FMC TECHNOLOGIES INC
Form 10-Q
November 10, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2008

or

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

Commission File Number 1-16489

FMC Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**36-4412642**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1803 Gears Road, Houston, Texas	**77067**
(Address of principal executive offices)	**(Zip Code)**

(281) 591-4000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2008
Common Stock, par value $0.01 per share	**125,039,989**

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FMC Technologies, Inc. and Consolidated Subsidiaries

Consolidated Statements of Income (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenue	$ 1,127.6	$ 879.4	$ 3,345.8	$ 2,578.4
Costs and expenses:				
Cost of sales	888.2	704.5	2,664.7	2,063.4
Selling, general and administrative expense	82.2	78.3	257.8	224.7
Research and development expense	12.2	10.0	32.9	30.2
Total costs and expenses	982.6	792.8	2,955.4	2,318.3
Other income (expense), net	(6.2)	14.6	(11.5)	15.7
Minority interests	(0.4)	(0.1)	(1.4)	(0.5)
Income before net interest expense and income taxes	138.4	101.1	377.5	275.3
Net interest income (expense)	(0.9)	(3.3)	(0.8)	(8.9)
Income from continuing operations before income taxes	137.5	97.8	376.7	266.4
Provision for income taxes	45.1	32.5	117.7	90.0
Income from continuing operations	92.4	65.3	259.0	176.4
Income (loss) from discontinued operations, net of income taxes	(9.7)	13.4	11.0	36.5
Net income	$ 82.7	$ 78.7	$ 270.0	$ 212.9
Basic earnings per share (Note 3):				
Income from continuing operations	$ 0.73	$ 0.50	$ 2.01	$ 1.34
Income (loss) from discontinued operations	(0.08)	0.10	0.09	0.27
Basic earnings per share	$ 0.65	$ 0.60	$ 2.10	$ 1.61
Diluted earnings per share (Note 3):				
Income from continuing operations	$ 0.72	$ 0.49	$ 1.99	$ 1.31
Income (loss) from discontinued operations	(0.08)	0.10	0.08	0.27
Diluted earnings per share	$ 0.64	$ 0.59	$ 2.07	$ 1.58
Weighted average shares outstanding (Note 3):				
Basic	127.0	130.2	128.5	131.7
Diluted	129.0	132.6	130.5	134.2

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

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FMC Technologies, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets (Unaudited)

(In millions, except per share data)

	September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 306.0	$ 129.5
Trade receivables, net of allowances of $3.0 in 2008 and $2.8 in 2007	926.4	775.7
Inventories (Note 4)	589.2	533.2
Derivative financial instruments (Note 5)	238.7	154.5
Prepaid expenses	25.7	20.5
Other current assets	193.1	143.2
Assets of discontinued operations (Note 2)	0.9	533.8
Total current assets	2,280.0	2,290.4
Investments	24.8	33.4
Property, plant and equipment, net of accumulated depreciation of $365.1 in 2008 and $349.2 in 2007	511.7	452.3
Goodwill	145.2	147.8
Intangible assets, net	74.3	79.6
Deferred income taxes	130.7	65.3
Other assets	132.3	142.3
Total assets	$ 3,299.0	$ 3,211.1
Liabilities and stockholders equity		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 13.2	$ 7.2
Accounts payable, trade and other	429.2	405.6
Advance payments and progress billings	805.8	665.3
Derivative financial instruments (Note 5)	195.6	106.9
Other current liabilities	204.9	210.7
Income taxes payable	10.3	56.0
Current portion of accrued pension and other postretirement benefits	9.5	15.1
Deferred income taxes	116.0	35.9
Liabilities of discontinued operations (Note 2)	5.9	340.2
Total current liabilities	1,790.4	1,842.9
Long-term debt, less current portion (Note 7)	351.8	112.2
Accrued pension and other postretirement benefits, less current portion	107.8	50.4
Other liabilities	189.8	176.3
Minority interests in consolidated companies	8.3	7.6
Commitments and contingent liabilities (Note 13)		
Stockholders equity (Note 11):		
Preferred stock, $0.01 par value, 12.0 shares authorized; no shares issued in 2008 or 2007		
Common stock, $0.01 par value, 195.0 shares authorized; 143.2 shares issued in 2008 and 2007; 124.9 and 129.3 shares outstanding in 2008 and 2007, respectively	1.4	1.4
Common stock held in employee benefit trust, at cost; 0.1 and 0.2 shares outstanding in 2008 and 2007, respectively	(6.7)	(5.4)
Common stock held in treasury, at cost; 18.1 and 13.7 shares in 2008 and 2007, respectively	(707.0)	(422.7)
Capital in excess of par value of common stock	722.7	724.0
Retained earnings	993.5	771.6
Accumulated other comprehensive loss	(153.0)	(47.2)

Total stockholders equity		850.9		1,021.7
Total liabilities and stockholders equity	$	3,299.0	$	3,211.1

