

FMC TECHNOLOGIES INC

Form 10-Q

October 26, 2012

Table of Contents

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 September 30, 2012

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)

36-4412642

(I.R.S. Employer
Identification No.)

5875 N. Sam Houston Parkway W., Houston, Texas

(Address of principal executive offices)

(281) 591-4000

(Registrant's telephone number, including area code)

77086

(Zip 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer

☒

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 ☒

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
23, 2012

Common Stock, par value \$0.01 per share

237,729,774

Table of Contents

TABLE OF CONTENTS

<u>PART I—Financial Information</u>	<u>Page</u>
<u>Item 1. Financial Statements (unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>30</u>
<u>PART II—Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>30</u>
<u>Item 1A. Risk Factors</u>	<u>30</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>31</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>31</u>
<u>Item 5. Other Information</u>	<u>31</u>
<u>Item 6. Exhibits</u>	<u>31</u>

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FMC Technologies, Inc. and Consolidated Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue:				
Product revenue	\$1,190.3	\$1,082.1	\$3,656.0	\$3,044.0
Service and other revenue	228.7	205.1	654.5	554.5
Total revenue	1,419.0	1,287.2	4,310.5	3,598.5
Costs and expenses:				
Cost of product revenue	947.3	850.0	2,935.0	2,409.3
Cost of service and other revenue	151.8	130.2	448.1	367.5
Selling, general and administrative expense	152.9	110.0	429.3	341.7
Research and development expense	29.8	23.8	82.9	62.0
Total costs and expenses	1,281.8	1,114.0	3,895.3	3,180.5
Other income (expense), net	4.3	(3.4)	24.4	1.5
Income before net interest expense and income taxes	141.5	169.8	439.6	419.5
Net interest expense	(6.0)	(2.4)	(15.9)	(6.0)
Income before income taxes	135.5	167.4	423.7	413.5
Provision for income taxes	35.0	45.7	110.3	110.5
Net income	100.5	121.7	313.4	303.0
Net income attributable to noncontrolling interests	(1.6)	(0.6)	(3.8)	(2.4)
Net income attributable to FMC Technologies, Inc.	\$98.9	\$121.1	\$309.6	\$300.6
Earnings per share attributable to FMC Technologies, Inc. (Note 3):				
Basic	\$0.41	\$0.50	\$1.29	\$1.24
Diluted	\$0.41	\$0.50	\$1.28	\$1.23
Weighted average shares outstanding (Note 3):				
Basic	239.5	241.4	239.9	241.7
Diluted	240.7	243.3	241.2	243.6

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

Table of Contents

FMC Technologies, Inc. and Consolidated Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$100.5	\$121.7	\$313.4	\$303.0
Other comprehensive income, net of tax:				
Foreign currency translation adjustments (1)	26.8	(77.0)	(6.9)	(34.9)
Net gains (losses) on hedging instruments:				
Net gains (losses) arising during the period	17.8	(30.5)	22.4	(3.9)
Reclassification adjustment for net losses (gains) included in net income	0.9	(9.2)	1.9	(16.5)
Net gains (losses) on hedging instruments (2)	18.7	(39.7)	24.3	(20.4)
Pension and other post-retirement benefits:				
Reclassification adjustment of settlement losses included in income	3.4	—	3.4	—
Reclassification adjustment for amortization of prior service cost (credit) included in net income	(0.1)	(0.3)	(0.5)	(0.7)
Reclassification adjustment for amortization of net actuarial loss (gain) included in net income	3.6	1.8	13.8	7.5
Reclassification adjustment for amortization of transition asset included in net income	(0.1)	—	(0.1)	(0.2)
Net pension and other postretirement benefits (3)	6.8	1.5	16.6	6.6
Other comprehensive income, net of tax	52.3	(115.2)	34.0	(48.7)
Comprehensive income	152.8	6.5	347.4	254.3
Comprehensive income attributable to noncontrolling interest	(1.6)	(0.6)	(3.8)	(2.4)
Comprehensive income attributable to FMC Technologies, Inc.	\$151.2	\$5.9	\$343.6	\$251.9

(1) Net of income tax (expense) benefit of \$(1.0) and \$11.3 for the three months ended September 30, 2012 and 2011, respectively, and \$(0.1) and \$4.6 for the nine months ended September 30, 2012 and 2011, respectively.

