

FMC TECHNOLOGIES INC
Form 10-Q
May 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2007

or

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

Commission File Number 1-16489

FMC Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

1803 Gears Road, Houston, Texas
(Address of principal executive offices)

(281) 591-4000

36-4412642
(I.R.S. Employer
Identification No.)

77067
(Zip code)

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(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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 April 30, 2007 |
|------------------------------------------|-------------------------------|
| Common Stock, par value \$0.01 per share | 64,935,122 |

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**FMC Technologies, Inc. and Consolidated SubsidiariesConsolidated Statements of Income (Unaudited)

(In millions, except per share data)

| | Three Months Ended March 31, | |
|-----------------------------------------------------------------|-----------------------------------------|-------------|
| | 2007 | 2006 |
| Revenue | \$ 979.9 | \$ 826.6 |
| Costs and expenses: | | |
| Cost of sales | 768.1 | 647.6 |
| Selling, general and administrative expense | 105.3 | 95.8 |
| Research and development expense | 15.5 | 11.7 |
| Total costs and expenses | 888.9 | 755.1 |
| Net gain on disposal of assets | 2.3 | 0.2 |
| Minority interests | (0.5) | (0.8) |
| Income before net interest expense and income taxes | 92.8 | 70.9 |
| Net interest expense | (1.9) | (1.5) |
| Income from continuing operations before income taxes | 90.9 | 69.4 |
| Provision for income taxes | 29.2 | 26.3 |
| Income from continuing operations | 61.7 | 43.1 |
| Income (loss) from discontinued operations, net of income taxes | (0.4) | 3.9 |
| Net income | \$ 61.3 | \$ 47.0 |
| Basic earnings per share (Note 2): | | |
| Income from continuing operations | \$ 0.92 | \$ 0.62 |
| Income (loss) from discontinued operations | (0.01) | 0.06 |
| Basic earnings per share | \$ 0.91 | \$ 0.68 |
| Diluted earnings per share (Note 2): | | |
| Income from continuing operations | \$ 0.90 | \$ 0.61 |
| Income (loss) from discontinued operations | (0.01) | 0.06 |
| Diluted earnings per share | \$ 0.89 | \$ 0.67 |
| Weighted average shares outstanding (Note 2) | | |
| Basic | 67.3 | 68.7 |
| Diluted | 68.5 | 70.4 |

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

FMC Technologies, Inc. and Consolidated SubsidiariesConsolidated Balance Sheets

(In millions, except per share data)

| | March 31, 2007 (Unaudited) | December 31, 2006 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 85.7 | \$ 79.5 |
| Trade receivables, net of allowances of \$9.5 in 2007 and \$9.3 in 2006 | 878.3 | 903.4 |
| Inventories (Note 3) | 663.4 | 588.6 |
| Prepaid expenses | 36.9 | 28.1 |
| Other current assets | 89.3 | 76.1 |
| Assets of discontinued operations | 5.8 | 14.5 |
| Assets held for sale | 1.4 | |
| Total current assets | 1,760.8 | 1,690.2 |
| Investments | 28.2 | 26.0 |
| Property, plant and equipment, net of accumulated depreciation of \$494.5 in 2007 and \$488.4 in 2006 | 439.3 | 445.7 |
| Goodwill | 124.8 | 122.8 |
| Intangible assets, net | 63.3 | 64.6 |
| Deferred income taxes | 85.9 | 72.1 |
| Other assets | 92.3 | 66.4 |
| Total assets | \$ 2,594.6 | \$ 2,487.8 |
| Liabilities and stockholders' equity: | | |
| Current liabilities: | | |
| Short-term debt and current portion of long-term debt | \$ 4.4 | \$ 5.8 |
| Accounts payable, trade and other | 396.1 | 422.7 |
| Advance payments and progress billings | 509.1 | 448.1 |
| Other current liabilities | 250.7 | 279.8 |
| Income taxes payable | 27.2 | 29.8 |
| Current portion of accrued pension and other postretirement benefits | 6.0 | 6.0 |
| Deferred income taxes | 24.4 | 11.1 |
| Liabilities of discontinued operations | 4.7 | 4.9 |
| Total current liabilities | 1,222.6 | 1,208.2 |
| Long-term debt, less current portion | 331.4 | 212.6 |
| Accrued pension and other postretirement benefits, less current portion | 97.4 | 97.8 |
| Other liabilities | 130.6 | 74.9 |
| Minority interests in consolidated companies | 8.8 | 8.3 |
| Commitments and contingent liabilities (Note 12) | | |
| Stockholders' equity (Note 11): | | |
| Preferred stock, \$0.01 par value, 12.0 shares authorized; no shares issued in 2007 or 2006 | | |
| Common stock, \$0.01 par value, 195.0 shares authorized; 71.6 and 71.4 shares issued in 2007 and 2006, respectively; 65.4 and 67.3 shares outstanding in 2007 and 2006, respectively | 0.7 | 0.7 |
| Common stock held in employee benefit trust, at cost; 0.1 shares outstanding in 2007 and 2006 | (4.6) | (4.5) |
| Common stock held in treasury, at cost; 6.1 and 4.0 shares in 2007 and 2006, respectively | (342.1) | (195.9) |
| Capital in excess of par value of common stock | 716.7 | 728.4 |
| Retained earnings | 530.1 | 469.5 |
| Accumulated other comprehensive loss | (97.0) | (112.2) |

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| | | |
|--------------------------------------------|------------|------------|
| Total stockholders' equity | 803.8 | 886.0 |
| Total liabilities and stockholders' equity | \$ 2,594.6 | \$ 2,487.8 |