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

FMC Technologies, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash provided (required) by operating activities of continuing operations:		
Net income	$ 270.0	$ 212.9
Income from discontinued operations, net of tax	(11.0)	(36.5)
Income from continuing operations	259.0	176.4
Adjustments to reconcile net income to cash provided (required) by operating activities of continuing operations:		
Depreciation	42.8	32.9
Amortization	10.6	10.4
Employee benefit plan costs	38.0	43.1
Deferred income tax provision	61.5	7.3
Unrealized loss (gain) on derivative instruments	3.7	(19.0)
Net loss (gain) on disposal of assets	0.2	(3.5)
Other	7.2	8.2
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade receivables, net	(167.3)	(24.0)
Inventories	(69.0)	(66.2)
Accounts payable, trade and other	18.7	(8.3)
Advance payments and progress billings	148.5	202.2
Other assets and liabilities, net	(50.8)	(60.0)
Income taxes payable	(84.8)	(15.8)
Accrued pension and other postretirement benefits, net	(20.6)	(27.7)
Cash provided by operating activities of continuing operations	197.7	256.0
Net cash provided (required) by discontinued operations operating	(9.5)	20.2
Cash provided by operating activities	188.2	276.2
Cash provided (required) by investing activities:		
Capital expenditures	(117.8)	(106.4)
Acquisitions		(44.9)
Proceeds from disposal of assets	3.1	63.7
Cash required by investing activities of continuing operations	(114.7)	(87.6)
Cash required by discontinued operations investing	(4.7)	(5.0)
Cash required by investing activities	(119.4)	(92.6)
Cash provided (required) by financing activities:		
Net increase in short-term debt and current portion of long-term debt	7.4	99.1
Net increase (decrease) in commercial paper	(2.0)	133.7
Issuance of long-term debt, net of repayments	241.0	
Repayment of long-term debt		(52.9)
Proceeds from exercise of stock options	4.9	18.4
Purchase of treasury stock	(324.0)	(250.8)
Excess tax benefits	23.1	20.6
Proceeds on spin-off of JBT Corporation and affiliates	157.8	
Other	(1.2)	0.4

Cash provided (required) by financing activities of continuing operations	107.0	(31.5)
Effect of exchange rate changes on cash and cash equivalents	0.7	8.3
Increase in cash and cash equivalents	176.5	160.4
Cash and cash equivalents, beginning of period	129.5	79.5
Cash and cash equivalents, end of period	$ 306.0	$ 239.9

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

FMC Technologies, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note 1: Basis of Presentation

The following (a) condensed balance sheet as of December 31, 2007, which has been derived from audited financial statements, and (b) unaudited interim condensed financial statements, and notes thereto (the statements), of FMC Technologies, Inc. and its consolidated subsidiaries (FMC) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). As permitted under those rules, certain footnotes or other financial information that are normally required by United States generally accepted accounting principles can be condensed or omitted. Therefore, these statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2007.

In the opinion of management, the statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of our financial condition and operating results as of and for the periods presented. Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these statements may not be representative of those for the full year. Certain reclassifications have been made to prior period amounts to conform to the current period s presentation. In 2007, we incurred unrealized gains and losses on the interest rate component of currency forwards, which we classified in cost of sales. We reclassified the net unrealized loss related to revenue contracts of $2.1 million and net unrealized gain of $11.9 million for the three and nine months ended September 30, 2007, respectively, from cost of sales to revenue. The unrealized losses and gains in revenue are presented as other revenue in the business segment disclosure.

Note 2: Discontinued Operations

On July 12, 2008, our Board of Directors approved the spin-off of 100% of our FoodTech and Airport Systems businesses to our shareholders. The spin-off was accomplished on July 31, 2008 through a dividend of all outstanding shares of John Bean Technologies Corporation (JBT), which is now an independent public company traded on the New York Stock Exchange (symbol JBT). JBT has been reclassified to discontinued operations in the consolidated financial statements for all periods presented.

Prior to the spin-off, we received necessary regulatory approvals, including a private letter ruling on the tax-free nature of the transaction from the Internal Revenue Service, and a declaration of effectiveness for JBT s registration statement on Form 10 with the SEC. The dividend was distributed at the close of business on July 31, 2008 to our shareholders of record as of July 22, 2008. Each holder of our common stock received a dividend of 0.216 share of JBT common stock for every share of our common stock held on the record date. The distribution resulted in a net decrease in our stockholders equity of $20.2 million which represents a $48.1 million decrease in retained earnings partially offset by a $27.9 million decrease in accumulated other comprehensive loss.

At the time of the spin-off of JBT, all outstanding stock options to purchase our common stock and all restricted stock shares awarded in 2007 and held by employees of JBT were converted into JBT stock awards. Restricted stock shares awarded prior to 2007 and held by employees of JBT were maintained by us and will vest in 2009. At the completion of the spin-off of JBT, outstanding stock options to purchase our common stock and outstanding restricted stock units held by our directors and employees who remained with us were adjusted to preserve the intrinsic value of the shares held prior to the spin-off.

