyright, trademark, patent and trade secret laws in the United States and other jurisdictions and on confidentiality agreements with some employees and others to protect our proprietary rights. If these rights were infringed or invalidated, our business could be materially and adversely affected. In addition, our activities could infringe upon the proprietary rights of others, who could assert infringement claims against us. We could face costly litigation if we are forced to defend these claims. If we are unsuccessful in doing so, our business, results of operations and financial condition may be materially and adversely affected.

We seek to register our trademarks and file for patents on significant inventions in the United States and elsewhere. These registrations could be challenged by others or invalidated through administrative process or litigation. In addition, our confidentiality agreements with some employees or others may not provide adequate protection in the event of unauthorized use or disclosure of our proprietary information, or if our proprietary information otherwise becomes known, or is independently developed by competitors.

We may not realize the full benefit of the material we license from third parties if the licensed material has less market appeal than expected or if sales revenue from the licensed products is not sufficient to earn out the minimum guaranteed royalties.

An important part of our business involves obtaining licenses to produce products based on various popular brands, character properties, designs and other licensed material owned by third parties. Such license agreements usually require that we pay an advance and/or provide a minimum royalty guarantee that may be substantial, and in some cases may be greater than what we will be able to recoup in profits from actual sales, which could result in write-offs of such amounts that would adversely affect our results of operations. In addition, we may acquire or renew licenses requiring minimum guarantee payments that may result in us paying higher effective royalties if the overall benefit of obtaining the license outweighs the risk of potentially losing, not renewing or otherwise not obtaining a valuable license. When obtaining a license, we realize there is no guarantee that a particular licensed property will make a successful greeting card or other product in the eye of the ultimate consumer. Furthermore, there can be no assurance that a successful licensed property will continue to be successful or maintain a high level of sales in the future. In the event that we are not able to acquire or maintain advantageous licenses, our business, results of operations and financial condition may be materially and adversely affected.

We are subject to a number of restrictive covenants under our borrowing arrangements, which could affect our flexibility to fund ongoing operations, uses of capital and strategic initiatives, and, if we are unable to maintain compliance with such covenants, could lead to significant challenges in meeting our liquidity requirements.

The terms of our borrowing arrangements contain a number of restrictive covenants, including customary operating restrictions that limit our ability to engage in such activities as borrowing and making investments, capital expenditures and distributions on our capital stock, and engaging in mergers, acquisitions and asset sales. We are also subject to customary financial covenants, including a leverage ratio and an interest coverage ratio. These covenants restrict the amount of our borrowings, reducing our flexibility to fund ongoing operations and strategic initiatives. These borrowing arrangements are described in more detail in Liquidity and Capital Resources under Item 7 and in Note 11 to the Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K. Compliance with some of these covenants is based on financial measures derived from our operating results. If economic conditions deteriorate, we may experience material adverse impacts to our business and operating results, such as through reduced customer demand. A decline in our business could make us unable to maintain compliance with these financial covenants, in which case, we may be restricted in how we fund ongoing operations and strategic initiatives and deploy capital, including by limiting our ability to make acquisitions and dispositions, pay dividends and repurchase our stock. In addition, if we our unable to maintain compliance with our financial covenants or otherwise breach the covenants that we are subject to under our borrowing arrangements, our lenders could demand immediate payment of amounts outstanding and we would need to seek alternate financing sources to pay off such debts and to fund our ongoing operations. Such financing may not be available on favorable terms, if at all. In addition, our credit agreement is secured by substantially all of our domestic assets, including the stock of certain of our subsidiaries. If we cannot repay all amounts that we have borrowed under our credit agreement, our lenders could proceed against our assets.

Difficulties in integrating acquisitions could adversely affect our business and we may not achieve the cost savings and increased revenues anticipated as a result of these acquisitions.

We recently acquired two photo sharing and personal publishing businesses, the greeting card company Recycled Paper Greetings, and the Papyrus brand and associated wholesale division of Schurman Fine Papers (Schurman), which supplies Papyrus brand greetings cards primarily to leading specialty, mass, grocery and drug store channels. In addition, we continue to regularly evaluate potential acquisition opportunities to support and strengthen our business. We cannot be sure that we will be able to locate suitable acquisition candidates, acquire candidates on acceptable terms or integrate acquired businesses successfully. Future acquisitions could cause us to take on additional compliance obligations as well as incur debt, dilution, contingent liabilities, increased interest expense, restructuring charges and amortization expenses related to intangible assets, which may materially and adversely affect our business, results of operations and financial condition.

Integrating our recent acquisitions, as well as future businesses that we may acquire, involves significant challenges. In particular, the coordination of geographically dispersed organizations with differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration of these acquired businesses will also require the dedication of significant management resources, which may temporarily distract management s attention from our day-to-day operations. The process of integrating operations may also cause an interruption of, or loss of momentum in, the activities of one or more of our businesses and the loss of key personnel. Employee uncertainty and distraction during the integration process may also disrupt our business. Our strategy is, in part, predicated on our ability to realize cost savings and to increase revenues through the acquisition of businesses that add to the breadth and depth of our products and services. Achieving these cost savings and revenue increases is dependent upon a number of factors, many of which are beyond our control. In particular, we may not be able to realize the benefits of anticipated integration of sales forces, asset rationalization, systems integration, and more comprehensive product and service offerings.

If Schurman Fine Papers is unable to operate its retail stores successfully, it could have a material adverse effect on us.

On April 17, 2009, we sold our Retail Operations segment, including all 341 of our card and gift retail store assets, to Schurman, which will operate stores under the American Greetings, Carlton Cards and Papyrus brands. The failure of Schurman to operate the retail stores successfully could have a material adverse effect on us, our reputation and our brands, and could materially adversely affect our business, financial condition, and results of operations, because, under the terms of the transaction, we will remain subject to certain of the Retail Operations store leases on a contingent basis through our subleasing of stores to Schurman. We are also the predominant supplier of greeting cards and other social expression products to the retail stores, and we have provided credit support to Schurman, including up to $24.0 million of guarantees in favor of the lenders under Schurman s senior revolving credit facility as described in our Current Report on Form 8-K, dated April 20, 2009. In addition, although we do not control Schurman, because Schurman is licensing the Papyrus, American Greetings and Carlton Cards names for the retail stores, actions taken by Schurman may be seen by the public as actions taken by us, which, in turn, could adversely affect our reputation or brands.

We may be unsuccessful in increasing revenues or generating a profit from the recent acquisitions of PhotoWorks and Webshots in the digital services markets, which could adversely affect our results of operations.

Our recent acquisitions of two photo sharing and personal publishing businesses are designed to provide us with an entry into the online photo sharing space, a significant number of unique visitors and a platform to provide consumers the ability to use their own photos to create unique, high quality physical products, including greeting cards, calendars, photo albums and photo books. However, the market for consumer photofinishing and digital imaging services is highly competitive and still emerging. The major competitors in our market are Kodak, Snapfish and Shutterfly. In addition to these major competitors, there are numerous other companies that offer online photofinishing services. Even if we establish a strong position among consumers for digital products and services, we may not be able to generate significant revenues or a profit from this market. The photography industry is also currently characterized by rapidly evolving technology and consumer demand for services and products. The introduction of digital services and products that use new technologies could render existing services and products obsolete. Our future success in this market will depend on our ability to adapt to new technologies and develop new or modify existing services, products and marketing techniques to satisfy changing consumer needs and attract new customers.

We may be unsuccessful in completing the divestiture of the Strawberry Shortcake and Care Bears properties.

We have entered into agreements to sell our Strawberry Shortcake and Care Bears properties for net proceeds to us of approximately $76.0 million. If this transaction fails to close, it could limit some of our financial flexibility due to the absence of additional liquidity that would have been available from the proceeds of the transaction. For information regarding the proposed divestiture of these properties, see Note 19 to the Consolidated Financial Statements included in Part II, Item 8.