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

FMC Technologies, Inc. and Consolidated SubsidiariesConsolidated Statements of Cash Flows (Unaudited)

(In millions)

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------|
| | 2007 | 2006 |
| Cash provided (required) by operating activities of continuing operations: | | |
| Income from continuing operations | \$ 61.7 | \$ 43.1 |
| Adjustments to reconcile income to cash provided (required) by operating activities of continuing operations: | | |
| Depreciation | 15.1 | 13.9 |
| Amortization | 4.4 | 2.7 |
| Employee benefit plan costs | 14.1 | 12.2 |
| Deferred income tax provision (benefit) | 11.1 | (2.4) |
| Net gain on disposal of assets | (2.3) | (0.2) |
| Other | 2.7 | 3.2 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Trade receivables, net | 33.6 | (16.8) |
| Inventories | (72.8) | (75.5) |
| Accounts payable, trade and other | (37.7) | (8.0) |
| Advance payments and progress billings | 55.6 | 15.4 |
| Other current assets and liabilities, net | (56.0) | (17.5) |
| Other assets and liabilities, net | (1.5) | (1.4) |
| Income taxes payable | (17.0) | 9.2 |
| Accrued pension and other postretirement benefits, net | (5.0) | (4.0) |
| Cash provided (required) by operating activities of continuing operations | 6.0 | (26.1) |
| Net cash provided by discontinued operations — operating | 6.3 | 13.4 |
| Cash provided (required) by operating activities | 12.3 | (12.7) |
| Cash provided (required) by investing activities: | | |
| Capital expenditures | (29.9) | (29.1) |
| Proceeds from disposal of assets | 60.8 | 1.2 |
| Other | | 2.3 |
| Cash provided (required) by investing activities | 30.9 | (25.6) |
| Cash provided (required) by financing activities: | | |
| Net increase (decrease) in short-term debt and current portion of long-term debt | (1.4) | 1.2 |
| Net increase in commercial paper | 90.0 | |
| Proceeds from issuance of long-term debt | 28.8 | 7.5 |
| Proceeds from exercise of stock options | 5.5 | 11.4 |
| Purchase of treasury stock | (168.3) | (35.2) |
| Excess tax benefits | 7.7 | 7.3 |
| Other | (0.1) | (0.4) |
| Cash required by financing activities | (37.8) | (8.2) |
| Effect of exchange rate changes on cash and cash equivalents | 0.8 | 0.3 |
| Increase (decrease) in cash and cash equivalents | 6.2 | (46.2) |
| Cash and cash equivalents, beginning of period | 79.5 | 152.9 |

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| | | |
|------------------------------------------|---------|----------|
| Cash and cash equivalents, end of period | \$ 85.7 | \$ 106.7 |
|------------------------------------------|---------|----------|

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, 2006, 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 Technologies) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. 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, 2006.

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.

During the fourth quarter of 2006, our FMC Technologies Floating Systems, Inc. (Floating Systems) business from the Energy Production Systems segment and a minor unit from the FoodTech segment met the requirements for presentation as discontinued operations. The sale of Floating Systems was completed in December 2006. The results of these businesses have been reported as discontinued operations for all periods presented.

Note 2: 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 | |
|-------------------------------------------------------|--------------------|---------|
| | March 31, | |
| | 2007 | 2006 |
| <u>Basic earnings per share:</u> | | |
| Income from continuing operations | \$ 61.7 | \$ 43.1 |
| Weighted average number of shares outstanding | 67.3 | 68.7 |
| Basic earnings per share from continuing operations | \$ 0.92 | \$ 0.62 |
| <u>Diluted earnings per share:</u> | | |
| Income from continuing operations | \$ 61.7 | \$ 43.1 |
| Weighted average number of shares outstanding | 67.3 | 68.7 |
| Effect of dilutive securities: | | |
| Options on common stock | 0.6 | 1.0 |
| Restricted stock | 0.6 | 0.7 |
| Total shares and diluted securities | 68.5 | 70.4 |
| Diluted earnings per share from continuing operations | \$ 0.90 | \$ 0.61 |

Note 3: Inventories

Inventories consisted of the following:

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| | March 31, | December 31, |
|------------------------------------------------------------------|-----------|--------------|
| (In millions) | 2007 | 2006 |
| Raw materials | \$ 164.1 | \$ 158.8 |
| Work in process | 195.3 | 169.4 |
| Finished goods | 478.7 | 420.5 |
| Gross inventories before LIFO reserves and valuation adjustments | 838.1 | 748.7 |
| LIFO reserves and valuation adjustments | (174.7) | (160.1) |
| Net inventories | \$ 663.4 | \$ 588.6 |

Note 4: 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) | March 31, 2007 | | December 31, 2006 | |
|--------------------------------------------|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Foreign Exchange Forward Contracts: | | | | |
| Assets | \$ 65.5 | \$ 65.5 | \$ 36.4 | \$ 36.4 |
| Liabilities | \$ 36.8 | \$ 36.8 | \$ 32.5 | \$ 32.5 |
| Interest Rate Swaps: | | | | |
| Assets | \$ 0.5 | \$ 0.5 | \$ 0.8 | \$ 0.8 |
| Liabilities | \$ | \$ | \$ | \$ |

Hedge ineffectiveness and the portion of derivative gains or losses excluded from assessments of hedge effectiveness were \$4.0 million in net gains for the three months ended March 31, 2007 and immaterial for the three months ended March 31, 2006. We reported these earnings impacts in costs of sales on the consolidated statements of income and in other expense, net, in the reconciliation of segment operating profit to income before income taxes.