In connection with the spin-off, JBT paid us a cash dividend of $157.8 million. A true-up adjustment of the dividend payment of $38.4 million was received from JBT on October 14, 2008 and is reported in other current assets in the consolidated balance sheet at September 30, 2008.

The consolidated statements of income include the following in discontinued operations:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenue	$ 82.0	$ 258.3	$ 612.5	$ 707.5
Income (loss) before income taxes	(3.4)	22.6	35.6	50.9
Income tax provision	6.3	9.2	24.6	14.4
Income (loss) from discontinued operations, net of income taxes	$ (9.7)	$ 13.4	$ 11.0	$ 36.5

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The major classes of assets and liabilities of businesses reported as discontinued operations included in the accompanying consolidated balance sheets are shown below:

(In millions)	September 30, 2008	December 31, 2007
Assets:		
Trade receivables, net	$	$ 182.5
Inventories		142.9
Property, plant and equipment, net		126.8
Other assets	0.9	81.6
Assets of discontinued operations	$ 0.9	$ 533.8
Liabilities:		
Accounts payable, trade and other	$ 5.5	$ 98.9
Advance payments and progress billings		101.6
Other liabilities	0.4	139.7
Liabilities of discontinued operations	$ 5.9	$ 340.2

We entered into various agreements relating to the spin-off, including, among others, a separation and distribution agreement between FMC and JBT (Exhibit 2.1 on Form 8-K filed on August 6, 2008) (the Separation and Distribution Agreement) and a tax sharing agreement between FMC and JBT (Exhibit 10.1 on Form 8-K filed on August 6, 2008) (the Tax Sharing Agreement). The Separation and Distribution Agreement required us to contribute certain business segments and their associated assets and liabilities to JBT to be included in JBT s business. As a result of the contribution, we have no interest in JBT s assets and business and, subject to certain exceptions described below, generally have no obligation with respect to JBT s liabilities. Similarly, JBT has no interest in our assets and generally has no obligation with respect to our liabilities related to retained businesses after the distribution. We generally made no representations or warranties as to the assets, businesses or liabilities transferred or assumed as part of the contribution, and generally made the transfers on an as is, where is basis. JBT agreed to cause us to be released from all FMC obligations to guarantee or otherwise support any liabilities or obligations of JBT not later than July 31, 2010. JBT agreed to reimburse and otherwise indemnify and hold us harmless for the full amount of all payments made or products or services delivered to third parties under any guarantee not terminated prior to July 31, 2008.

The tax sharing agreement sets forth the responsibilities of the parties with respect to, among other things, liabilities for federal, state, local and foreign taxes for periods before and including the spin-off, the preparation and filing of tax returns for such periods and disputes with taxing authorities regarding taxes for such periods. The tax sharing agreement also provides that JBT will indemnify us for some or all of the taxes resulting from the transactions related to the distribution of JBT s common stock if JBT takes certain actions which ultimately result in disqualifying the distribution as tax-free under Sections 355 and 368 of the U.S. Internal Revenue Code, as amended (the Code). FMC will indemnify JBT against any liability for tax if our actions cause the disqualification of the spin-off as tax-free under the Code.

Note 3: Earnings Per Share (EPS)

The following schedule is a reconciliation of the basic and diluted EPS computations:

(In millions, except per share data)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Basic earnings per share:				
Income from continuing operations	$ 92.4	$ 65.3	$ 259.0	$ 176.4
Weighted average number of shares outstanding	127.0	130.2	128.5	131.7
Basic earnings per share from continuing operations	$ 0.73	$ 0.50	$ 2.01	$ 1.34
Diluted earnings per share:				
Income from continuing operations	$ 92.4	$ 65.3	$ 259.0	$ 176.4
Weighted average number of shares outstanding	127.0	130.2	128.5	131.7
Effect of dilutive securities:				
Options on common stock	0.5	0.7	0.5	1.0
Restricted stock	1.5	1.7	1.5	1.5
Total shares and dilutive securities	129.0	132.6	130.5	134.2
Diluted earnings per share from continuing operations	$ 0.72	$ 0.49	$ 1.99	$ 1.31

Note 4: Inventories

Inventories consisted of the following:

(In millions)	September 30, 2008	December 31, 2007
Raw materials	$ 136.8	$ 134.8
Work in process	108.9	87.7
Finished goods	473.0	424.5
Gross inventories before LIFO reserves and valuation adjustments	718.7	647.0
LIFO reserves and valuation adjustments	(129.5)	(113.8)
Net inventories	$ 589.2	$ 533.2

Note 5: Derivative Financial Instruments

The following table of all outstanding derivative instruments is based on estimated fair value amounts that have been determined using available market information and commonly accepted valuation methodologies. Accordingly, the estimates presented may not be indicative of the amounts that we would realize in a current market exchange and do not represent potential gains or losses on these agreements.