Increases in raw material and energy costs may materially raise our cost of goods sold and materially impact our profitability.

Paper is a significant expense in the production of our greeting cards. Significant increases in paper prices, which have been volatile in past years, or increased costs of other raw materials or energy, such as fuel, may result in declining margins and operating results if market conditions prevent us from passing these increased costs on to our customers through timely price increases on our greeting cards and other social expression products.

The loss of key members of our senior management and creative teams could adversely affect our business.

Our success and continued growth depend largely on the efforts and abilities of our current senior management team as well as upon a number of key members of our creative staff, who have been instrumental in our success thus far, and upon our ability to attract and retain other highly capable and creative individuals. The loss of some of our senior executives or key members of our creative staff, or an inability to attract or retain other key individuals, could materially and adversely affect us. We seek to compensate our key executives, as well as other employees, through competitive salaries, stock ownership, bonus plans, or other incentives, but we can make no assurance that these programs will enable us to retain key employees or hire new employees.

If we fail to extend or renegotiate our primary collective bargaining contracts with our labor unions as they expire from time to time, or if our unionized employees were to engage in a strike or other work stoppage, our business and results of operations could be materially adversely affected.

We are party to collective bargaining contracts with our labor unions, which represent a significant number of our employees. In particular, approximately 1,600 of our employees are unionized and are covered by collective bargaining agreements. Although we believe our relations with our employees are satisfactory, no assurance can be given that we will be able to successfully extend or renegotiate our collective bargaining agreements as they expire from time to time. If we fail to extend or renegotiate our collective bargaining agreements, if disputes with our unions arise, or if our unionized workers engage in a strike or other work related stoppage, we could incur higher ongoing labor costs or experience a significant disruption of operations, which could have a material adverse effect on our business.

Various environmental regulations and risks applicable to a manufacturer and/or distributor of consumer products may require us to take actions, which will adversely affect our results of operations.

Our business is subject to numerous federal, state, provincial, local and foreign laws and regulations, including regulations with respect to chemical usage, air emissions, wastewater and storm water discharges and other releases into the environment as well as the generation, handling, storage, transportation, treatment and disposal of waste materials, including hazardous materials. Although we believe that we are in substantial compliance with all applicable laws and regulations, because legal requirements frequently change and are subject to interpretation, we are unable to predict the ultimate cost of compliance with these requirements, which may be significant, or the effect on our operations as these laws and regulations may give rise to claims, uncertainties or possible loss contingencies for future environmental remediation liabilities and costs. We cannot be certain that existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations, will not have a material and adverse effect on our business, results of operations and financial condition. The impact of environmental laws and regulations, regulatory enforcement activities, the discovery of unknown conditions, and third party claims for damages to the environment, real property or persons could result in additional liabilities and costs in the future.

We may be subject to product liability claims and our products could be subject to voluntary or involuntary recalls and other actions.

We are subject to numerous federal and state regulations governing product safety including, but not limited to, those regulations enforced by the Consumer Product Safety Commission. A failure to comply with such regulations, or concerns about product safety, may lead to a recall of selected products. We have experienced, and in the future may experience, recalls and defects or errors in products after their production and sale to customers. Such recalls and defects or errors could result in the rejection of our products by our retail customers and consumers, damage to our reputation, lost sales, diverted development resources and increased customer service and support costs, any of which could harm our business. Individuals could sustain injuries from our products, and we may be subject to claims or lawsuits resulting from such injuries. Governmental agencies could pursue us and issue civil fines and/or criminal penalties for a failure to comply with product safety regulations. There is a risk that these claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. Additionally, we may be unable to obtain adequate liability insurance in the future. Recalls, post-manufacture repairs of our products, product liability claims, absence or cost of insurance and administrative costs associated with recalls could harm our reputation, increase costs or reduce sales.

Information technology infrastructure failures could significantly affect our business.

We depend heavily on our information technology (IT) infrastructure in order to achieve our business objectives. If we experience a problem that impairs this infrastructure, such as a computer virus, a problem with the functioning of an important IT application, or an intentional disruption of our IT systems, the resulting disruptions could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such event could cause us to lose customers or revenue and could require us to incur significant expense to eliminate these problems and address related security concerns.

We are refreshing our IT systems in stages in an effort to redesign and deploy new processes, organization structures and a common information system over a period of seven to ten years. Such an implementation carries substantial operations risk, including loss of data or information, unanticipated increases in costs, disruption of operations or business interruption. Further, we may not be successful implementing new systems or any new system may not perform as expected. This could have a material adverse effect on our business.

Acts of nature could result in an increase in the cost of raw materials; other catastrophic events, including earthquakes, could interrupt critical functions and otherwise adversely affect our business and results of operations.

Acts of nature could result in an increase in the cost of raw materials or a shortage of raw materials, which could influence the cost of goods supplied to us. Additionally, we have significant operations, including our largest manufacturing facility, near a major earthquake fault line in Arkansas. A catastrophic event, such as an earthquake, fire, tornado, or other natural or man-made disaster, could disrupt our operations and impair production or distribution of our products, damage inventory, interrupt critical functions or otherwise affect our business negatively, harming our results of operations.

Members of the Weiss family and related entities, whose interests may differ from those of other shareholders, own a substantial portion of our common shares.

Our authorized capital stock consists of Class A common shares and Class B common shares. The economic rights of each class of common shares are identical, but the voting rights differ. Class A common shares are entitled to one vote per share and Class B common shares are entitled to ten votes per share. There is no public trading market for the Class B common shares, which are held by members of the extended family of American Greetings founder, officers and directors of American Greetings and their extended family members, family trusts, institutional investors and certain other persons. As of April 28, 2009, Morry Weiss, the Chairman of the Board of Directors, Zev Weiss, the Chief Executive Officer, Jeffrey Weiss, the President and Chief Operating Officer, and Erwin Weiss, the Senior Vice President, Enterprise Resource Planning, together with other members of the Weiss family and certain trusts and foundations established by the Weiss family beneficially owned approximately 90% in the aggregate of our outstanding Class B common shares (approximately 87%, excluding stock options that are presently exercisable or exercisable within 60 days of April 28, 2009), which, together with Class A common shares beneficially owned by them, represents approximately 50% of the voting power of our outstanding capital stock (approximately 43%, excluding stock options that are presently exercisable or exercisable within 60 days of April 28, 2009). Accordingly, these members of the Weiss family, together with the trusts and foundations established by them, would be able to significantly influence the outcome of shareholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in our Articles of Incorporation or Code of Regulations, and the approval of mergers and other significant corporate transactions, and their interests may not be aligned with your interests. The existence of these levels of ownership concentrated in a few persons makes it less likely that any other shareholder will be able to affect our management or strategic direction. These factors may also have the effect of delaying or preventing a change in our management or voting control or our acquisition by a third party.

Our charter documents and Ohio law may inhibit a takeover, which could adversely affect the market price of our common shares.

Certain provisions of Ohio law and our charter documents, together or separately, could have the effect of making it more difficult or discouraging for a third party to acquire or attempt to acquire control of American Greetings and limit the price that certain investors might be willing to pay in the future for our common shares. For example, our charter documents establish a classified board of directors, serving staggered three-year terms, allow the removal of directors only for cause, and establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders meetings. In addition, while shareholders do have the right to cumulative voting in the election of directors, Class B common shares have ten votes per share.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of February 28, 2009, we own or lease approximately 10 million square feet of plant, warehouse and office space throughout the world, of which approximately 365,000 square feet is leased space. We believe our manufacturing and distribution facilities are well maintained and are suitable and adequate, and have sufficient productive capacity to meet our current needs.

The following table summarizes, as of February 28, 2009, our principal plants and materially important physical properties and identifies as of such date the respective segments that use the properties described. In addition to the following, as of February 28, 2009, our Retail Operations segment owned and operated approximately 341 card and gift retail stores throughout North America. Most of these stores operate on premises that we lease from third parties.