Note 5: Income Taxes

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes . We have adopted FIN No. 48 effective January 1, 2007. The adoption of FIN No. 48 did not have a material effect on our results of operations or financial position.

At the January 1, 2007 adoption date, the total amount of unrecognized tax benefits included in income taxes payable was \$19.1 million. Of this amount, \$15.8 million would affect the effective tax rate if recognized, and the remaining amount reflects temporary differences.

Management believes that it is reasonably possible that within twelve months unrecognized tax benefits related to certain tax reporting positions taken in prior periods will decrease by between \$3.0 million and \$10.2 million, due to either the expiration of the statute of limitations in certain jurisdictions or the resolution of current income tax examinations, or both.

It is our policy to classify interest expense and penalties recognized on underpayments of income taxes as income tax expense. Included in the total amount of unrecognized tax benefits was \$1.5 million of accrued interest and penalties.

Tax years after 1995, 2001 and 2002 remained subject to examination in Norway, Brazil and the United States, respectively.

Note 6: Debt

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

| (In millions) | March 31, 2007 | December 31, 2006 |
|---------------------------------------------|-------------------|----------------------|
| Revolving credit facilities (1) | \$ 232.0 | \$ 203.0 |
| Commercial paper (2) | 90.0 | |
| Property financing | 9.2 | 9.3 |
| Other | 0.7 | 0.8 |
| Total long-term debt | 331.9 | 213.1 |
| Less: current portion | (0.5) | (0.5) |
| Long-term debt, less current portion | \$ 331.4 | \$ 212.6 |

- (1) The borrowings on our revolving credit facilities are shown as a long-term obligation on the consolidated balance sheets because we have both the ability and intent to refinance these obligations on a long-term basis under the respective credit agreements.
- (2) Committed credit available under our five-year revolving credit facilities provided the ability to refinance our commercial paper obligations on a long-term basis. Therefore, at March 31, 2007, our commercial paper borrowings were classified as long-term on the consolidated balance sheet. Commercial paper borrowings as of March 31, 2007 had an average interest rate of 5.50%.

Note 7: 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 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 March 31, | |
|----------------------------------|---------------------------------|----------------|
| | 2007 | 2006 |
| Balance at beginning of period | \$ 19.2 | \$ 18.4 |
| Expense for new warranties | 4.3 | 3.5 |
| Adjustments to existing accruals | (1.5) | (0.1) |
| Claims paid | (7.1) | (3.7) |
| Balance at end of period | \$ 14.9 | \$ 18.1 |

Note 8: Sale Leaseback Transaction

In March 2007, we sold and leased back property in Houston, Texas consisting of land, corporate offices and production facilities primarily related to the Energy Production Systems segment. We received proceeds of \$58.1 million in connection with the sale. The carrying value of the property sold was \$20.3 million. We are accounting for the transaction as a sale leaseback resulting in (i) the immediate recognition of \$1.3 million of the \$37.4 million gain on the transaction and (ii) the deferral of the remaining \$36.1 million of the gain, which will be amortized to rent expense over a noncancellable ten-year lease term. The deferred gain is presented in other liabilities in the consolidated balance sheet. The lease expires in 2022 and provides for two 5-year optional extensions as well as the option to terminate the lease in 2017, subject to a \$3.3 million fee. Annual rent of \$4.2 million escalates 2% per year. The lease has been recorded as an operating lease.

Note 9: Pension and Other Postretirement Benefits

The components of net periodic benefit cost were as follows:

| (In millions) | Pension Benefits Three Months Ended | |
|---------------------------------------|----------------------------------------|--------|
| | March 31, | |
| | 2007 | 2006 |
| Service cost | \$ 9.6 | \$ 7.9 |
| Interest cost | 12.0 | 10.2 |
| Expected return on plan assets | (15.5) | (12.9) |
| Amortization of transition asset | (0.1) | (0.1) |
| Amortization of prior service cost | 0.1 | 0.2 |
| Amortization of actuarial losses, net | 2.4 | 2.2 |
| Net periodic benefit cost | \$ 8.5 | \$ 7.5 |

| (In millions) | Other Postretirement Benefits Three Months Ended | |
|---------------------------------------|-----------------------------------------------------|----------|
| | March 31, | |
| | 2007 | 2006 |
| Service cost | \$ 0.1 | \$ 0.1 |
| Interest cost | 0.3 | 0.4 |
| Amortization of prior service benefit | (0.6) | (0.7) |
| Net periodic benefit cost | \$ (0.2) | \$ (0.2) |

Note 10: Stock-Based Compensation

We sponsor a share-based compensation plan and have granted awards primarily in the form of stock options and 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 months ended March 31, 2007 and 2006 are as follows:

| (In millions) | 2007 | 2006 |
|-----------------------------------------------------------------|--------|--------|
| Stock options | \$ | \$ 0.3 |
| Restricted stock | 4.9 | 3.7 |
| Other | 0.3 | 0.4 |
| Total stock-based compensation expense | \$ 5.2 | \$ 4.4 |
| Income tax benefits related to stock-based compensation expense | \$ 2.0 | \$ 1.7 |

In the three months ended March 31, 2007, we granted the following restricted stock awards to employees (presented at maximum payout amounts):

| (Number of shares in thousands) | Shares | Weighted-average grant date fair value |
|---------------------------------|--------|----------------------------------------|
| Time-based | 309 | |

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| | | | |
|------------------------------------------------------|------|----|-------|
| Performance-based | 114* | | |
| Market-based | 57* | | |
| Granted during the three months ended March 31, 2007 | 480 | \$ | 64.75 |

* Assumes maximum payout

We granted time-based restricted stock awards that cliff vest after three or four 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

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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 114,174 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, 2007. Compensation cost is measured based on the current expected outcome of the performance conditions and may be adjusted until the performance period ends.