(In millions)	September 30, 2008 Short Term	September 30, 2008 Long Term	December 31, 2007 Short Term	December 31, 2007 Long Term

Assets	$ 238.7	$ 89.5	$ 154.5	$ 105.4
Liabilities	$ 195.6	$ 106.4	$ 106.9	$ 69.5

The portion of cash flow hedges excluded from the assessment of hedge effectiveness was a gain of $8.9 million and $6.6 million for the three and nine month periods ended September 30, 2008, respectively. A net loss of $2.1 million and a net gain of $6.8 million were reported for the three and nine month periods ending September 30, 2007, respectively. Gains and losses are recorded in revenue and cost of sales based on the transaction hedged on the consolidated statements of income. Revenue recorded from gains and losses are reported in other revenue in the reconciliation of segment operating profit to income before income taxes.

Losses related to discontinued hedging relationships were $1.8 million and $15.6 million for the three and nine month periods ended September 30, 2008, respectively. For the three and nine month periods ended September 30, 2007, net gains of $0.2 million and $6.9 million were reported, respectively. These gains and loses are recorded in cost of sales on the consolidated statements of income and in segment operating profit in the reconciliation of segment operating profit to income before income taxes.

Cash flow hedges of forecasted transactions, net of tax, resulted in accumulated other comprehensive loss of $36.3 million and accumulated other comprehensive income of $30.3 million at September 30, 2008, and December 31, 2007, respectively. We expect to transfer approximately $15.0 million of the balance at September 30, 2008 to earnings during the next 12 months when the forecasted transactions actually occur. The net impact of this transfer, combined with recording the actual transactions, will have a neutral impact on future earnings. All forecasted transactions currently being hedged are expected to occur by 2012.

Losses, net of remeasurement of assets and liabilities, recorded in earnings for instruments not designated as hedging instruments were $4.2 million and $7.0 million for the three and nine month periods ending September 30, 2008, respectively. Net gains of $13.9 million and $12.2 million were reported for the three and nine month periods ended September 30, 2007, respectively. The gains and losses are recorded in other income (expense), net on the consolidated statements of income and in other expense, net in the reconciliation of segment operating profit to income before income taxes.

Note 6: Income Taxes

As of September 30, 2008, we had gross unrecognized tax benefits of $21.8 million. This amount did not change materially during the current quarter. Our U.S. federal income tax returns for our 2004 and 2005 tax years are under examination by the Internal Revenue Service (IRS). In conjunction with this examination, in July 2008 the IRS proposed adjustments to such years taxable income, primarily related to our treatment of intercompany transfer pricing. The company has not agreed to these proposed adjustments and has provided additional analysis and documentation in support of its position to the IRS. At this time the ultimate outcome of this matter remains uncertain. However, management believes we are adequately reserved for this matter as of September 30, 2008.

It is reasonably possible that within twelve months, unrecognized tax benefits related to certain tax reporting positions taken in prior periods could decrease by up to $20.1 million due to the resolution of these and other tax matters under current examination.

Note 7: Debt

Long-term debt Long-term debt consisted of the following:

(In millions)	**September 30, 2008**	**December 31, 2007**
Revolving credit facilities	$ 242.0	$
Commercial paper (1)	101.0	103.0
Property financing	8.6	8.9
Other	0.6	0.7
Total long-term debt	352.2	112.6
Less: current portion	(0.4)	(0.4)
Long-term debt, less current portion	$ 351.8	$ 112.2

(1) Committed credit available under our five-year revolving credit facility maturing in December 2012 provides the ability to issue our commercial paper obligations on a long-term basis. Therefore, at September 30, 2008, as we have both the ability and intent to refinance these obligations on a long-term basis, our commercial paper borrowings were classified as long-term on the consolidated balance sheets. Commercial paper borrowings as of September 30, 2008 had an average interest rate of 3.9%.

Note 8: Warranty Obligations

We provide warranties of various lengths and terms to certain of our customers based on standard terms and conditions and negotiated agreements. We provide for the estimated cost of warranties at the time revenue is recognized for products where reliable, historical experience of warranty claims and costs exists. We also provide warranty liability when additional specific obligations are identified. The obligation reflected in other current liabilities in the consolidated balance sheets is based on historical experience by product and considers failure rates and the related costs in correcting a product failure. Warranty cost and accrual information is as follows:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Balance at beginning of period	$ 15.6	$ 9.0	$ 12.4	$ 11.1
Expense for new warranties	0.7	2.2	8.8	8.8
Adjustments to existing accruals	0.3	(0.4)	0.2	(2.2)
Claims paid	(2.3)	(3.9)	(7.1)	(10.8)
Balance at end of period	$ 14.3	$ 6.9	$ 14.3	$ 6.9

Note 9: Pension and Other Postretirement Benefits

The components of net periodic benefit cost (income) were as follows:

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2008	2007	2008	2007
Service cost	$ 8.5	$ 8.1	$ 25.6	$ 23.3
Interest cost	10.2	12.4	30.4	36.5
Expected return on plan assets	(13.1)	(16.1)	(39.3)	(46.9)
Amortization of transition asset	(0.1)	(0.1)	(0.4)	(0.4)
Amortization of prior service cost	0.1	0.1	0.2	0.3
Amortization of actuarial losses, net	0.9	2.4	2.9	7.1
Net periodic benefit cost	$ 6.5	$ 6.8	$ 19.4	$ 19.9

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2008	2007	2008	2007
Service cost	$ 0.1	$	$ 0.1	$ 0.1
Interest cost	0.1	0.2	0.5	0.8
Amortization of prior service benefit	(0.4)	(0.6)	(1.1)	(1.9)
Recognized net loss			(0.1)	
Net periodic benefit (income)	$ (0.2)	$ (0.4)	$ (0.6)	$ (1.0)

In preparation for the spin-off of JBT, a provisional amount of accrued pension and other post-retirement benefit obligations payable to participants employed by JBT were transferred to a JBT trust in June 2008. Additionally, a remeasurement of our U.S. defined benefit pension plans and other post-retirement benefits was performed as of June 30, 2008 to help estimate the balance of the plan attributes that are to be transferred to JBT. The calculation of the remeasurement was based on the same actuarial assumptions, methods and plan provisions as were reported in the Annual Report on Form 10-K for the year ended December 31, 2007; however, the calculation was based on a discount rate of 6.75% as of June 30, 2008 to be consistent with the discount rate environment at June 30, 2008. Year-to-date net periodic benefit cost for 2008 was adjusted in the third quarter to reflect the revised assumptions. The pension plan remeasurement at June 30, 2008 resulted in a $76.5 million increase in the pension liability, a $48.2 million increase, net of tax in other comprehensive loss, and an increase in deferred tax assets of $28.3 million. The remeasurement of other post retirement benefits at June 30, 2008 resulted in a $0.4 million reduction in the post retirement benefit liabilities and impacted the unrecognized actuarial loss component of other comprehensive income by $0.2 million, net of tax.

The final determination of the projected benefit obligation and related pension assets to be transferred to JBT has not been completed; however, estimates of these amounts, based upon the remeasurement at June 30, 2008, are reflected in the accompanying September 30, 2008 consolidated balance sheet as components of the assets and liabilities spun-off to JBT, and recorded in stockholders equity. Any true up of the benefit obligation or pension assets transferred to JBT resulting from the final calculation will also be reflected as an equity transaction in the fourth quarter of 2008,

The company funded the plan with a $9.8 million contribution in September 2008 and may fund up to another $20.0 million.

Note 10: Stock-Based Compensation

We sponsor a stock-based compensation plan and have granted awards primarily in the form of nonvested stock awards (also known as restricted stock in the plan document). We recognize compensation expense for awards under the plan and the corresponding income tax benefits related to the expense. The recorded amounts for the three and nine months ended September 30, 2008 and 2007 are as follows:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Restricted stock	$ 7.2	$ 5.1	$ 19.7	$ 14.2
Other	0.5	0.6	1.3	1.3
Total stock-based compensation expense	$ 7.7	$ 5.7	$ 21.0	$ 15.5

In the nine months ended September 30, 2008, we granted the following restricted stock awards to employees (presented at target payout amounts):

(Number of restricted stock shares in thousands)	Shares**	Weighted-average grant date fair value
Time-based	220	
Performance-based	93*	
Market-based	47*	
Granted during the nine months ended September 30, 2008	360	$ 51.15

* Assumes target payout

** Awards granted prior to July 31, 2008 have been adjusted to reflect the impact of the dividend of JBT common stock

We granted time-based restricted stock awards that cliff vest after three years. The fair value of these time-based awards was determined using the market value of our common stock on the grant date. Compensation cost is recognized over the lesser of the stated vesting period or the period until the employee reaches age 62, the retirement eligible age under the plan. We also granted restricted stock awards with performance-based and market-based conditions. The vesting period for these awards is three years.

For current year performance-based awards, actual payouts may vary from zero to 186 thousand shares and will be dependent upon our performance relative to a peer group of companies with respect to earnings growth and return on investment for the year ending December 31, 2008. Compensation cost is measured based on the current expected outcome of the performance conditions and may be adjusted until the performance period ends. As of September 30, 2008, we are expensing at a rate that assumes a maximum payout will be achieved.

For current year market-based awards, actual payouts may vary from zero to 93 thousand shares, contingent upon our performance relative to the same peer group of companies with respect to total shareholder return for the year ending December 31, 2008. Compensation cost for these awards is calculated using the grant date fair market value, as estimated using a Monte Carlo simulation, and is not subject to change based on future events.

Note 11: Stockholders Equity

There were no cash dividends declared during the nine months ended September 30, 2008 or 2007.