* Indicates calendar year

	Approximate Square Feet Occupied		Expiration Date of	
Location	Owned	Leased	Material Leases *	Principal Activity
Cleveland,(1)(3)(4)(5) Ohio	1,700,000			World Headquarters: General offices of North American Greeting Card Division; Plus Mark, Inc.; Carlton Cards Retail, Inc.; AG Interactive, Inc.; and AGC, LLC; creation and design of greeting cards, gift wrap, party goods, stationery and giftware; marketing of electronic greetings
Bardstown,(1) Kentucky	413,500			Cutting, folding, finishing and packaging of greeting cards
Danville,(1) Kentucky	1,374,000			Distribution of everyday products including greeting cards
Osceola,(1) Arkansas	2,552,000			Cutting, folding, finishing and packaging of greeting cards and warehousing; distribution of seasonal products
Ripley,(1) Tennessee	165,000			Greeting card printing (lithography)
Kalamazoo,(1) Michigan	602,500			Manufacture and distribution of party goods
Forest City,(5) North Carolina	498,000			Manufacture of display fixtures and other custom display fixtures by A.G. Industries, Inc.

Location	Approximate Square Feet Occupied Owned	Leased	Expiration Date of Material Leases *	Principal Activity
Greeneville,(1) Tennessee (Two Locations)	1,410,000			Printing and packaging of seasonal greeting cards and wrapping items and order filling and shipping for Plus Mark, Inc.
Chicago,(1) Illinois		145,000	2018	Recycled Paper Greetings administrative office
University Park,(1) Illinois		182,000	2010	Recycled Paper Greetings warehousing and distribution
Toronto,(1) Ontario, Canada		38,000	2018	General office of Carlton Cards Limited (Canada)
Clayton,(2) Australia	208,000			General offices of John Sands companies
Dewsbury,(2) England (Two Locations)	441,500			General offices of UK Greetings Ltd. and manufacture and distribution of greeting cards and related products
Corby, England(2)	85,000			Distribution of greeting cards and related products
Telford,(2) England	55,000			General offices and distribution for UK Greetings Ltd.
Mexico City,(1) Mexico	89,000			General offices of Carlton Mexico, S.A. de C.V. and distribution of greeting cards and related products

1 North American Social Expression Products
2 International Social Expression Products
3 Retail Operations

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. We are required to adopt this statement starting in 2009. We are currently in the process of evaluating the effect that this Statement will have on the disclosures in our consolidated financial statements.

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Recently adopted accounting standards in 2008

SFAS No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities . Statement No. 159 permits entities to choose to measure many financial instruments and certain warranty and insurance contracts at fair value on a contract-by-contract basis. We adopted SFAS No. 159 on January 1, 2008. Upon adoption, we did not elect the fair value measurement option for any of our financial assets or liabilities; therefore, the adopted Statement did not have an impact on our condensed consolidated financial statements.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements . Statement No. 157 defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and enhances disclosures about fair value measurements. The Statement applies when other accounting pronouncements require fair value measurements; it does not require new fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 , which amends 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 No. 157 for financial assets and liabilities on January 1, 2008. There was no impact to our condensed consolidated financial statements upon adoption of SFAS No. 157. SFAS 157-2 for nonfinancial assets and liabilities is effective for us starting in 2009. We currently do not have any non-financial assets or non-financial liabilities that are required to be measured at fair value on a recurring basis. See Note 4 for adoption of this Statement.

Note 3: Goodwill and Intangible Assets

Goodwill at March 31, 2008 and December 31, 2007 was $193.5 million and $180.2 million, respectively. The majority of goodwill is in the Specialty Chemicals segment. There are no other material indefinite life intangibles, other than goodwill. The change in goodwill from December 31, 2007 to March 31, 2008 was due to the effect of foreign currency translation of the euro.

Our definite life intangibles totaled $10.7 million and $11.2 million at March 31, 2008 and December 31, 2007, respectively. At March 31, 2008, these definite life intangibles were allocated among our business segments as follows: $8.9 million in Agricultural Products, $0.3 million in Specialty Chemicals and $1.5 million in Industrial Chemicals. Definite life intangible assets consist primarily of patents, access rights, industry licenses and other intangibles. Amortization was not significant in the periods presented.

Note 4: Financial Instruments and Risk Management

The portion of derivative gains or losses excluded from assessments of hedge effectiveness, related to our outstanding cash flow hedges which were recorded to earnings during the three months ended March 31, 2008 was $0.5 million and was $0.1 million for the three months ended March 31, 2007.

At March 31, 2008, the net deferred hedging gain in accumulated other comprehensive income (loss) was $1.3 million compared to a net loss of $1.6 million at December 31, 2007. Approximately $1.6 million of net gains are expected to be recognized in earnings during the twelve months ending March 31, 2009, as the underlying hedged transactions are realized, and net losses of $0.3 million are expected to be recognized at various times subsequent to

March 31, 2009 and continuing through December 31, 2009.

Adoption of SFAS No. 157

We adopted the provision of SFAS No. 157 on January 1, 2008. SFAS No. 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. There was no impact to our condensed consolidated financial statements upon adoption of SFAS No. 157.

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Fair Value Hierarchy

In accordance with SFAS No. 157, we have categorized our financial assets and liabilities, 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 financial 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 recurring financial assets and liabilities recorded on the condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Financial 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).

Level 2. Financial 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. Financial 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 financial assets and liabilities measured at fair value on a recurring basis in our condensed consolidated balance sheets as of March 31, 2008. We currently do not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

(in millions)	**3/31/2008**	**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)	$ 0.2	$ 0.2	$	$
Derivatives Energy (2)	14.3		14.3	
Other (3)	23.1	23.1		
Total Assets	$ 37.6	$ 23.3	$ 14.3	$
Liabilities				
Derivatives Energy (4)	$ 2.6	$	$ 2.6	$
Derivatives Foreign Exchange (4)	7.7		7.7	

Other (5)	32.2	32.2		
Total Liabilities	$ 42.5	$ 32.2	$ 10.3	$

(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 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.

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(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.

Note 5: Inventories

Inventories consisted of the following:

	March 31, 2008	December 31, 2007
	(in Millions)	
Finished goods and work in process	$ 201.2	$ 201.1
Raw materials	99.3	73.9
Net inventory	$ 300.5	$ 275.0

Note 6: Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	March 31, 2008	December 31, 2007
	(in Millions)	
Property, plant and equipment	$ 2,809.8	$ 2,843.9
Accumulated depreciation	1,889.6	1,909.2
Property, plant and equipment, net	$ 920.2	$ 934.7

Note 7: Asset Retirement Obligations

As of March 31, 2008, the balance of our asset retirement obligations was $12.4 million. This amount decreased approximately $2.7 million from December 31, 2007 primarily due to payments against the reserve. A more complete description of our asset retirement obligations can be found in Note 2 to our 2007 consolidated financial statements on our 2007 10-K.

Note 8: In-process Research and Development

In the first quarter of 2007, our Agricultural Products segment acquired further rights from a third-party company to develop their proprietary fungicide. We paid $1 million for these rights and have recorded this amount as a charge to In-process research and development in the condensed consolidated statements of operations. We had no such comparable charges in the first quarter of 2008.

Note 9: Restructuring and other charges (income)

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 operations for the three months ended March 31, 2008. The gain on sale was reduced as a result of 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. This deferred gain on sale in the amount of $6.7 million will be recognized as a reduction of rent expense over the term of the lease and is included in Accrued and other liabilities on the condensed consolidated balance sheets at March 31, 2008.

Sodium Sulfate assets sale

In February 2008, we completed the sale of Foret s 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 operations for the three months ended March 31, 2008. A portion of the gain includes recognition of a $2.2 million gain related to the reversal of a foreign currency translation adjustment which was previously a component of Accumulated other comprehensive income on the condensed consolidated balance sheets. These assets were previously reported as long-lived assets held for sale in accordance with SFAS No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets at December 31, 2007. These assets held for sale in the amount of $15.3 million were included in Prepaid and other current assets on our December 31, 2007 condensed consolidated balance sheets. Net proceeds from the transaction were $16.7 million.