(2) Net of income tax (expense) benefit of \$(8.0) and \$23.0 for the three months ended September 30, 2012 and 2011, respectively, and \$(12.2) and \$12.0 for the nine months ended September 30, 2012 and 2011, respectively.

(3) Net of income tax (expense) benefit of \$(6.1) and \$(2.5) for the three months ended September 30, 2012 and 2011, respectively, and \$(11.3) and \$(5.2) for the nine months ended September 30, 2012 and 2011, respectively.

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

Table of Contents

FMC Technologies, Inc. and Consolidated Subsidiaries
Condensed Consolidated Balance Sheets
(In millions, except par value data)

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and cash equivalents	\$566.2	\$344.0
Trade receivables, net of allowances of \$5.3 in 2012 and \$7.8 in 2011	1,563.5	1,341.6
Inventories, net (Note 5)	963.3	712.2
Derivative financial instruments (Note 12)	56.5	69.9
Prepaid expenses	34.8	37.2
Deferred income taxes	57.1	77.8
Income taxes receivable	42.9	21.2
Other current assets	279.0	184.0
Total current assets	3,563.3	2,787.9
Investments	37.1	161.4
Property, plant and equipment, net of accumulated depreciation of \$606.3 in 2012 and \$528.0 in 2011	992.6	767.9
Goodwill	511.2	265.8
Intangible assets, net of accumulated amortization of \$63.8 in 2012 and \$52.8 in 2011	296.2	128.0
Deferred income taxes	46.0	67.1
Derivative financial instruments (Note 12)	23.5	44.6
Other assets	66.8	48.3
Total assets	\$5,536.7	\$4,271.0
Liabilities and equity		
Short-term debt and current portion of long-term debt	\$37.7	\$587.6
Accounts payable, trade	528.2	546.8
Advance payments and progress billings	515.0	450.2
Accrued payroll	170.4	153.5
Derivative financial instruments (Note 12)	38.2	66.6
Income taxes payable	143.1	117.7
Deferred income taxes	39.9	5.1
Other current liabilities	346.4	305.4
Total current liabilities	1,818.9	2,232.9
Long-term debt, less current portion (Note 6)	1,491.4	36.0
Accrued pension and other postretirement benefits, less current portion	258.9	272.4
Derivative financial instruments (Note 12)	23.1	37.0
Deferred income taxes	55.4	111.9
Other liabilities	142.8	143.1
Commitments and contingent liabilities (Note 14)		
Stockholders' equity (Note 11):		
Preferred stock, \$0.01 par value, 12.0 shares authorized; no shares issued in 2012 or 2011	—	—
Common stock, \$0.01 par value, 600.0 shares authorized in 2012 and 2011; 286.3 shares issued in 2012 and 2011; 237.9 and 237.8 shares outstanding in 2012 and 2011, respectively	1.4	1.4
Common stock held in employee benefit trust, at cost; 0.2 shares in 2012 and 2011	(7.3)	(5.8)

Edgar Filing: FMC TECHNOLOGIES INC - Form 10-Q

Common stock held in treasury, at cost; 48.2 and 48.3 shares in 2012 and 2011, respectively	(1,065.3	) (1,041.9)
Capital in excess of par value of common stock	687.6	700.0	
Retained earnings	2,524.3	2,214.7	
Accumulated other comprehensive loss	(409.8	) (443.8)
Total FMC Technologies, Inc. stockholders' equity	1,730.9	1,424.6	
Noncontrolling interests	15.3	13.1	
Total equity	1,746.2	1,437.7	
Total liabilities and equity	\$5,536.7	\$4,271.0	