For current year market-based awards, actual payouts may vary from zero to 57,086 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, 2007. 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 dividends declared during the three months ended March 31, 2007 or 2006.

We have been authorized by our Board of Directors to repurchase up to 15 million shares of our issued and outstanding common stock. Through March 31, 2007, we made the following purchases under the buyback program:

| (In millions, except share data) | | 2007 | | 2006 | |
|----------------------------------|----------------|-----------|----------|-----------|----------|
| | | Shares | \$ | Shares | \$ |
| Total purchased to date | January 1, | 4,270,036 | \$ 206.4 | 1,750,856 | \$ 63.9 |
| Treasury stock repurchases | first quarter | 2,525,030 | 168.3 | 729,800 | 35.2 |
| Total purchased to date | March 31, | 6,795,066 | 374.7 | 2,480,656 | 99.1 |
| Treasury stock repurchases | second quarter | * | * | 82,000 | 5.0 |
| Total purchased to date | June 30, | * | * | 2,562,656 | 104.1 |
| Treasury stock repurchases | third quarter | * | * | 805,500 | 47.7 |
| Total purchased to date | September 30, | * | * | 3,368,156 | 151.8 |
| Treasury stock repurchases | fourth quarter | * | * | 901,880 | 54.6 |
| Total purchased to date | December 31, | * | * | 4,270,036 | \$ 206.4 |

*- not yet applicable

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

During the three months ended March 31, 2007, 0.6 million shares were issued in connection with our share-based compensation plan, of which 0.4 million shares were reissued from treasury stock. During the year ended December 31, 2006, 1.6 million shares were issued, including 0.3 million from treasury stock.

Comprehensive income consisted of the following:

| (In millions) | Three Months Ended | |
|---------------|--------------------|---------|
| | 2007 | 2006 |
| Net income | \$ 61.3 | \$ 47.0 |

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| | | |
|-----------------------------------------------------------------------------|---------|---------|
| Foreign currency translation adjustments | 7.3 | 10.3 |
| Net deferral of hedging gains, net of tax | 6.8 | 3.9 |
| Amortization of pension and other postretirement benefit losses, net of tax | 1.1 | |
| Comprehensive income | \$ 76.5 | \$ 61.2 |

Accumulated other comprehensive loss consisted of the following:

| | March 31, | December 31, |
|------------------------------------------------------------------------------------|-----------|--------------|
| (In millions) | 2007 | 2006 |
| Cumulative foreign currency translation adjustments | \$ (42.6) | \$ (49.9) |
| Cumulative deferral of hedging gains, net of tax | 18.8 | 12.0 |
| Cumulative deferral of pension and other postretirement benefit losses, net of tax | (73.2) | (74.3) |
| Accumulated other comprehensive loss | \$ (97.0) | \$ (112.2) |

Note 12: Commitments and Contingent Liabilities

We are named defendants in a number of multi-defendant, multi-plaintiff tort lawsuits. Under the Separation and Distribution Agreement with FMC Corporation, which contains key provisions relating to our 2001 spin-off from FMC Corporation, FMC Corporation is required to indemnify us for certain claims made prior to the spin-off, as well as for other claims related to discontinued operations. We expect that FMC Corporation will bear responsibility for the majority of these claims. Claims of this nature have also been asserted subsequent to the spin-off. While the ultimate responsibility for all of these claims cannot yet be determined due to lack of identification of the products or premises involved, we also expect that FMC Corporation will bear responsibility for a majority of these claims initiated subsequent to the spin-off.

We are subject to a warranty period related to a completed contract provided by the Floating Systems business. The customer may draw upon a bank guarantee established in conjunction with the contract, which could result in warranty expense of up to \$12.6 million, or \$0.11 per share. Any potential warranty expense would be reflected in income (loss) from discontinued 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. Management does not expect these financial instruments to result in losses, if any, that would have a material adverse effect on our consolidated financial position or results of operations.

Note 13: Business Segment Information

Segment revenue and segment operating profit

| (In millions) | Three Months Ended | |
|-----------------------------------|--------------------|----------|
| | March 31, | |
| | 2007 | 2006 |
| Revenue | | |
| Energy Production Systems | \$ 610.0 | \$ 485.4 |
| Energy Processing Systems | 173.2 | 152.3 |
| Intercompany eliminations | (0.3) | (0.1) |
| Subtotal Energy Systems | 782.9 | 637.6 |
| FoodTech | 126.3 | 122.9 |
| Airport Systems | 72.7 | 68.2 |
| Intercompany eliminations | (2.0) | (2.1) |
| Total revenue | \$ 979.9 | \$ 826.6 |
| Income before income taxes | | |
| <u>Segment operating profit:</u> | | |
| Energy Production Systems | \$ 61.9 | \$ 49.3 |
| Energy Processing Systems | 30.2 | 23.3 |
| Subtotal Energy Systems | 92.1 | 72.6 |
| FoodTech | 9.0 | 7.1 |
| Airport Systems | 3.1 | 2.5 |
| Total segment operating profit | 104.2 | 82.2 |
| <u>Corporate items:</u> | | |
| Corporate expense ⁽¹⁾ | (7.9) | (6.7) |
| Other expense, net ⁽²⁾ | (3.5) | (4.6) |
| Net interest expense | (1.9) | (1.5) |
| Total corporate items | (13.3) | (12.8) |
| Income before income taxes | \$ 90.9 | \$ 69.4 |

(1) Corporate expense primarily includes corporate staff expenses.