The sodium sulfate co-generation facility was not part of the sale. We expect the sale of this asset to occur sometime in 2008. This asset is considered to be an asset held for sale and the amount of $3.1 million is included in Prepaid and other current assets on our March 31, 2008 condensed consolidated balance sheets.

Baltimore Phase Out

On June 15, 2007, we made the decision to phase out operations of our Baltimore, Maryland facility in our Agricultural Products segment by the second quarter of 2008. 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 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. We expect these remaining charges associated with the Baltimore phase out to occur in the second quarter of 2008. We also expect these remaining restructuring and other charges to be approximately $5 to $10 million primarily representing additional charges associated with fixed assets to be abandoned.

Other Items

Additional restructuring and other charges (income) for the three months ended March 31, 2008 also 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.

Three Months Ended March 31, 2007

Solutia Legal Settlement

We reached an agreement on May 1, 2007, to settle all claims relating to this litigation in return for a payment of $22.5 million. This litigation is associated with our Industrial Chemicals business. This amount has been reflected in Restructuring and other charges (income) in our condensed consolidated statements of operations for the three months ended March 31, 2007.

Other Items

Additional restructuring and other charges for the three months ended March 31, 2007 included $0.9 million of severance costs in our Industrial Chemicals segment due to workforce restructurings and $0.2 million of other charges in our Industrial Chemicals segment. We also recorded $0.7 million relating to continuing environmental sites in Corporate.

Rollforward of Restructuring and Other Reserves

Restructuring spending, net of recoveries, during the three months ended March 31, 2008 was primarily severance payments for previously announced workforce reductions. The following table shows a rollforward of restructuring and other reserves for the first three months of 2008 and the related spending and other changes:

(in Millions)	Total (1)
Balance at 12/31/2007	$ 12.1
Increase in reserves (1)	4.2
Cash payments	(4.8)
Balance at 3/31/2008 (2)	$ 11.5

(1) Primarily severance costs related to workforce reductions and facility shutdowns. Increase in reserves for the three months ended March 31, 2008 are primarily for severance costs for announced workforce reductions. The impairment charges noted above impacted our property, plant and equipment balances and are not included in the above table. Additionally, the deferred gain associated with the Princeton property sale is not included in the above table.

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

Note 10: Debt

Debt maturing within one year:

Debt maturing within one year consists of the following:

(in Millions)	March 31, 2008	December 31, 2007
Short-term debt	$ 54.4	$ 47.9
Current portion of long-term debt	77.7	77.7
Total debt maturing within one year	$ 132.1	$ 125.6

Short-term debt consisted of foreign credit lines at March 31, 2008 and December 31, 2007. We provide parent-company guarantees to lending institutions providing credit to our foreign subsidiaries.

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Long-term debt:

Long-term debt consists of the following:

	March 31, 2008			
(in Millions)	Interest Rate Percentage	Maturity Date	3/31/2008	12/31/2007
Pollution control and industrial revenue bonds (less unamortized discounts of $0.3 million and $0.3 million, respectively)	1.35-7.05	2009-2035	$ 202.6	$ 202.8
Debentures (less unamortized discounts of $0.1 million and $0.1 million, respectively)	7.75	2011	45.3	45.3
Medium-term notes	7.00	2008	77.5	77.5
European credit agreement	4.73-5.07	2010	177.2	171.7
Domestic credit agreement	3.00-5.25	2012	58.0	0.0
Total debt			560.6	497.3
Less: debt maturing within one year			77.7	77.7
Total long-term debt			$ 482.9	$ 419.6

At March 31, 2008, we had $177.2 million in U.S. dollar equivalent revolving credit facility borrowings under the European Credit Agreement compared to $171.7 million at December 31, 2007. Available funds under this facility were $166.3 million and $147.1 million at March 31, 2008 and December 31, 2007, respectively.

We had $58.0 million of borrowings under our Domestic Credit Agreement at March 31, 2008 compared to no borrowings at December 31, 2007. Letters of credit outstanding under the Domestic Credit Agreement totaled $149.7 million and $146.9 million at March 31, 2008 and December 31, 2007, respectively. As such, available funds under the Domestic Credit Agreement were $392.3 million and $453.1 million at March 31, 2008 and December 31, 2007, respectively.

Among other restrictions, the Domestic Credit Agreement and the European Credit Agreement contain financial covenants applicable to FMC and its consolidated subsidiaries related to leverage (measured as the ratio of debt to adjusted earnings) and interest coverage (measured as the ratio of adjusted earnings to interest expense). We were in compliance with all covenants at March 31, 2008.

A more complete description of our credit agreements are included in Note 11 to our 2007 consolidated financial statements in our 2007 10-K.

Note 11: Discontinued Operations

Our results of discontinued operations comprised the following:

	Three Months Ended March 31,	
(in Millions)	2008	2007
Adjustment for workers compensation, product liability, and other postretirement benefits related to previously discontinued operations (net of income tax benefit of $0.1	$ 0.3	$ 0.3

and $0.2 million for the three months ended March 31, 2008 and 2007, respectively)				
Provision for environmental liabilities and legal reserves and expenses related to previously discontinued operations (net of income tax benefit of $4.1 million and $5.8 million for the three months ended March 31, 2008 and 2007, respectively)		(6.7)		(9.6)
Discontinued operations, net of income taxes	$	(6.4)	$	(9.3)

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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). (See a rollforward of our environmental reserves in Note 12.)

At March 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 other long-term obligations associated with operations discontinued between 1976 and 2001.

2007

During the first three months of 2007, we recorded a $15.4 million ($9.6 million after-tax) charge to discontinued operations related to environmental issues and legal reserves and expenses. Environmental charges of $10.7 million ($6.6 million after-tax) related primarily to a provision to increase our reserves for environmental issues at our Middleport site. We also recorded increases to legal reserves and expenses in the amount of $4.7 million ($3.0 million after tax). (See a rollforward of our environmental reserves in Note 12.)

Note 12: Environmental Obligations

We have provided reserves for potential environmental obligations, which management considers probable and for which a reasonable estimate of the obligation could be made. Accordingly, reserves of $190.3 million and $188.6 million, excluding recoveries, have been provided at March 31, 2008 and December 31, 2007, respectively.

At March 31, 2008 and December 31, 2007, expected recoveries were $37.7 million and $35.4 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 $19.5 million and $18.8 million at March 31, 2008 and December 31, 2007, respectively, or as Other assets totaling $18.2 million and $16.6 million at both March 31, 2008 and December 31, 2007, respectively, in the condensed consolidated balance sheets. Cash recoveries recorded as realized claims against third parties were $0.5 million in the first three months of 2008. Total cash recoveries recorded for the year ended December 31, 2007 were $6.1 million.

The long-term portion of environmental reserves, net of recoveries, totaling $163.0 million and $160.1 million at March 31, 2008 and December 31, 2007, 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 $75 million at March 31, 2008. 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.

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The table below is a rollforward of our environmental reserves, continuing and discontinued, from December 31, 2007 to March 31, 2008:

(in Millions)		Operating and Discontinued Sites Total
Total environmental reserves, net of recoveries at December 31, 2007	$	169.8
Provision (see notes 9 and 11)		10.0
Spending, net of recoveries		(9.0)
Net Change		1.0
Total environmental reserves, net of recoveries at March 31, 2008	$	170.8
Environmental reserves, current, net of recoveries (1)	$	7.8
Environmental reserves, long-term continuing and discontinued, net of recoveries		163.0
Total environmental reserves, net of recoveries at March 31, 2008	$	170.8

(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 2007 consolidated financial statements in our 2007 10-K.