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

Table of Contents

FMC Technologies, Inc. and Consolidated Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2012	2011
Cash provided (required) by operating activities:		
Net income	\$313.4	\$303.0
Adjustments to reconcile net income to cash provided (required) by operating activities:		
Depreciation	76.6	62.6
Amortization	22.7	16.2
(Gain) loss on disposal of assets	0.4	(0.9)
Employee benefit plan and stock-based compensation costs	76.6	50.6
Deferred income tax provision	30.4	30.4
Unrealized (gain) loss on derivative instruments	13.3	(11.1)
Other	16.2	(1.4)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade receivables, net	(191.6)	(162.3)
Inventories, net	(210.7)	(167.8)
Accounts payable, trade	(35.5)	118.3
Advance payments and progress billings	40.7	(47.9)
Income taxes	(36.6)	12.6
Accrued pension and other postretirement benefits, net	(47.9)	(53.2)
Other assets and liabilities, net	(73.2)	(30.3)
Cash provided (required) by operating activities	(5.2)	118.8
Cash provided (required) by investing activities:		
Capital expenditures	(282.7)	(187.0)
Acquisitions, net of cash and cash equivalents acquired	(328.6)	—
Other	(0.1)	0.3
Cash required by investing activities	(611.4)	(186.7)
Cash provided (required) by financing activities:		
Net increase in short-term debt	1.6	0.8
Net increase in commercial paper	105.7	174.3
Proceeds from the issuance of long-term debt	1,068.8	—
Repayments of long-term debt	(275.0)	(5.5)
Proceeds from exercise of stock options	0.4	0.9
Purchase of treasury stock	(52.4)	(67.9)
Other	(11.9)	(10.5)
Cash provided by financing activities	837.2	92.1
Effect of exchange rate changes on cash and cash equivalents	1.6	(3.3)
Increase in cash and cash equivalents	222.2	20.9
Cash and cash equivalents, beginning of period	344.0	315.5
Cash and cash equivalents, end of period	\$566.2	\$336.4

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

Table of Contents

FMC Technologies, Inc. and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1: Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of FMC Technologies, Inc. and its consolidated subsidiaries ("FMC") have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and rules and regulations of the Securities and Exchange Commission ("SEC") pertaining to interim financial information. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP have been 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, 2011.

Our accounting policies are in accordance with U.S. GAAP. The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Ultimate results could differ from our estimates.

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 the results that may be expected for the year ending December 31, 2012. On February 25, 2011, our Board of Directors approved a two-for-one stock split of our outstanding shares of common stock. The stock split was completed in the form of a stock dividend that was issued on March 31, 2011, to shareholders of record at the close of business on March 14, 2011.

Note 2: Recently Adopted Accounting Standards

Effective January 1, 2012, we adopted an amendment issued by the Financial Accounting Standards Board ("FASB") to existing guidance on fair value measurements. This amendment clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The adoption of the update did not have a material impact on our condensed consolidated financial statements.

Effective January 1, 2012, we adopted changes issued by the FASB to disclosure requirements for comprehensive income. The changes allow management the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. We elected the two-statement approach presenting other comprehensive income in a separate statement immediately following the statement of income. The updated requirements do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The adoption of the update concerns presentation only and did not have any financial impact on our condensed consolidated financial statements.

Effective September 30, 2012, we adopted an update issued by the FASB to existing guidance on indefinite-lived intangible assets impairment testing. This update provides an entity the option, prior to performing the quantitative impairment test under existing guidance, to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. The adoption of the amended guidance did not have an impact on our consolidated financial position or results of operations, as we currently do not have indefinite-lived intangible assets.

Note 3: Earnings per Share

A reconciliation of the number of shares used for the basic and diluted earnings per share calculation was as follows:

Table of Contents

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	2012	2011	2012	2011
Net income attributable to FMC Technologies, Inc.	\$98.9	\$121.1	\$309.6	\$300.6
Weighted average number of shares outstanding	239.5	241.4	239.9	241.7
Dilutive effect of restricted stock units and stock options	1.2	1.9	1.3	1.9
Total shares and dilutive securities	240.7	243.3	241.2	243.6
Basic earnings per share attributable to FMC Technologies, Inc.	\$0.41	\$0.50	\$1.29	\$1.24
Diluted earnings per share attributable to FMC Technologies, Inc.	\$0.41	\$0.50	\$1.28	\$1.23

Note 4: Business Combinations

Schilling Robotics, LLC—On January 3, 2012, we exercised our option to purchase the remaining 55.0% of outstanding shares of Schilling Robotics, LLC (“Schilling”), a Delaware limited liability company, and closed the transaction on April 25, 2012. Schilling is a supplier of advanced robotic intervention products, including a line of remotely operated vehicle systems (“ROV”), manipulator systems and subsea control systems. The acquisition of the remaining interests in Schilling will allow us to grow in the expanding subsea environment, where demand for ROVs and the need for maintenance activities of subsea equipment is expected to increase.