(2) 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

| | March 31, | December 31, |
|------------------------------------------------------------------------------|-------------------|-------------------|
| (In millions) | 2007 | 2006 |
| Segment operating capital employed (1): | | |
| Energy Production Systems | \$ 760.7 | \$ 760.8 |
| Energy Processing Systems | 236.6 | 203.8 |
| Subtotal Energy Systems | 997.3 | 964.6 |
| FoodTech | 135.7 | 146.1 |
| Airport Systems | 96.9 | 92.2 |
| Total segment operating capital employed | 1,229.9 | 1,202.9 |
| Segment liabilities included in total segment operating capital employed (2) | 1,184.6 | 1,132.2 |
| Corporate (3) | 174.3 | 138.2 |
| Assets of discontinued operations | 5.8 | 14.5 |
| Total assets | \$ 2,594.6 | \$ 2,487.8 |

- (1) FMC Technologies 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 and LIFO inventory reserves.
- (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.

Note 14: Subsequent Event

On April 2, 2007, we increased our ownership in CDS Engineering BV (CDS) from 50.05% to 91% for an immediate payment of \$40.0 million plus a payment in 2009 consisting of a fixed amount of 11.2 million Euros and a variable component contingent on CDS's earnings. We had previously committed to purchasing the minority share in two increments, 45% in 2009 and 4.95% in 2011. This transaction accelerates our planned buyout of the minority shareholders, while retaining a commitment to purchase the remaining 9% of CDS in 2009 and 2011. The 2009 and 2011 commitments are contingent on CDS's earnings in the two years immediately preceding the payouts. Our consolidated net income will reflect a 91% ownership of the results of CDS's operations beginning April 2, 2007. CDS has been a consolidated subsidiary reported in the Energy Production Systems segment since our investment in CDS in 2003, and minority interests in the subsidiary will continue to be shown on the face of our balance sheet.

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 2006 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 1, 2007.

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 expressions. 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 MARCH 31, 2007 AND 2006**

| (In millions, except %) | Three Months Ended | | Change | |
|-----------------------------------------------------------------|--------------------|----------|----------|-----------|
| | 2007 | 2006 | \$ | % |
| Revenue | \$ 979.9 | \$ 826.6 | \$ 153.3 | 18.5% |
| Costs and expenses: | | | | |
| Cost of sales | 768.1 | 647.6 | 120.5 | 18.6 |
| Selling, general and administrative expense | 105.3 | 95.8 | 9.5 | 9.9 |
| Research and development expense | 15.5 | 11.7 | 3.8 | 32.5 |
| Total costs and expenses | 888.9 | 755.1 | 133.8 | 17.7 |
| Net gain on disposal of assets | 2.3 | 0.2 | 2.1 | > 100.0 |
| Minority interests | (0.5) | (0.8) | 0.3 | (37.5) |
| Net interest expense | (1.9) | (1.5) | (0.4) | 26.7 |
| Income from continuing operations before income taxes | 90.9 | 69.4 | 21.5 | 31.0 |
| Provision for income taxes | 29.2 | 26.3 | 2.9 | 11.0 |
| Income from continuing operations | 61.7 | 43.1 | 18.6 | 43.2 |
| Income (loss) from discontinued operations, net of income taxes | (0.4) | 3.9 | (4.3) | < (100.0) |
| Net income | \$ 61.3 | \$ 47.0 | \$ 14.3 | 30.4% |

Our total revenue for the first quarter of 2007 reflects growth in all business segments compared to the same period in 2006. Our Energy Production Systems businesses provided \$124.6 million of the \$153.3 million increase. We benefited from high demand for equipment and systems, especially subsea systems, used in the major oil and gas producing regions throughout the world. Oil and gas prices remain high relative to historical levels, creating incentives for investment in the energy industry. The favorable market conditions related to continued strong oil and gas prices drove higher demand in our Energy Processing Systems businesses, providing \$20.9 million in incremental revenue compared to 2006. Of the increase in total revenue, \$38.8 million was attributable to the favorable impact of foreign currency translation.

Cost of sales held at 78.4% of revenue for both periods. As a result, gross profit (revenue less cost of sales) increased because of volume improvement, primarily in our Energy Systems businesses. Of the increase in cost of sales, \$32.9 million was attributable to foreign currency

translation.

Selling, general and administrative expense for the first quarter of 2007 increased compared to the same period in 2006, but declined as a percentage of sales from 11.6% in 2006 to 10.8% in 2007. Higher costs in our Energy Production Systems

businesses were primarily responsible for the dollar increase, the result of increased headcount required to support growth in this business segment and higher bid costs. 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 capabilities. Of the increase in selling, general and administrative expense, \$2.7 million was attributable to changes in foreign currency exchange rates.

Net interest expense for the first quarter of 2007 was higher compared to the same period in 2006, primarily as a result of higher average debt levels.

Our income tax provisions for the first quarter of 2007 and 2006 reflect effective tax rates of 32.1% and 37.9%, respectively. The decrease in the effective rate in 2007 is primarily the result of higher international tax expense in 2006 resulting from foreign currency exchange gains. 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 32%.

Outlook

We estimate that our full-year 2007 diluted earnings per share from continuing operations will be within the range of \$3.90 to \$4.10.