Note 13: Earnings Per Share

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

Our potentially dilutive securities include potential common shares related to our stock options, restricted stock and restricted stock units. Diluted earnings per share (Diluted EPS) consider the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect. Diluted EPS excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. There were 290,221 potential common shares excluded from Diluted EPS for the three months ended March 31, 2008. There were no potential common shares excluded from Diluted EPS for the three months ended March 31, 2007.

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, 2008	2007

Earnings:				
Income from continuing operations	$	100.3	$	55.1
Discontinued operations, net of income taxes		(6.4)		(9.3)
Net income	$	93.9	$	45.8
Basic earnings per common share				
Continuing operations	$	1.35	$	0.73
Discontinued operations		(0.09)		(0.13)
Net income	$	1.26	$	0.60
Diluted earnings per common share				
Continuing operations	$	1.31	$	0.70
Discontinued operations		(0.08)		(0.11)
Net income	$	1.23	$	0.59
Shares (in thousands):				
Weighted average number of shares of common stock outstanding		74,418		75,864
Weighted average additional shares assuming conversion of stock options		2,157		2,320
Shares diluted basis		76,575		78,184

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Note 14: Comprehensive Income

Comprehensive income includes all changes in stockholders 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, 2008 and 2007 consisted of the following:

	Three Months ended March 31,	
(in Millions)	**2008**	**2007**
Net income	$ 93.9	$ 45.8
Foreign currency translation adjustment	20.7	5.6
Net deferral of hedging gains (losses) and other	2.7	6.5
Net realized actuarial gains/(losses) and prior service (cost) credits	(0.4)	0.3
Comprehensive income	$ 116.9	$ 58.2

Note 15: Stockholders Equity

Dividends and Share Repurchases

On April 17, 2008, we paid dividends aggregating $7.9 million to our shareholders of record as of March 31, 2008. This amount is included in Accrued and other liabilities on the condensed consolidated balance sheets as of March 31, 2008. On April 22, 2008, our Board of Directors approved a quarterly cash dividend of $0.125 per share, payable on July 17, 2008 to shareholders of record on June 30, 2008. This represents an increase of $0.02 above our previous rate of $0.105 per share.

In April 2007, the Board of Directors authorized the repurchase of up to $250 million of our common stock. 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. 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. During the three months ended March 31, 2008, we repurchased 557,664 of our shares at an aggregate cost of $30 million under the current authorization. We also reacquire shares from time to time in connection with the vesting and exercise of awards under our equity compensation plans.

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Note 16: Pensions and Other Postretirement Benefits

The following table summarizes the components of net periodic benefit cost (income) from continuing operations for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31,			
	Pensions		Other Benefits	
(in Millions)	2008	2007	2008	2007
Components of net periodic benefit cost:				
Service cost	$ 4.5	$ 4.9	$	$
Interest cost	15.3	14.1	0.7	0.7
Expected return on plan assets	(19.6)	(17.7)		
Amortization of prior service cost	0.3	0.4	(0.3)	(0.3)
Recognized net actuarial (gain) loss	0.7	1.2	(0.2)	(0.2)
Net periodic benefit cost from continuing operations	$ 1.2	$ 2.9	$ 0.2	$ 0.2

We made voluntary cash contributions to our U.S. defined benefit pension plan of $10.0 million during the three months ended March 31, 2008 and 2007. We expect that our total voluntary cash contributions to the plan for 2008 will be approximately $30 million.

Note 17: Income Taxes

Income tax expense was $42.2 million resulting in an effective tax rate of 29.6% for the three months ended March 31, 2008 compared to expense of $20.3 million resulting in an effective tax rate of 26.9% for the three months ended March 31, 2007. 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.

Note 18: 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, 2008:

(in Millions)	March 31, 2008
Guarantees:	
FMC Technologies, Inc. performance guarantees	$ 1.6
Guarantees of vendor financing	27.9
Foreign equity method investment debt guarantees	8.1
Total	$ 37.6

We guarantee the performance by FMC Technologies, Inc. (Technologies) of a debt instrument outstanding in the principal amount of $1.6 million as of March 31, 2008 and December 31, 2007.

We provide guarantees to financial institutions on behalf of certain Agricultural Products customers, principally in Brazil, for their seasonal borrowing. The total of these guarantees was $27.9 million and $29.7 million at March 31, 2008 and December 31, 2007, respectively, and are recorded on the condensed consolidated balance sheets for each date as Guarantees of vendor financing .

We guarantee repayment of some of the borrowings of certain foreign affiliates accounted for using the equity method for investments. The other equity investors provide parallel agreements. We also guarantee the repayment of the borrowing of a minority partner in a foreign affiliate that we consolidate in our financial statements. As of March 31, 2008 these guarantees had maximum potential payments of $8.1 million, compared to $6.9 million at December 31, 2007.

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.

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Contingencies

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 had imposed a fine on us and Foret in the aggregate 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 (reflecting then-prevailing exchange rates) in our consolidated statements of operations for the year ended December 31, 2006. This expense was included as a component of restructuring and other charges. Both we and Foret have appealed the decision of the Commission. During the appeal process, interest accrues on the fine at a rate, which as of March 31, 2008, was 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 March 31, 2008, the amount of the letter of credit was 27.1 million (U.S. $42.3 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 was approved by the Court. Two other co-defendants, Akzo Nobel and Kemira, later reached settlements in the amount of $23.4 million and $5.0 million respectively, which were approved by the Court. 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 for $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 this Note 18, 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**.**

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Note 19: Segment Information

(in Millions)	Three Months Ended March 31, 2008	2007
Revenue		
Agricultural Products	$ 277.5	$ 248.3
Specialty Chemicals	183.7	166.2
Industrial Chemicals	290.4	260.6
Eliminations	(1.4)	(1.0)
Total	$ 750.2	$ 674.1
Income (loss) from continuing operations before income taxes		
Agricultural Products	$ 82.9	$ 70.8
Specialty Chemicals	39.5	35.6
Industrial Chemicals	35.6	17.5
Eliminations	(0.2)	(0.1)
Segment operating profit	157.8	123.8
Corporate	(11.9)	(13.1)
Other income (expense), net	(3.0)	(2.0)
Operating profit before the items listed below	142.9	108.7
Restructuring and other income/(charges), net (1)	8.3	(23.9)
In-process research and development (2)		(1.0)
Interest expense, net	(8.7)	(8.4)
Total	$ 142.5	$ 75.4

(1) See Note 9 for details of restructuring and other charges (income). Amounts in this line item for the first quarter of 2008 related to Industrial Chemicals ($1.8 million gain), Agricultural Products ($17.8 million), Specialty Chemicals ($0.3 million) and Corporate ($24.6 million gain). Amounts in this line item for the first quarter of 2007 related to Industrial Chemicals ($23.3 million) and Corporate ($0.6 million).

In addition to the line item Restructuring and other charges (income) as presented in the consolidated statements of income, this line item in the above reconciliation includes the following:

Amounts shown for 2007 reflect a gain of $0.4 million representing 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) loss 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 businesses and the buyers also assumed certain of the liabilities of Astaris.

(2) See Note 8 for details of In-process research and development.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2 of this report contains certain forward-looking statements that are based on our current views and assumptions regarding future events, future business conditions and the outlook for our company based on currently available information.

Whenever possible, we have identified these forward-looking statements by such words or phrases as will likely result , is confident that , expects , should , could , may , will continue to , believes , anticipates , predicts , forecasts , estimates , projects , potential , intends or similar expressions identifying forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including the negative of those words or phrases. Such forward-looking statements are based on our current views and assumptions regarding future events, future business conditions and the outlook for our company based on currently available information. The 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. These statements are qualified by reference to the section Forward-Looking Statements in Part II of our Annual Report on Form 10-K for the year ended December 31, 2007 (the 2007 10-K) and to similar disclaimers in all other reports and forms filed with the Securities and Exchange Commission (SEC). We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

We further caution that the list of risk factors in Item 1A in Part 1 of the 2007 10-K may not be all-inclusive, and we specifically decline to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. The preparation of our financial statements requires management 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 our 2007 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 of our Board of Directors those accounting policies that we have deemed critical. Critical accounting 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.