Prior to April 25, 2012 we owned 45.0% of Schilling. Upon the closing of this transaction, we owned 100.0% of Schilling which is included among the consolidated subsidiaries reported in the Subsea Technologies segment. The acquisition-date fair value of our previously held equity interest in Schilling was \$144.9 million with the fair value primarily estimated through an income approach valuation. We recorded a gain of \$20.0 million in other income (expense), net on the condensed consolidated statement of income related to the fair value remeasurement of our previously held equity interest in Schilling.

The purchase price with respect to the remaining outstanding shares was determined by applying the multiple of our market capital relative to our earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the year ended December 31, 2011 (determined in accordance with the terms of the unitholders agreement), to the EBITDA generated by Schilling during the year ended December 31, 2011 (subject to certain adjustments in accordance with the terms of the unitholders agreement). The consideration for the remaining outstanding shares was paid in cash.

Control Systems International, Inc.—On April 30, 2012, we acquired Control Systems International, Inc. (“CSI”) which is included among the consolidated subsidiaries reported in the Energy Infrastructure segment. Our acquisition of CSI will enhance our automation and controls technologies, supporting our long-term strategy to expand our subsea production and processing systems. Additionally, we also anticipate the acquisition of CSI to benefit other business units in our portfolio of businesses, such as measurement solutions, through comprehensive fuel terminal and pipeline automation systems.

The acquisition-date fair value of the consideration transferred consisted of the following:

(In millions)	Schilling	CSI	Total
Cash	\$282.8	\$49.0	(1) \$331.8
Previously held equity interest	144.9	—	144.9
Purchase price withheld	—	10.0	(2) 10.0
Total	\$427.7	\$59.0	\$486.7

(1) Includes anticipated recovery of negative working capital.

(2) Represents the portion of the purchase price withheld (“holdback”) by FMC pursuant to the terms of the stock purchase agreement. The holdback amount will be held and maintained by FMC as security for the payment of any and all amounts to which CSI indemnifies us, including final working capital adjustments and other

indemnifications as listed in the stock purchase agreement. FMC may deduct from the holdback any eligible amounts and pay CSI the

Table of Contents

net amount three years after the closing date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition dates.

(In millions)	Schilling	CSI	Total
Assets:			
Cash	\$ 3.9	\$ 0.3	\$ 4.2
Accounts receivable	22.4	8.2	30.6
Inventory	50.6	0.1	50.7
Other current assets	2.1	0.2	2.3
Property, plant and equipment	21.7	0.2	21.9
Intangible assets	145.9	35.1	181.0
Other long-term assets	0.7	—	0.7
Total identifiable assets acquired	247.3	44.1	291.4
Liabilities:			
Current liabilities	(33.4)	(15.8)	(49.2)
Other long-term liabilities	(1.9)	—	(1.9)
Total liabilities assumed	(35.3)	(15.8)	(51.1)
Net identifiable assets acquired	212.0	28.3	240.3
Goodwill	215.7	30.7	246.4
Net assets acquired	\$ 427.7	\$ 59.0	\$ 486.7

The goodwill recognized is primarily attributable to expected synergies and assembled workforce acquired in Schilling and CSI. As of September 30, 2012, there were no changes in the recognized amounts of goodwill resulting from either acquisition. The majority of the combined goodwill recognized for Schilling and CSI is deductible for tax purposes.