We have been authorized by our Board of Directors to repurchase up to 30 million shares and $95.0 million of our issued and outstanding common stock. We completed the share repurchases under the $95.0 million program (purchase of 1,810 thousand shares) and purchased 1,033 thousand shares under the 30 million share program during the third quarter. Through September 30, 2008, we made the following purchases under the buyback programs:

(In millions, except share data)	2008		2007	
	Shares	$	Shares	$
Total purchased to date January 1,	16,422,053	$ 493.8	8,540,072	$ 206.4
Treasury stock repurchases first quarter	1,621,056	88.8	5,050,060	168.3
Total purchased to date March 31,	18,043,109	$ 582.6	13,590,132	$ 374.7
Treasury stock repurchases second quarter	1,239,340	81.0	1,576,890	55.9
Total purchased to date June 30,	19,282,449	$ 663.6	15,167,022	$ 430.6
Treasury stock repurchases third quarter	2,842,715	154.2	599,681	26.6
Total purchased to date September 30,	22,125,164	$ 817.8	15,766,703	$ 457.2
Treasury stock repurchases fourth quarter	*	*	655,350	36.6

Total purchased to date	December 31,	*	*	16,422,053	$ 493.8

* Not yet applicable

We intend to hold repurchased shares in treasury for general corporate purposes, including issuances under our stock-based compensation plan. The treasury shares are accounted for using the cost method.

During the nine months ended September 30, 2008, 1,229 thousand shares were issued from treasury stock in connection with our stock-based compensation plan. During the year ended December 31, 2007, 2,615 thousand shares were issued, including 2,204 thousand from treasury stock.

Comprehensive income (loss) consisted of the following:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net income	$ 82.7	$ 78.7	$ 270.0	$ 212.9
Foreign currency translation adjustments	(63.6)	15.0	(19.8)	35.6
Net deferral of hedging gains, net of tax	(96.6)	1.4	(66.6)	14.5
Amortization of pension and other postretirement benefit losses, net of tax	(47.6)	1.1	(47.3)	3.3
Comprehensive income (loss)	$ (125.1)	$ 96.2	$ 136.3	$ 266.3

Accumulated other comprehensive loss consisted of the following:

(In millions)	September 30, 2008	December 31, 2007
Cumulative foreign currency translation adjustments	$ (18.6)	$ (1.2)
Cumulative deferral of hedging gains, net of tax	(36.3)	30.3
Cumulative deferral of pension and other postretirement benefit losses, net of tax	(98.1)	(76.3)
Accumulated other comprehensive loss	$ (153.0)	$ (47.2)

Accumulated other comprehensive loss at September 30, 2008 was reduced by $2.4 million of cumulative foreign currency translation adjustments and $25.5 million of pension and other postretirement benefit losses distributed to JBT as a result of the spin-off on July 31, 2008.

Note 12: Fair Value of Financial Assets

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS No. 157 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 (at least annually). We adopted SFAS No. 157 on January 1, 2008 with respect to financial assets and financial liabilities that are measured at fair value within the condensed consolidated financial statements and deferred the adoption for non-financial assets and non-financial liabilities until January 1, 2009. Accordingly, the provisions of SFAS No. 157 were not applied to long-lived assets, assets and liabilities held for sale, goodwill and other intangible assets measured for impairment testing purposes.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management s own assumptions about the inputs used in pricing the asset or liability.

Financial assets and financial liabilities measured at fair value on a recurring basis are as follows:

(In millions)	**September 30, 2008**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments	$ 24.8	$ 24.8	$	$
Derivatives	328.2		328.2	
Total assets	$ 353.0	$ 24.8	$ 328.2	$
Liabilities				
Derivatives	$ 302.0	$	$ 302.0	$

Fair value measurements for investments are valued based on quoted prices in public markets that we have the ability to access. We use the income approach as the valuation technique to measure the fair value of foreign currency derivative instruments on a recurring basis. This approach calculates the present value of the future cash flow by measuring the change from the derivative contract rate and the published market indicative currency rate, multiplied by the contract notional values. Credit risk is then incorporated by adjusting the derivative asset value by the amount calculated by multiplying the present value of the portfolio by the counterparty s published credit spread. Portfolios in a liability position are adjusted by the same calculation; however a spread representing our credit spread is used. Our credit spread and the credit spread of our counterparties not publicly available are approximated by using the spread of similar companies in the same industry, with the same credit rating, and of similar size. The derivative asset values presented in the preceding table were reduced by $1.0 million, and the derivative liability values reduced by $0.5 million to approximate fair value including credit risk for the third quarter of 2008.

Note 13: Commitments and Contingent Liabilities

We are a defendant in various legal proceedings arising in the ordinary course of business. In the opinion of management, these matters will not have a material adverse effect on our consolidated financial position or results of operations.