The following is a list of those accounting policies that we have deemed most critical to the presentation and understanding of our results of operations and financial condition. See the Application of Critical Accounting Policies section in our 2007 10-K for a detailed description of these policies and their potential effects on our results of operations and financial condition.

Environmental

Impairment and valuation of long-lived assets

Pensions and other postretirement benefits

Income taxes

We did not adopt any changes in the current period that had a material effect on these critical accounting policies nor did we make any changes to our accounting policies that would have changed these critical accounting policies.

RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note 2 to our condensed consolidated financial statements included in this Form 10-Q for a discussion of recently adopted accounting standards and other new accounting standards.

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,

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structure and physical stability, pharmaceutical additives for binding and disintegrant use and lithium specialties for pharmaceutical synthesis and energy storage. Our Industrial Chemicals segment manufactures a wide range of inorganic materials, including soda ash, peroxygens and phosphorus chemicals.

We had good performance across all of our business segments for the three months ended March 31, 2008. Consolidated revenue increased 11.3 percent for the three months ended March 31, 2008. An increase in segment operating profits also favorably impacted our consolidated results. We continue to be impacted by increases to raw material costs across all of our businesses as well as high energy 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 three months ended March 31, 2008 were impacted by the following:

- Agricultural Products segment operating profits increased significantly as a result of higher sales in Latin America, Asia and Europe and continued global supply chain productivity improvements, partially offset by higher raw material costs.

- Specialty Chemicals segment operating profits were driven by higher sales in food ingredients and pharmaceutical excipients markets in BioPolymer and higher selling prices and volume growth for lithium, as well as continued manufacturing productivity improvements, partially offset by higher raw material costs.

- Industrial Chemicals segment operating profits increased significantly due to higher selling prices across the segment, particularly in soda ash and phosphates, and improved power market conditions in Spain, where Foret operates electricity cogeneration facilities and excess electricity is sold into the Spanish electrical grid. These increases were partially offset by higher raw material costs.

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 which is included in Restructuring and other charges (income) in the condensed consolidated statements of operations for the three months ended March 31, 2008.

In February 2008, we completed the sale of Foret s sodium sulfate assets. Foret is part of our Industrial Chemicals segment. We recognized a gain on the sale of these assets of $3.6 million which is included in Restructuring and other charges (income) in the condensed consolidated statements of operations for the three months ended March 31, 2008. A portion of the gain includes recognition of a $2.2 million gain related to the reversal of a foreign currency translation adjustment. Net proceeds from the transaction were $16.7 million.

RESULTS OF OPERATIONS

Overview

(in Millions, Except Per Share Data)	**For the Three Months Ended March 31,**	
	2008	**2007**
		Per Share (Diluted)

		Per Share (Diluted)		
Consolidated Revenue	**$ 750.2**		**$ 674.1**	
Net income	**$ 93.9**	**$ 1.23**	**$ 45.8**	**$ 0.59**
Net income included the following after-tax (income)/charges:				
Restructuring and other (income)/charges, net (1)	$ (9.1)	$ (0.12)	$ 14.9	$ 0.19
In-process research and development			0.6	0.01
Tax adjustments			1.1	0.02
Discontinued operations	6.4	0.08	9.3	0.11
After-tax income from continuing operations excluding restructuring and other income and charges (2)	$ 91.2	$ 1.19	$ 71.7	$ 0.92

(1) Amount for the three months ended March 31, 2007 includes a gain of $0.4 million 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 condensed consolidated statement of operations for the three months ended March 31, 2007. In 2005, Astaris sold substantially all of the assets of its business and the buyers assumed substantially all of the liabilities of Astaris.

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(2) 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, provide 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 the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

See Segment Results for a detailed discussion of events affecting our results for the first quarter of 2008 and 2007.

CONSOLIDATED RESULTS Three months ended March 31, 2008 compared to Three months ended March 31, 2007

In the discussion below, please refer to our condensed consolidated statement of operations and our segment information from Note 19 included in Item I of this Form 10-Q 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 three months ended March 31, 2008 was $750.2 million, an increase of 11.3 percent compared to the $674.1 million recorded in the prior year. This increase is due to increased sales in all of our segments which are discussed separately below.

In-process research and development was $1.0 million ($0.6 million after-tax) in the first quarter of 2007 as a result of our Agricultural Products segment acquiring further rights from a third-party company to develop their property fungicide. We had no such comparable charges in the first quarter of 2008.

Restructuring and other charges (income) totaled ($8.3) million ($9.1 million after-tax) in the first quarter of 2008. Charges (income) in this category for the quarter ended March 31, 2008 primarily included the following:

A gain on the sale of the Princeton property of $29.6 million, completed on March 18, 2008.

A gain on the sale of Foret s sodium sulfate assets of $3.6 million. Foret is part of our Industrial Chemicals segment.

Charges totaling $15.8 million for our phase-out of the Agricultural Products chemical facility in Baltimore, Maryland in our Agricultural Products segment. These charges 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. We also expect to incur remaining restructuring and other charges of approximately $5 to $10 million related to this phase out over the next quarter, primarily representing additional charges associated with fixed assets to be abandoned.

$3.2 million of severance costs, 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.

$4.9 million 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.

$1.0 million of other charges primarily in our Industrial Chemicals segment.

Restructuring and other charges totaled $24.3 million ($14.9 million after-tax) in the first quarter of 2007 primarily as a result of a $22.5 million charge in our Industrial Chemicals Segment, related to the settlement of a lawsuit with Solutia, our joint venture partner with Astaris. Additionally, restructuring and other charges primarily included a charge in our Industrial Chemicals segment due to a workforce restructuring, and an additional charge to increase our legal reserves related to ongoing environmental matters.

Equity in (earnings) of affiliates was $0.3 million of earnings in the first quarter of 2008 which was essentially flat as compared to $0.8 million of earnings in the prior year period.

Interest expense, net for the first quarter of 2008 was $8.7 million as compared to $8.4 million in the first quarter of 2007.

Provision for income taxes was a provision of $42.2 million for the first quarter of 2008 compared to a provision of $20.3 million for the prior period resulting in effective tax rates of 29.6% and 26.9%, respectively. The increase in the effective tax rate was primarily a

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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. During the first quarter of 2007, we also recorded tax adjustments of $1.1 million related to adjustments for prior year tax matters.

Discontinued operations, net of income taxes totaled a loss of $6.4 million for the three months ended March 31, 2008 compared to loss of $9.3 million for the three months ended March 31, 2007. The loss for the quarter ended March 31, 2008 is primarily related to environmental charges to increase our reserve for operating and maintenance activities and charges for legal reserves and expenses related to discontinued operations.

The loss for the quarter ended March 31, 2007 is primarily related to a provision to increase our reserves for environmental issues at our Middleport site and increases to legal reserves and expenses.

Net income increased to $93.9 million for the three months ended March 31, 2008 from $45.8 million for the three months ended March 31, 2007. The increase was primarily due to higher profits in all three of our segments and reduced restructuring and other charges (income) primarily associated with the gain on sale of the Princeton property.

Other Financial Data

The following line items from our segment profit and loss statement are used to reconcile segment operating profit to consolidated income (loss) from continuing operations before income taxes (see Note 19 to our 2007 consolidated financial statements on our 2007 10-K).

Corporate expenses were $11.9 million in first quarter of 2008 compared to $13.1 million in the first quarter of 2007. This decrease was primarily due to reduced legal costs associated with the legal settlement with Solutia that occurred in the first quarter of 2007.

Other income (expense), net increased to $3.0 million of expense in the first quarter of 2008 from expense of $2.0 million in the same period of 2007. The increase was due primarily to higher compensation expense.