OPERATING RESULTS OF BUSINESS SEGMENTS

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

| (In millions, except %) | Three Months Ended | | Favorable/ (Unfavorable) | |
|-------------------------------------------------------|--------------------|-------------------|-----------------------------|--------------|
| | March 31, 2007 | March 31, 2006 | \$ | % |
| Revenue | | | | |
| Energy Production Systems | \$ 610.0 | \$ 485.4 | \$ 124.6 | 25.7 |
| Energy Processing Systems | 173.2 | 152.3 | 20.9 | 13.7 |
| Intercompany eliminations | (0.3) | (0.1) | (0.2) | * |
| Subtotal Energy Systems | 782.9 | 637.6 | 145.3 | 22.8 |
| FoodTech | 126.3 | 122.9 | 3.4 | 2.8 |
| Airport Systems | 72.7 | 68.2 | 4.5 | 6.6 |
| Intercompany eliminations | (2.0) | (2.1) | 0.1 | * |
| Total revenue | \$ 979.9 | \$ 826.6 | \$ 153.3 | 18.5% |
| Segment Operating Profit | | | | |
| Energy Production Systems | \$ 61.9 | \$ 49.3 | \$ 12.6 | 25.6% |
| Energy Processing Systems | 30.2 | 23.3 | 6.9 | 29.6 |
| Subtotal Energy Systems | 92.1 | 72.6 | 19.5 | 26.9 |
| FoodTech | 9.0 | 7.1 | 1.9 | 26.8 |
| Airport Systems | 3.1 | 2.5 | 0.6 | 24.0 |
| Total segment operating profit | 104.2 | 82.2 | 22.0 | 26.8 |
| Corporate items: | | | | |
| Corporate expense | (7.9) | (6.7) | (1.2) | 17.9 |
| Other expense, net | (3.5) | (4.6) | 1.1 | (23.9) |
| Net interest expense | (1.9) | (1.5) | (0.4) | 26.7 |
| Total corporate items | (13.3) | (12.8) | (0.5) | 3.9 |
| Income from continuing operations before income taxes | 90.9 | 69.4 | 21.5 | 31.0 |
| Provision for income taxes | (29.2) | (26.3) | (2.9) | 11.0 |

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| | | | | |
|-----------------------------------------------------------------|---------|---------|---------|-----------|
| Income from continuing operations | 61.7 | 43.1 | 18.6 | 43.2 |
| Income (loss) from discontinued operations, net of income taxes | (0.4) | 3.9 | (4.3) | < (100.0) |
| Net income | \$ 61.3 | \$ 47.0 | \$ 14.3 | 30.4% |

* Not meaningful

Segment operating profit is defined as total segment revenue less segment operating expenses. The following items have been excluded in computing segment operating profit: corporate staff expense, interest income and expense associated with corporate investments and debt facilities, income taxes and other expense, net.

Energy Production Systems

Energy Production Systems revenue was \$124.6 million higher in the first quarter of 2007 compared to the same period in 2006. Segment revenue is affected by trends in land and offshore oil and gas exploration and production, including shallow and deepwater development. Subsea systems revenue of \$474.1 million increased \$108.1 million compared to the first quarter of 2006 driving the majority of the increase. Subsea systems higher volumes reflect progress on new and ongoing projects located offshore West Africa, in the North Sea, and in the Gulf of Mexico. Foreign currency translation contributed \$29.4 million of the revenue increase, predominantly within subsea systems revenue.

Energy Production Systems operating profit increased by \$12.6 million in the first quarter of 2007 compared to the same period in 2006. The increase reflects \$21.2 million in higher gross profits from higher volume, primarily from subsea systems. Offsetting the increase was \$5.5 million in higher selling, general and administrative expenses reflecting higher staff levels. Further, research and development costs increased \$3.3 million since the first quarter of 2006 reflecting greater investment in advancing our existing product lines, and further developing our subsea processing and light well intervention technologies.

Energy Processing Systems

Energy Processing Systems revenue increased by \$20.9 million in the first quarter of 2007 compared to the first quarter of 2006. The increase was driven by higher volume in fluid control products, which reflected continued strength in both oil and gas prices and land-based drilling activity.

Energy Processing Systems operating profit in the first quarter of 2007 increased by \$6.9 million compared to the same period in 2006. Most of the incremental earnings resulted from the continued high demand for fluid control products.

FoodTech

FoodTech's revenue increased by \$3.4 million in the first quarter of 2007 compared to the same period in 2006. There were no significant differences in results for most of the segment's product lines. Foreign currency translation contributed \$4.3 million of the revenue increase.

FoodTech's operating profit increased by \$1.9 million in the first quarter of 2007 compared to the same period in 2006. Lower costs were the primary influence on profits, especially in food processing businesses.

Airport Systems

Airport Systems revenue was \$4.5 million higher in the first quarter of 2007 compared to the same period in 2006, driven primarily from increased demand for ground support equipment, parts and airport maintenance services.

Airport Systems operating profit in the first quarter of 2007 increased by \$0.6 million compared with the same period in 2006, primarily as result of the higher sales volume.

Corporate Items

Our corporate items reduced earnings by \$13.3 million in 2007 compared to \$12.8 million in 2006. The increase in expense in 2007 primarily reflects growth in employee compensation costs, such as stock based compensation, employee benefits and bonuses. Favorable foreign currency fluctuations generated approximately \$2.7 million in incremental income for 2007.