In the ordinary course of business with customers, vendors and others, we issue standby letters of credit, performance bonds, surety bonds and other guarantees. The majority of these financial instruments represent guarantees of our future performance. Additionally, we are the named guarantor on certain letters of credit and performance bonds issued by our former subsidiary, JBT; however, we are fully indemnified by JBT pursuant to the terms and conditions of the Separation and Distribution Agreement, dated July 31, 2008, by and between FMC and JBT. Management does not expect any of these financial instruments to result in losses that if incurred, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Note 14: Business Segment Information

Segment revenue and segment operating profit was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2008**	**2007**	**2008**	**2007**
Revenue				
Energy Production Systems	$ 896.2	$ 683.8	$ 2,697.9	$ 2,015.3
Energy Processing Systems	229.0	199.6	653.6	556.8
Other revenue (1) and intercompany eliminations	2.4	(4.0)	(5.7)	6.3
Total revenue	$ 1,127.6	$ 879.4	$ 3,345.8	$ 2,578.4
Income before income taxes:				
Segment operating profit:				
Energy Production Systems	$ 101.6	$ 70.4	$ 301.6	$ 202.4
Energy Processing Systems	42.7	38.0	124.8	103.2
Total segment operating profit	144.3	108.4	426.4	305.6
Corporate items:				
Corporate expense (2)	(9.9)	(9.8)	(28.4)	(26.5)
Other revenue (1) and other expense, net (3)	4.0	2.5	(20.5)	(3.8)
Net interest income (expense)	(0.9)	(3.3)	(0.8)	(8.9)
Total corporate items	(6.8)	(10.6)	(49.7)	(39.2)
Income before income taxes	$ 137.5	$ 97.8	$ 376.7	$ 266.4

(1) Other revenue comprises certain unrealized gains and losses on derivative instruments related to unexecuted sales contracts.
(2) Corporate expense primarily includes corporate staff expenses.
(3) Other expense, net, generally includes stock-based compensation, other employee benefits, LIFO adjustments, certain foreign exchange gains and losses, and the impact of unusual or strategic transactions not representative of segment operations.

Segment operating capital employed and assets were as follows:

(In millions)	September 30, 2008	December 31, 2007
Segment operating capital employed (1):		
Energy Production Systems	$ 816.2	$ 676.9
Energy Processing Systems	238.8	243.7
Intercompany eliminations	(0.1)	
Total segment operating capital employed	1,054.9	920.6
Segment liabilities included in total segment operating capital employed (2)	1,471.2	1,303.8
Corporate (3)	772.0	452.9
Assets of discontinued operations	0.9	533.8
Total assets	$ 3,299.0	$ 3,211.1
Segment assets:		
Energy Production Systems	$ 2,124.6	$ 1,834.4
Energy Processing Systems	404.4	392.6
Intercompany eliminations	(2.9)	(2.6)
Total segment assets	2,526.1	2,224.4
Corporate (3)	772.0	452.9
Assets of discontinued operations	0.9	533.8
Total assets	$ 3,299.0	$ 3,211.1

(1) FMC s management views segment operating capital employed, which consists of assets, net of its liabilities, as the primary measure of segment capital. Segment operating capital employed excludes debt, pension liabilities, income taxes, LIFO inventory reserves and the fair value of derivatives.

(2) Segment liabilities included in total segment operating capital employed consist of trade and other accounts payable, advance payments and progress billings, accrued payroll and other liabilities.

(3) Corporate includes cash, LIFO inventory reserves, deferred income tax balances, property, plant and equipment not associated with a specific segment, pension assets and the fair value of derivatives.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statement under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995: FMC Technologies, Inc. and its representatives may from time to time make written or oral statements that are forward-looking and provide information that is not historical in nature, including statements that are or will be contained in this report, the notes to our consolidated financial statements, our other filings with the Securities and Exchange Commission, our press releases and conference call presentations and our other communications to our stockholders. These statements involve known and unknown risks, uncertainties and other factors that may be outside of our control and may cause actual results to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. These factors include, among other things, those described under Risk Factors in Item 1A of our 2007 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 29, 2008.

In some cases, forward-looking statements can be identified 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 expr forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including the negative of those words and phrases. Such forward-looking statements are based on our current views and assumptions regarding future events, future business conditions and our outlook based on currently available information. We wish to caution you not to place undue reliance on any such forward-looking statements, which speak only as of the date made and involve judgments.