SEGMENT RESULTS Three months ended March 31, 2008 compared to Three months ended March 31, 2007

Segment operating profit is presented before taxes and restructuring and other charges (income). Information about how each of these items relate to our businesses at the segment level is discussed in Note 19 of our condensed consolidated financial statements filed in this Form 10-Q and in Note 19 of our 2007 consolidated financial statements in our 2007 10-K.

Agricultural Products

	Three Months Ended March 31,		Increase/(Decrease)	
(in Millions)	2008	2007	$	%
Revenue	$ 277.5	$ 248.3	$ 29.2	11.8
Operating Profit	82.9	70.8	12.1	17.1

Sales of $277.5 million increased approximately 12 percent versus the prior year quarter, as gains were realized in Latin America, Asia and Europe. In Latin America, sales growth was particularly strong in Brazil, as we continued to benefit from the country s robust agricultural economy. We experienced demand growth across our entire product portfolio and all crop segments, particularly in sugarcane, cotton and soybeans. In Asia, the sales increase was also broad-based. Performance gains were achieved in many countries, but were particularly strong in the rice market in India and the winter cereal market in Australia. In Europe, growth was driven by favorable early season weather conditions and new product introductions.

Agricultural Products operating profit of $82.9 million was approximately 17 percent higher than the year-ago quarter, reflecting the broad-based sales gains and continued supply chain productivity improvements, which more than offset higher raw material costs, particularly chemical intermediates and solvents.

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In 2008, full-year revenue growth in the high single digits is expected as a result of a healthy global agricultural economy, increased planted acres of key crops and new product introductions. Full-year segment operating profits are expected to be up in the low-to-mid teens 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 European Union (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. EPA reiterated its proposal in January 2008 with the issuance of a draft Notice of Intent to Cancel. In early February 2008, the EPA convened a Scientific Advisory Panel meeting to evaluate scientific issues relevant to the draft Notice of Intent to Cancel Carbofuran. At this meeting, EPA and FMC presented their views on the relevant scientific assessments of carbofuran. The Panel has issued its final report on the meeting. Separately, the US Department of Agriculture has issued its comments on the draft cancellation notice, stating that carbofuran should continue to be registered. EPA must now decide whether to issue a final Notice of Intent to Cancel. We are vigorously defending the U.S. registration. If EPA chooses to issue a final Notice of Intent to Cancel which continues to eliminate all carbofuran uses, FMC plans to challenge such decision by requesting review by an administrative law judge. The outcome of any administrative hearing is 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 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

	Three Months Ended March 31,		Increase/(Decrease)	
(in Millions)	**2008**	**2007**	**$**	**%**
Revenue	$ 183.7	$ 166.2	17.5	10.5

Operating Profit	39.5	35.6	3.9	11.0

Revenue in Specialty Chemicals was $183.7 million, an increase of approximately 11 percent versus the prior-year quarter driven by higher selling prices and volume growth in BioPolymer and lithium specialties.

Segment operating profit of $39.5 million increased 11 percent versus the year ago quarter, as a result of higher sales and continued manufacturing productivity improvements, partially offset by higher raw material costs. In BioPolymer, the combination of strong commercial performance in pharmaceutical and food ingredients businesses and continued productivity improvements more than offset higher specialty wood pulp, seaweed and fuel oil costs. In pharmaceuticals, we benefited from continued growth in demand for oral tablet drugs. Sales in Europe and Asia and to generic drug manufacturers across all regions were strong in the quarter. In food ingredients, our performance was driven by higher selling prices and continued volume growth in Asia and Latin America, primarily in the dairy segment. In lithium, earnings growth was the result of higher prices and volume growth for specialty lithium compounds particularly in the pharmaceutical market. Segment operating profit was impacted as well by continued manufacturing productivity improvements offset by higher raw material costs.

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

Industrial Chemicals

	Three Months Ended March 31,		Increase/(Decrease)	
(in Millions)	**2008**	**2007**	**$**	**%**
Revenue	$ 290.4	$ 260.6	29.8	11.4
Operating Profit	35.6	17.5	18.1	103.4

Revenue in Industrial Chemicals was $290.4 million, an increase of approximately 11 percent versus the prior-year quarter, driven by higher selling prices and volumes across the segment.

Segment operating profit of $35.6 million increased approximately 103 percent versus the year ago quarter as a result of higher sales and improved power market conditions in Spain where Foret operates electricity cogeneration facilities and excess electricity is sold into the Spanish electrical grid. In soda ash, our domestic and export businesses benefited from new contract terms put in place at the beginning of the year, as higher selling prices were the primary driver of earnings growth. Our North American Peroxygens business realized higher selling prices and volume growth across both hydrogen peroxide and specialty peroxygens businesses. In Foret, higher prices, particularly in phosphates, hydrogen peroxide demand growth and improved power market conditions were the primary drivers of the earnings increase, which more than offset higher raw material costs, especially phosphate rock.

In 2008, full-year revenue growth of approximately 10 percent is expected as a result of higher selling prices across all businesses, particularly in soda ash and phosphates, and volume growth. Full-year segment operating profits are expected to be up 60-70 percent as aggregate price and volume benefits more than offset higher raw material costs.

LIQUIDITY AND CAPITAL RESOURCES

Domestic Credit Agreement

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 facility bear interest at a floating rate, either a base rate as defined or the applicable euro currency rate for the relevant term plus an applicable margin. At March 31, 2008, the applicable euro currency margin was 0.35 percent, subject to adjustment based on the credit rating assigned to our senior unsecured debt. At March 31, 2008, borrowing rates under our Domestic Credit Agreement ranged from 3.00 to 5.25 percent per annum.

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.

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Loans under the European Credit Agreement bear interest at a euro currency 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 credit rating assigned to our senior unsecured debt. At March 31, 2008, the applicable margin was 0.35 percent and the applicable borrowing rate under the European Credit Agreement ranged from 4.73 to 5.07 percent per annum.

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 March 31, 2008.

At March 31, 2008, we had $177.2 million in U.S. dollar equivalent revolving credit facility borrowings under the European Credit Agreement compared to $171.7 million at December 31, 2007. Available funds under this facility were $166.3 million and $147.1 million at March 31, 2008 and December 31, 2007, respectively.

We had $58.0 million of borrowings under our Domestic Credit Agreement at March 31, 2008 compared to no borrowings at December 31, 2007. Letters of credit outstanding under the Domestic Credit Agreement totaled $149.7 million and $146.9 million at March 31, 2008 and December 31, 2007, respectively. As such, available funds under the Domestic Credit Agreement were $392.3 million and $453.1 million at March 31, 2008 and December 31, 2007, respectively.

Cash and cash equivalents at March 31, 2008 and December 31, 2007 were $70.4 million and $75.5 million, respectively. At March 31, 2008, we had total debt of $615.0 million as compared to $545.2 million at December 31, 2007. This included $482.9 million and $419.6 million of long-term debt (excluding current portions of $77.7 million and $77.7 million) at March 31, 2008 and December 31, 2007, respectively. Short-term debt, which consists solely of foreign borrowings, increased to $54.4 million at March 31, 2008 compared to $47.9 million at December 31, 2007.

Statement of Cash Flows

Cash required by operating activities was $54.5 million for the three months ended March 31, 2008 compared to $52.3 million for the three months ended March 31, 2007. The increase in cash required by operating activities reflected an increase in inventories and prepaid and other current assets balances offset by higher earnings from continuing operations.

Cash required by operating activities of discontinued operations was $11.9 million for the first three months of 2008 compared to cash required of $5.9 million for the first three months of 2007. This change was primarily due to increased environmental spending in the three months ended March 31, 2008.

Cash provided by investing activities was $44.6 million for the three months ended March 31, 2008 compared to cash required of $15.7 million for the three months ended March 31, 2007. The change in the first quarter of 2008 was driven primarily by proceeds from the sale of the Princeton property of $59.4 million and the sale of sodium sulfate assets of $16.7 million partially offset by an increase in our capital expenditure spending.