Inbound Orders and Order Backlog

Inbound orders represent the estimated sales value of confirmed customer orders received during the reporting period.

| (In millions) | Inbound Orders Three Months Ended March 31, | |
|---------------------------|---------------------------------------------------|------------|
| | 2007 | 2006 |
| Energy Production Systems | \$ 877.9 | \$ 627.4 |
| Energy Processing Systems | 199.9 | 151.0 |
| Intercompany eliminations | (0.8) | |
| Subtotal Energy Systems | 1,077.0 | 778.4 |
| FoodTech | 156.1 | 157.1 |
| Airport Systems | 94.2 | 104.0 |
| Intercompany eliminations | (2.3) | (1.4) |
| Total inbound orders | \$ 1,325.0 | \$ 1,038.1 |

Order backlog is calculated as the estimated sales value of unfilled, confirmed customer orders at the reporting date.

| (In millions) | March 31, | Order Backlog December 31, | March 31, |
|---------------------------|------------|-------------------------------|------------|
| | 2007 | 2006 | 2006 |
| Energy Production Systems | \$ 2,295.6 | \$ 2,027.7 | \$ 1,591.5 |
| Energy Processing Systems | 332.7 | 306.0 | 213.5 |
| Intercompany eliminations | (0.6) | (0.2) | (0.2) |
| Subtotal Energy Systems | 2,627.7 | 2,333.5 | 1,804.8 |
| FoodTech | 198.5 | 168.8 | 164.2 |
| Airport Systems | 174.3 | 152.7 | 129.6 |
| Intercompany eliminations | (1.8) | (1.5) | (0.8) |
| Total order backlog | \$ 2,998.7 | \$ 2,653.5 | \$ 2,097.8 |

Energy Production Systems order backlog at March 31, 2007 increased by \$267.9 million since year-end 2006 reflecting higher subsea project orders, including Norsk Hydro's Vega project in the North Sea. Backlog has increased \$704.1 million since March 31, 2006, which includes this quarter's Vega project order, as well as three subsea projects offshore Brazil totaling approximately \$500 million. We expect to convert approximately 65% of the March 31, 2007 backlog into revenue during 2007.

Energy Processing Systems order backlog at March 31, 2007 increased by \$26.7 million since year-end 2006, and by \$119.2 million since March 31, 2006, reflecting higher demand for fluid control products and measurement solutions. We expect to convert approximately 80% of the March 31, 2007 backlog into revenue during 2007.

FoodTech's order backlog at March 31, 2007 increased by \$29.7 million since year-end 2006, and by \$34.3 million since March 31, 2006, reflecting higher demand from Asia, including China. We expect to convert the March 31, 2007 backlog into revenue during 2007.

Airport Systems order backlog at March 31, 2007 increased by \$21.6 million since year-end 2006, and by \$44.7 million since March 31, 2006, reflecting significant orders for loaders and other ground support equipment. We expect to convert approximately 90% of the March 31, 2007 backlog into revenue during 2007.

LIQUIDITY AND CAPITAL RESOURCES

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We generate our capital resources primarily through operations, and when needed, through various credit facilities.

Our net debt at March 31, 2007 and December 31, 2006, was \$250.1 million and \$138.9 million, respectively. Net debt is a non-GAAP measure reflecting debt, net of cash and cash equivalents. Management uses this non-GAAP measure to evaluate our capital structure and financial leverage. We believe that net debt is a meaningful measure of our financial leverage and will assist investors in understanding our results and recognizing underlying trends. This measure supplements disclosures required by GAAP. The following table provides details of the balance sheet classifications included in net debt.

| (In millions) | March 31, 2007 | December 31, 2006 |
|-------------------------------------------------------|----------------|-------------------|
| Cash and cash equivalents | \$ 85.7 | \$ 79.5 |
| Short-term debt and current portion of long-term debt | (4.4) | (5.8) |
| Long-term debt, less current portion | (331.4) | (212.6) |
| Net debt | \$ (250.1) | \$ (138.9) |

The increase in net debt was primarily due to repurchases of our common stock, which totaled \$168.3 million for the three months ended March 31, 2007.

Cash Flows

During the first quarter of 2007, we generated \$6.0 million in cash flows from operating activities of continuing operations. Our cash earnings for the quarter covered the cash required for working capital increases in our Energy Systems businesses. In the first quarter of 2006, working capital growth exceeded our cash earnings, resulting in \$26.1 million in cash required by operating activities of continuing operations. Our working capital balances can vary significantly quarter to quarter depending on the payment terms and timing of delivery on key contracts.

Compared to the first quarter of 2006, capital expenditures were flat at approximately \$30 million. In 2007, we received \$60.8 million in proceeds from the sale of assets, including \$58.1 million from the sale and leaseback of land and property in Houston, Texas.

Cash required by financing activities was \$37.8 million for the first quarter of 2007. We repurchased 2.5 million shares for \$168.3 million under our 15 million share authorization. To fund these repurchases, we drew a net \$118.8 million under our revolving credit facilities and commercial paper program.

Debt and Liquidity

The following is a summary of our committed credit facilities at March 31, 2007:

| (In millions) | | | | | | |
|--------------------------------------|-------------------|------------------|----------------------------------|-----------------------|-----------------|-------------------|
| Description | Commitment amount | Debt outstanding | Commercial paper outstanding (a) | Letters of credit (b) | Unused capacity | Maturity |
| Five-year revolving credit facility | \$ 250.0 | \$ | \$ 90.0 | \$ 16.1 | \$ 143.9 | November 2010 |
| Five-year revolving credit facility | 370.0 | 232.0 | | | 138.0 | November 2010 (c) |
| Three-year revolving credit facility | 4.3 | | | | 4.3 | December 2008 |
| | \$ 624.3 | \$ 232.0 | \$ 90.0 | \$ 16.1 | \$ 286.2 | |

- (a) Our available capacity under our \$250 million five-year revolving credit facility is reduced by any outstanding commercial paper.
- (b) The \$250 million five-year revolving credit facility allows us to obtain a total of \$150.0 million in standby letters of credit. Our available capacity is reduced by any outstanding letters of credit associated with this facility.
- (c) We have the ability, with notice to the lenders, to convert the outstanding balance of the line of credit to a term loan. Upon conversion, unused capacity, if any at the time of conversion, would be forfeited. We do not currently intend to convert this facility into a term loan.