The identifiable intangible assets acquired include the following:

(In millions)	Schilling		CSI	
	Fair Value	Wgt'd. Avg. Amort. Period (in years)	Fair Value	Wgt'd. Avg. Amort. Period (in years)
Technology	\$38.9	12	\$17.0	10
Trademarks/trade name	25.4	20	2.8	15
Customer relationships	42.9	20	15.3	15
Base technology – technical know-how	38.7	15	—	—
Total identifiable intangible assets acquired	\$145.9		\$35.1	

We recognized \$0.4 million of acquisition-related costs that were expensed in the nine months ended September 30, 2012 related to the Schilling and CSI acquisitions. These costs were recognized as selling, general and administrative expense in the condensed consolidated statement of income. Revenue and net income (loss) of Schilling and CSI from the acquisition dates included in our condensed consolidated statements of income were \$43.5 million and \$11.4 million of revenue, respectively, and \$(3.1) million and \$1.0 million of net income (loss), respectively.

Pro Forma Impact of Acquisitions (unaudited)

The following unaudited supplemental pro forma results present consolidated information as if the acquisitions had been completed as of January 1, 2011. The 2012 pro forma results include: (i) \$5.6 million of amortization for acquired intangible assets, (ii) \$9.2 million in inventory fair value step-up amortization for Schilling, and (iii) \$0.4 million of acquisition-related costs. The pro forma results do not include any potential synergies, cost savings or other expected benefits of the acquisitions. Accordingly, the pro forma results should not be considered indicative of the results that would have occurred if the acquisitions had been consummated as of January 1, 2011, nor are they indicative of future results.

Table of Contents

(In millions)	Nine Months Ended September 30,	
	2012 Pro Forma	2011 Pro Forma
Revenue	\$4,348.2	\$3,698.9
Net income	\$308.0	\$312.7

Note 5: Inventories

Inventories consisted of the following:

(In millions)	September 30, 2012	December 31, 2011
Raw materials	\$185.4	\$138.7
Work in process	170.8	126.7
Finished goods	768.3	594.4
Gross inventories before LIFO reserves and valuation adjustments	1,124.5	859.8
LIFO reserves and valuation adjustments	(161.2)	(147.6)
Inventories, net	\$963.3	\$712.2

Note 6: Debt

Credit Facility—On March 26, 2012, we entered into a new \$1.5 billion revolving credit agreement (“credit agreement”) with JPMorgan Chase Bank, N.A., as Administrative Agent. The credit agreement is a five-year, revolving credit facility expiring in March 2017. Subject to certain conditions, at our request and with the approval of the Administrative Agent, the aggregate commitments under the credit agreement may be increased by an additional \$500.0 million.

Borrowings under the credit agreement bear interest at a base rate or the London interbank offered rate (“LIBOR”), at our option, plus an applicable margin. Depending on our total leverage ratio, the applicable margin for revolving loans varies (i) in the case of LIBOR loans, from 1.125% to 1.750% and (ii) in the case of base rate loans, from 0.125% to 0.750%. The base rate is the highest of (1) the prime rate announced by JPMorgan Chase Bank, N.A., (2) the Federal Funds Rate plus 0.5% or (3) one-month LIBOR plus 1.0%.

In connection with the new credit agreement, we terminated and repaid all outstanding amounts under our previously existing \$600.0 million five-year revolving credit agreement and our \$350.0 million three-year revolving credit agreement.

Senior Notes—On September 21, 2012, we completed the public offering of \$300.0 million aggregate principal amount of 2.00% senior notes due October 2017 (the “2017 Notes”) and \$500.0 million aggregate principal amount of 3.45% senior notes due October 2022 (the “2022 Notes” and, collectively with the 2017 Notes, the “Senior Notes”). Interest on the Senior Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2013. Net proceeds from the offering of \$793.8 million were used for the repayment of outstanding commercial paper and indebtedness under our revolving credit facility.

The terms of the Senior Notes are governed by the indenture (the “Base Indenture,” and as amended and supplemented by the Supplemental Indentures (described below), dated as of September 21, 2012 between FMC and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture between FMC and the Trustee (the “First Supplemental Indenture”) relating to the issuance of the 2017 Notes and the Second Supplemental Indenture between FMC and the Trustee (the “Second Supplemental Indenture”) relating to the issuance of the 2022 Notes.