Cash provided by financing activities was $16.5 million for the first three months of 2008 compared to cash required of $43.1 million for the first three months of 2007. This change is due primarily to increased borrowings under our committed credit facilities and lower repayments of long term debt partially offset by repurchases of common stock.

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 committed revolving credit facilities.

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.

On April 17, 2008, we paid dividends aggregating $7.9 million to our shareholders of record as of March 31, 2008. This amount is included in Accrued and other liabilities on the condensed consolidated balance sheets as of March 31, 2008. On April 22, 2008, our Board of Directors approved a quarterly cash dividend of $0.125 per share, payable on July 17, 2008 to shareholders of record on June 30, 2008. This represents an increase of $0.02 above our previous rate of $0.105 per share.

In April 2007, the Board of Directors authorized the repurchase of up to $250 million of our common stock. 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. 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. During the three months ended March 31, 2008, we repurchased 557,664 of our shares at an aggregate cost of $30 million under the current authorization. We also reacquire shares from time to time in connection with the vesting and exercise of awards under our equity compensation plans.

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

Commitments

We guarantee the performance by Technologies of a debt instrument outstanding in the principal amount of $1.6 million as of March 31, 2008 and December 31, 2007. We also guarantee repayment of some of the borrowings of certain foreign affiliates accounted for using the equity method for investments. The other equity investors provide parallel agreements. In addition, we

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guarantee the repayment of the borrowing of a minority partner in a foreign affiliate that we consolidate in our financial statements. As of March 31, 2008 these guarantees had maximum potential payments of $8.1 million as compared to $6.9 million as of December 31, 2007.

We provide guarantees to financial institutions on behalf of certain Agricultural Products customers, principally in Brazil, for their seasonal borrowing. The total of these guarantees was $27.9 million and $29.7 million at March 31, 2008 and December 31, 2007, respectively, and are recorded on the condensed consolidated balance sheets for each date as Guarantees of vendor financing .

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.

Contingencies

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 and Foret in the aggregate 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 (reflecting then-prevailing exchange rates) in our consolidated statements of operations for the year ended December 31, 2006. This expense was included as a component of restructuring and other charges. Both we and Foret have appealed the decision of the Commission. During the appeal process, interest accrues on the fine at a rate, which as of March 31, 2008, was 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 March 31, 2008, the amount of the letter of credit was 27.1 million ($42.3 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.

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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 was approved by the Court. Two other co-defendants, Akzo Nobel and Kemira, later reached settlements in the amount of $23.4 million and $5.0 million respectively, which were approved by the Court. 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 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 in our 2007 Form 10-K.

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 which is included in Item I of this Form 10-Q, 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.

DERIVATIVE FINANCIAL INSTRUMENTS AND MARKET RISKS

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 the effects of these fluctuations on our earnings, cash flows and financial position. To accomplish this we have implemented a controlled program of risk management consisting of appropriate derivative contracts entered into with major financial institutions.

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 March 31, 2008, our net financial instrument position was a net asset of $4.0 million compared to a net liability of $3.2 million at December 31, 2007. The change in the net financial instrument position was due to higher unrealized gains in our commodity portfolio partially offset by higher unrealized losses in 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 March 31, 2008 and December 31, 2007, with all other variables (including interest rates) held constant. A 10 percent increase in energy market prices would result in an increase in the net asset position of $11.8 million at March 31, 2008 and a decrease in the net

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liability position of $9.7 million at December 31, 2007. 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 a decrease in the net asset position of $11.8 million at March 31, 2008 and an increase in the net liability position of $9.7 million at December 31, 2007. As a result, the net asset position at March 31, 2008 would become a net liability position.

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 March 31, 2008 and December 31, 2007, with all other variables (including interest rates) held constant. A 10 percent strengthening of the hedged currencies versus our functional currencies would result in an increase of the net liability position of $25.4 and $17.6 million at March 31, 2008, and December 31, 2007, respectively. A 10% weakening of the hedged currencies versus our functional currencies would result in a decrease of the net liability position of $24.6 and $17.6 million at March 31, 2008, and December 31, 2007, respectively. As a result, the net liability position at March 31, 2008 and December 31, 2007, would become a net asset position.

Interest Rate Risk

We use various strategies to manage our interest rate exposure, including entering into interest rate swap agreements. As of March 31, 2008, we had no agreements in place.

Our debt portfolio, at March 31, 2008, is composed of 46 percent fixed-rate debt and 54 percent variable-rate debt. The variable-rate component of our debt portfolio principally consists of foreign bank borrowings, variable-rate industrial and pollution control revenue bonds, and borrowings under our European and Domestic Credit Agreements. Changes in interest rates affect different portions of our variable-rate debt portfolio in different ways.

Based on the variable-rate instruments in our debt portfolio at March 31, 2008, a one percentage point increase or decrease in interest rates then in effect would have increased or decreased interest expense for the first three months of the year by $0.7 million.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information required by this item is provided in Derivative Financial Instruments and Market Risks, under ITEM 2 Management s Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. The Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2008. The Company s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms. Based on this evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective.

(b) Change in Internal Controls. There have been no significant changes in internal controls over financial reporting that occurred during the quarter ended March 31, 2008 that materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

The Board of Directors

FMC Corporation:

We have reviewed the condensed consolidated balance sheet of FMC Corporation and subsidiaries as of March 31, 2008, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 2008 and 2007. These condensed consolidated financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of FMC Corporation and subsidiaries as of December 31, 2007, and the related consolidated statements of operations, cash flows and changes in stockholders equity for the year then ended (not presented herein) and in our report dated February 25, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Philadelphia, Pennsylvania

May 2, 2008

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There has been no material change in the significant legal proceedings from the information reported in Part I, Item 3 of our 2007 10-K.

Item 1A. Risk Factors

There have been no material changes to the risk factors reported in the Part I, Item 1A of our 2007 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 Dollars Purchased under the Program	Maximum Dollar Value of shares that May Yet be Purchased Under the Program
January 1-31, 2008	133,800	$ 48.72	133,800	$ 6,518,724	$ 153,481,347
February 1-29, 2008	280,411	$ 55.05	251,500	$ 13,837,304	$ 139,644,043
March 1-31, 2008	172,595	$ 55.95	172,364	$ 9,643,910	$ 130,000,133
Total	586,086	$ 53.87	557,664	$ 29,999,938	$ 130,000,133

On April 24, 2007, the Board of Directors authorized the repurchase of up to $250 million of our common stock. Approximately 2.5 million shares have been repurchased at a cost of $120 million under the $250 million authorization, including $30.0 million of repurchases in the quarter ended March 31, 2008.

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.

ITEM 6. EXHIBITS

Exhibits

10.1 Restricted Stock Unit Award Agreement

12 Statement of Computation of Ratios of Earnings to Fixed Charges

15	Awareness Letter of KPMG LLP
31.1	Chief Executive Officer Certification
31.2	Chief Financial Officer Certification
32.1	CEO Certification of Quarterly Report
32.2	CFO Certification of Quarterly Report

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INDEX OF EXHIBITS FILED WITH OR

INCORPORATED BY REFERENCE INTO

FORM 10-Q OF FMC CORPORATION

FOR THE QUARTER ENDED MARCH 31, 2008

Exhibit No.	Exhibit Description
10.1	Restricted Stock Unit Award Agreement
12	Statement of Computation of Ratios of Earnings to Fixed Charges
15	Awareness Letter of KPMG LLP
31.1	Chief Executive Officer Certification
31.2	Chief Financial Officer Certification
32.1	CEO Certification of Quarterly Report
32.2	CFO Certification of Quarterly Report

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FMC CORPORATION

(Registrant)

By: /s/ W. KIM FOSTER
W. Kim Foster

Senior Vice President and

Chief Financial Officer

Date: May 2, 2008

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