CONSOLIDATED RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(In millions, except %)	Three Months Ended September 30, 2008	2007	Change $	%
Revenue	$ 1,127.6	$ 879.4	248.2	28.2
Costs and expenses:				
Cost of sales	888.2	704.5	183.7	26.1
Selling, general and administrative expense	82.2	78.3	3.9	5.0
Research and development expense	12.2	10.0	2.2	22.0
Total costs and expenses	982.6	792.8	189.8	23.9
Other income (expense), net	(6.2)	14.6	(20.8)	*
Minority interests	(0.4)	(0.1)	(0.3)	*
Net interest income (expense)	(0.9)	(3.3)	2.4	72.7
Income before income taxes	137.5	97.8	39.7	40.6
Provision for income taxes	45.1	32.5	12.6	38.8
Income from continuing operations	92.4	65.3	27.1	41.5
Income (loss) from discontinued operations, net of income taxes	(9.7)	13.4	(23.1)	*
Net income	$ 82.7	$ 78.7	4.0	5.1

* Not meaningful

Our total revenue for the third quarter of 2008 reflects growth in both business segments compared to the same period in 2007. Our Energy Production Systems businesses provided $212.4 million of the $248.2 million increase. We have benefited from high demand for equipment and systems during prior periods, especially subsea systems, used in the major oil and gas producing regions throughout the world. The favorable market conditions during those periods resulted in a strong year-end 2007 backlog position and subsequently, higher revenues in the succeeding periods. Additionally, Energy Processing Systems revenues provided $29.4 million in incremental revenue compared to the third quarter of 2007 reflecting the execution of backlog, particularly in the Material Handling and Measurement Solutions businesses. Of the increase in consolidated revenue, $59.6 million was attributable to the favorable impact of foreign currency translation.

Gross profit (revenue less cost of sales) primarily increased because of volume improvement in our Energy Production Systems business. Additionally, cost of sales as a percentage of revenue declined from 80.1 % in the third quarter of 2007 to 78.8 % for the same period in 2008. The margin improvement was primarily the result of progress on more complex, higher margin projects during the quarter. Of the increase in cost of sales, $50.0 million was attributable to foreign currency translation.

Selling, general and administrative expense for the third quarter of 2008 increased $3.9 million compared to the same period in 2007. The decline in our common stock price and other investments held in our employee benefit trust during the third quarter of 2008 resulted in a $7.3 million reduction in compensation expense related to our non-qualified deferred compensation plan. Excluding this reduction in compensation expense, selling, general and administrative expense for the third quarter of 2008 increased by $12.5 million compared to the same period in 2007, but declined as a percentage of sales from 8.8% in 2007 to 7.9% in 2008. Increased headcount required to support growth, primarily in the Energy Production Systems segment, required $10.9 million in incremental expense. While we have expanded our operations to meet the growing demand, we have been able to reduce expenses as a percentage of sales by leveraging our existing resources. Of the increase in selling, general and administrative expense, $2.7 million was attributable to foreign currency translation.

Other income (expense), net, reflected $4.2 million in losses and $13.9 million in gains on foreign currency derivative instruments, for which hedge accounting is not applied, for the three months ended September 30, 2008 and 2007, respectively. Additionally, we had $2.1 million in compensation expense during the third quarter 2008 associated with investments held in an employee benefit trust for our non-qualified deferred compensation plan.

Net interest expense decreased $2.4 million in the third quarter of 2008 compared to the same period in 2007 primarily due to lower average debt levels and improved yields on cash investments, partially offset by higher borrowing costs for the third quarter of 2008 compared to 2007.

Our income tax provisions for the third quarter of 2008 and 2007 reflect effective tax rates of 32.8% and 33.2%, respectively. The decrease in the effective rate in 2008 was primarily due to country mix of earnings. The difference between the effective tax rate and the statutory U.S. federal income tax rate related primarily to differing foreign and state tax rates. We anticipate our full year effective tax rate will be approximately 31.0%.

Income (loss) from discontinued operations, net of income taxes, in the third quarter of 2008 reflects $3.2 million in operating results of JBT for the month ended July 31, 2008 offset by $12.9 million of expenses related to the spin-off of JBT. These expenses consist primarily of non-deductible legal, accounting and professional fees to complete the spin-off.

Outlook

The long-term outlook for our businesses remains generally favorable despite the recent volatility in the equity and credit markets and the likelihood of some global decrease in hydrocarbon demand. While current markets are witnessing declining gas and oil commodity prices, volatile movements in many of the global currencies, and generally tighter lending restrictions, we believe that any major macroeconomic disruptions will ultimately correct themselves.

We believe that the outlook for the Company for the remainder of 2008 and heading into 2009 remains positive. In spite of the recent weakening in commodity prices off of their historic highs earlier this year, current prices are expected to keep overall demand for subsea exploration and production activity high. The Company enters the fourth quarter of 2008 with a strong backlog position, particularly in the Subsea business, and management believes that business activity in 2009 should be strong.

We estimate that our full-year 2008 diluted earnings per share from continuing operations will be within the range of $2.60 to $2.70.

OPERATING RESULTS OF BUSINESS SEGMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	Three Months Ended September 30,		Favorable/ (Unfavorable)	
(In millions, except %)	**2008**	**2007**	**$**	**%**
Revenue				
Energy Production Systems	$ 896.2	$ 683.8	212.4	31.1
Energy Processing Systems	229.0	199.6	29.4	14.7
Other revenue and intercompany eliminations	2.4	(4.0)	&n	