At any time prior to their maturity in the case of the 2017 Notes, and at any time prior to July 1, 2022, in the case of the 2022 Notes, we may redeem some or all of the Senior Notes at the redemption prices specified in the First Supplemental Indenture and Second Supplemental Indenture, respectively. At any time on or after July 1, 2022, we may redeem some or all of the 2022 Notes at the redemption price equal to 100% of the principal amount of the 2022

Notes redeemed. The Senior Notes are our senior unsecured obligations. The Senior Notes will rank equally in right of payment with all of our existing and future unsubordinated debt, and will rank senior in right of payment to all of our future subordinated debt.

Long-term debt consisted of the following:

Table of Contents

(In millions)	September 30, 2012	December 31, 2011
Revolving credit facilities	\$100.0	\$100.0
Commercial paper (1)	585.8	480.1
2.00% Notes due 2017	299.3	—
3.45% Notes due 2022	499.6	—
Term loan	26.9	29.2
Property financing	7.9	7.3
Total long-term debt	1,519.5	616.6
Less: current portion	(28.1)	(580.6)
Long-term debt, less current portion	\$1,491.4	\$36.0

At December 31, 2011, debt outstanding from our \$600.0 million five-year revolving credit facility and outstanding commercial paper were classified as short-term due to the credit facility's maturity in December 2012.

At September 30, 2012, committed credit available under our new credit agreement provided the ability to (1) refinance our commercial paper obligations on a long-term basis. 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 in the condensed consolidated balance sheet at September 30, 2012. Our commercial paper borrowings as of September 30, 2012, had a weighted average interest rate of 0.48%.

Note 7: Income Taxes

Our income tax provisions for the three months ended September 30, 2012 and 2011, reflected effective tax rates of 26.1% and 27.4%, respectively. The decrease in the effective tax rate year-over-year was primarily due to changes in our international structure during 2012 and lower charges related to unrecognized tax benefits, partially offset by an unfavorable change in the forecasted country mix of earnings year-over-year and the tax impact of the remeasurement of the MPM contingent earn-out consideration.

Our income tax provisions for the nine months ended September 30, 2012 and 2011, reflected effective tax rates of 26.3% and 26.9%, respectively. Excluding a benefit related to recognizing a retroactive tax holiday in Singapore in the first quarter of 2011, our effective rate for income taxes for the nine months ended September 30, 2011 was 28.6%. The decrease from this adjusted rate to the effective tax rate for the nine months ended September 30, 2012 was primarily due to changes in our international structure during 2012, partially offset by the tax impact of the remeasurement of the MPM contingent earn-out consideration.

Our effective tax rate can fluctuate depending on our country mix of earnings, since our foreign earnings are generally subject to lower tax rates than in the United States. In certain jurisdictions, primarily Singapore and Malaysia, our tax rate is significantly less than the relevant statutory rate due to tax holidays.

Note 8: Warranty Obligations

Warranty cost and accrual information was as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Balance at beginning of period	\$23.8	\$28.3	\$25.7	\$22.4
Expense for new warranties	4.2	10.4	19.8	27.5
Adjustments to existing accruals	0.8	(3.1)	6.7	(1.7)
Claims paid	(9.3)	(9.4)	(32.7)	(22.0)
Balance at end of period	\$19.5	\$26.2	\$19.5	\$26.2

Note 9: Pension and Other Postretirement Benefits

The components of net periodic benefit cost were as follows:

Table of Contents

(In millions)	Pension Benefits							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Service cost	\$3.7	\$9.2	\$3.0	\$7.4	\$11.0	\$27.8	\$9.0	\$22.3
Interest cost	6.8	5.3	6.5	5.2	20.2	16.0	19.6	15.4
Expected return on plan assets	(10.0)	) (6.5)	) (9.6)	) (6.1)	) (29.9)	) (19.6)	) (28.6)	) (18.5)
Amortization of transition asset	—	(0.1)	) (0.1)	) —	—	(0.2)	) —	(0.3)
Amortization of actuarial losses, net	6.0	2.0	3.3	1.3	17.8	6.0	9.7	3.8
Settlement cost	5.4	—	—	—	5.4	—	—	—
Net periodic benefit cost	\$11.9	\$9.9	\$3.1	\$7.8	\$24.5	\$30.0	\$9.7	\$22.7

(In millions)	Other Postretirement Benefits			
	Three Months Ended		Nine Months Ended September	
	September 30,		30,	
	2012	2011	2012	2011
Service cost	\$—	\$—	\$0.1	\$0.1
Interest cost	0.1	0.1	0.3	0.3
Amortization of prior service benefit	(0.3)	) (0.3)	) (0.9)	) (0.9)
Amortization of actuarial gains, net	—	(0.1)	) (0.1)	) (0.2)
Net periodic benefit cost	\$(0.2)	) \$(0.3)	) \$(0.6)	) \$(0.7)

During the first nine months of 2012, we contributed \$31.1 million to our domestic benefit plans and \$16.2 million to our international benefit plans.

Note 10: Stock-Based Compensation

We have granted awards primarily in the form of nonvested stock units (also known as restricted stock in the plan document) under our Amended and Restated Incentive Compensation and Stock Plan (the “Plan”). We recognize compensation expense for awards under the Plan and the corresponding income tax benefits related to the expense. Stock-based compensation expense for nonvested stock awards was \$7.5 million and \$6.6 million for the three months ended September 30, 2012 and 2011, respectively, and \$24.3 million and \$20.3 million for the nine months ended September 30, 2012 and 2011, respectively.

In the nine months ended September 30, 2012, we granted the following restricted stock awards to employees:

(Number of restricted stock shares in thousands)	Shares	Weighted-Average Grant Date Fair Value
Time-based	529	
Performance-based	138	*
Market-based	69	*
Total granted	736	\$47.93

* Assumes target payout

For current-year performance-based awards, actual payouts may vary from zero to 277 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, 2012. 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 138 thousand shares, contingent upon our performance relative to the same peer group of companies with respect to total shareholder return (“TSR”). Beginning in 2012,

Table of Contents

the payout for the TSR metric will continue to be determined based on our performance relative to the peer group, but a payout is possible regardless of whether our TSR for the year is positive or negative. If our TSR for the year is not positive, the payout with respect to TSR is limited to the target previously established by the Compensation Committee of the Board of Directors. 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 three and nine months ended September 30, 2012 and 2011.

As of August 2007, our Board of Directors had authorized the repurchase of up to 30 million shares of our outstanding common stock through open market purchases. As a result of the two-for-one stock split on March 31, 2011, the authorization was increased to 60 million shares. In December 2011, the Board of Directors authorized an extension of our repurchase program, adding 15 million shares, for a total of 75 million shares.

Repurchase of shares of common stock under our share repurchase program was as follows:

(In millions, except share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Shares of common stock repurchased	690,052	1,514,926	1,211,052	1,690,972
Value of common stock repurchased	\$31.0	\$60.7	\$52.0	\$67.9

As of September 30, 2012, approximately 16.1 million shares remained available for purchase under the current program which may be executed from time to time in the open market. We intend to hold repurchased shares in treasury for general corporate purposes, including issuances under our stock-based compensation plan. Treasury shares are accounted for using the cost method.

During the nine months ended September 30, 2012, 1.3 million shares were issued from treasury stock in connection with our stock-based compensation plan. During the year ended December 31, 2011, 975 thousand shares were issued from treasury stock.

Accumulated other comprehensive loss consisted of the following:

(In millions)	Foreign Currency Translation	Hedging	Defined Pension and Other Post-Retirement Benefits	Accumulated Other Comprehensive Loss
December 31, 2010	\$ (51.7	) \$ 6.1	\$ (206.5	) \$ (252.1)
Other comprehensive income (loss)	(51.1	) (22.8	) (117.8	) (191.7)
December 31, 2011	(102.8	) \$ (16.7	) \$ (324.3	) \$ (443.8)
Other comprehensive income (loss)	(6.9	) 24.3	16.6	34.0
September 30, 2012	\$ (109.7	) \$ 7.6	\$ (307.7	) \$ (409.8)

Note 12: Derivative Financial Instruments

We hold derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. The types of risks hedged are those relating to the variability of future earnings and cash flows caused by movements in foreign currency exchange rates and interest rates. We hold the following types of derivative instruments:

Interest rate swap instruments—The purpose of these instruments is to hedge the uncertainty of anticipated interest expense from variable-rate debt obligations and achieve a fixed net interest rate. At September 30, 2012, we held three instruments that, in the aggregate, hedged the interest expense on \$100.0 million of variable-rate debt.

Foreign exchange rate forward contracts—The purpose of these instruments is to hedge the risk of changes in future cash flows of anticipated purchase or sale commitments denominated in foreign currencies. At September 30, 2012, we held the following material positions:

Table of Contents

	Notional Amount Bought (Sold)	USD Equivalent
(In millions)		
Chinese renminbi	128.0	20.4
Kuwaiti dinar	(9.5)	(33.9)
Malaysian ringgit	128.7	42.1
Norwegian krone	2,160.2	378.7
Polish zloty	39.0	12.3
Russian ruble	(570.9)	(18.4)
Singapore dollar	231.8	189.1
U.S. dollar	(565.7)	(565.7)

Foreign exchange rate instruments embedded in purchase and sale contracts—The purpose of these instruments is to match offsetting currency payments and receipts for particular projects, or comply with government restrictions on the currency used to purchase goods in certain countries. At September 30, 2012, our portfolio of these instruments included the following material positions:

	Notional Amount Bought (Sold)	USD Equivalent
(In millions)		
Australian dollar	(36.9)	(38.4)
British pound	23.7	38.4
Euro	34.1	44.1
Norwegian krone	(411.1)	(72.1)
U.S. dollar	18.4	18.4

The purpose of our foreign currency hedging activities is to manage the volatility associated with anticipated foreign currency purchases and sales created in the normal course of business. We primarily utilize forward exchange contracts with maturities of less than three years.

Our policy is to hold derivatives only for the purpose of hedging risks and not for trading purposes where the objective is solely to generate profit. Generally, we enter into hedging relationships such that changes in the fair values or cash flows of the transactions being hedged are expected to be offset by corresponding changes in the fair value of the derivatives. For derivative instruments that qualify as a cash flow hedge, the effective portion of the gain or loss of the derivative, which does not include the time value component of a forward currency rate, is reported as a component of other comprehensive income (“OCI”) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

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. Refer to Note 13 for further disclosures related to the fair value measurement process. Accordingly, the estimates presented may not be indicative of the amounts that we would realize in a current market exchange and may not be indicative of the gains or losses we may ultimately incur when these contracts settle or mature.

Table of Contents

(in millions)	September 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments:				
Foreign exchange contracts:				
Current – Derivative financial instruments	\$18.9	\$15.1	\$60.8	\$58.3
Long-term – Derivative financial instruments	18.8	18.9	26.4	28.7
Interest rate contracts:				
Current – Derivative financial instruments	—	0.4	—	1.6
Long-term – Derivative financial instruments	—	—	—	—
Total derivatives designated as hedging instruments	37.7	34.4	87.2	88.6
Derivatives not designated as hedging instruments:				
Foreign exchange contracts:				
Current – Derivative financial instruments	37.6	22.7	9.1	6.7
Long-term – Derivative financial instruments	4.7	4.2	18.2	8.3
Total derivatives not designated as hedging instruments	42.3	26.9	27.3	15.0
Total derivatives	\$80.0	\$61.3	\$114.5	\$103.6

We recognized gains of \$2.5 million and \$0.6 million on cash flow hedges for the three months ended September 30, 2012 and 2011, respectively, and gains of \$3.9 million and \$1.5 million for the nine months ended September 30, 2012 and 2011, respectively, due to hedge ineffectiveness as it was probable that the original forecasted transaction would not occur. Cash flow hedges of forecasted transactions, net of tax, resulted in accumulated other comprehensive gains of \$7.6 million and losses of \$16.7 million at September 30, 2012, and December 31, 2011, respectively. We expect to transfer an approximate \$4.1 million gain from accumulated OCI to earnings during the next 12 months when the anticipated transactions actually occur. All anticipated transactions currently being hedged are expected to occur by the end of 2015.

The following tables present the impact of derivative instruments in cash flow hedging relationships and their location within the accompanying condensed consolidated statements of income.

Table of Contents

Gain (Loss) Recognized in OCI (Effective Portion)