In addition to our committed credit facilities, we may access funds through uncommitted facilities and our commercial paper program. In March 2007, we established an uncommitted line of credit, maturing on September 30, 2007, which permits us to request loans of up to \$100 million. Borrowings will accrue interest at a variable rate depending upon the type and duration of the borrowing. Under the commercial paper program, and subject to available capacity under our \$250 million committed revolving credit facility, we have the ability to access up to \$250.0 million of short-term financing through our commercial paper dealers.

In March 2007, we sold and leased back property in Houston, Texas consisting of land, corporate offices and production facilities. The lease expires in 2022 and provides for two 5-year optional extensions as well as the option to terminate the lease in 2017, subject to a \$3.3 million fee. Annual rent of \$4.2 million escalates 2% per year. The lease has been accounted for as an operating lease.

We have unrecognized tax benefits included in income taxes payable of \$19.1 million. Management believes that the unrecognized tax benefits may be reduced by up to \$10.2 million in the upcoming year. The remaining amounts are expected to be settled over the next five years.

Outlook

We plan to meet our cash requirements in the remainder of 2007 with cash generated from operations. We intend to continue to expand our Energy Systems operating facilities, and we are projecting to spend \$120 million to \$125 million in 2007 to carry out these expansions. We intend to contribute \$11 million to our pension plans in 2007. Further, we expect to continue our stock repurchases authorized by our Board, with the timing and amounts of these repurchases dependent upon market conditions.

We have committed credit facilities totaling almost \$625 million which we expect to utilize if working capital temporarily increases in response to market demand, and when opportunities for business acquisitions or mergers meet our standards. We continue to evaluate acquisitions, divestitures and joint ventures in the ordinary course of business.

CRITICAL ACCOUNTING ESTIMATES

Refer to our Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of our critical accounting estimates. During the three months ended March 31, 2007, there were no material changes in our judgments and assumptions associated with the development of our critical accounting estimates.

RECENTLY ISSUED ACCOUNTING STANDARDS

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. SFAS No. 157 is effective in fiscal years beginning after November 15, 2007. We have not yet determined the effect that the adoption of SFAS No. 157 will have on our results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Under SFAS No. 159, the decision to measure items at fair value is made at specified election dates on an irrevocable instrument-by-instrument basis. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We have not yet determined the effect that the adoption of SFAS No. 159 will have on our results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in reported market risks from the information reported in our Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

Under the direction of our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007. We have concluded that our disclosure controls and procedures were

- i) effective in ensuring that information required to be disclosed is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms; and
 - ii) effective in ensuring that information required to be disclosed is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.
- There were no changes in controls identified in the evaluation for the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

FMC Technologies, Inc.:

We have reviewed the accompanying consolidated balance sheet of FMC Technologies, Inc. and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006. These 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 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 standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of FMC Technologies, Inc. and consolidated subsidiaries as of December 31, 2006, and the related consolidated statements of income, cash flows and changes in stockholders' equity for the year then ended (not presented herein); and in our report dated February 28, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Chicago, Illinois

May 10, 2007

PART II OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

There have been no material legal proceedings identified or material developments in existing legal proceedings noted during the three-months ended March 31, 2007.

ITEM 1A. RISK FACTORS

There have been no material changes in reported risk factors from the information reported in our Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We had no unregistered sales of equity securities during the three-months ended March 31, 2007. The following table summarizes repurchases of our common stock during the three-months ended March 31, 2007.

ISSUER PURCHASES OF EQUITY SECURITIES

| Period | | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b) | Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (b) |
|------------------|-------------------|--------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| January 1, 2007 | January 31, 2007 | 149,880 | \$ 62.06 | 149,500 | 2,580,464 |
| February 1, 2007 | February 28, 2007 | 383,509 | \$ 66.02 | 383,509 | 10,196,955 |
| March 1, 2007 | March 31, 2007 | 2,001,821 | \$ 67.11 | 1,992,021 | 8,204,934 |
| Total | | 2,535,210 | \$ 66.65 | 2,525,030 | 8,204,934 |

(a) Represents 2,525,030 shares of common stock repurchased and held in treasury and 10,180 shares of common stock purchased and held in an employee benefit trust established for the FMC Technologies, Inc. Non-Qualified Savings and Investment Plan. In addition to these shares purchased on the open market, we sold 14,260 shares of registered common stock held in this trust, as directed by the beneficiaries, during the three months ended March 31, 2007.

(b) In 2005, we announced a repurchase plan approved by our Board of Directors authorizing the repurchase of up to two million shares of our outstanding common stock through open market purchases. The Board of Directors has authorized extensions of this program adding five million shares in February 2006 and eight million shares in February 2007 for a total of fifteen million shares of common stock authorized for repurchase.

ITEM 6. EXHIBITS

(a) Exhibits

| Number in Exhibit Table | Description |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 10.4.m | Fifth Amendment of the FMC Technologies, Inc. Incentive Compensation and Stock Plan |
| 10.15 | \$100,000,000 Uncommitted Line of Credit Agreement between FMC Technologies, Inc. and Wells Fargo Bank, N.A. |
| 15 | Letter re: unaudited interim financial information. |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a). |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a). |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURE

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 TECHNOLOGIES, INC.
(Registrant)

/s/ Ronald D. Mambu
Ronald D. Mambu

Vice President, Controller, and

duly authorized officer
Date: May 10, 2007

EXHIBIT INDEX

Number in

Exhibit Table

Description

| | |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------|
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| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |