

(CONNECT)



WINTER
2003

FOR FMC TECHNOLOGIES EMPLOYEES & THEIR FAMILIES

EDITION one

TREES ARE SPROUTING EVERYWHERE

Houston manufacturing ramps up to meet demand for subsea trees

FMC Technologies' Energy Systems team in Houston is in a very strong position: impressive backlog, orders to ship a record number of subsea trees in 2003, a large percentage of the Gulf of Mexico subsea business and long-term relationships with some of the largest oil companies in the energy industry.

But with success come challenges – specifically, how to ramp up the Houston-based manufacturing facility to meet demand and keep customers happy.

“Perhaps our biggest challenge is how to deal with our market position,” says John Grempe, General Manager, Energy Production Systems. “On the one hand, our position has the potential to continue indefinitely because it is built on long-term relationships. But on the other hand, we have everything to lose if we don’t execute well.”

While the Houston facility makes both land and subsea equipment, the manufacture of complex subsea completion systems for the Gulf of Mexico makes up the largest part of the business. Among the customers: BP, Shell, ExxonMobil, Kerr-McGee and others. Now in its ninth year, the

alliance with Shell entails the purchase of subsea equipment from FMC Energy Systems for all its Gulf of Mexico projects. There is also a five-year frame agreement with BP, with an option for five additional years, for the supply of BP’s subsea equipment in the Gulf. A long-term

relationship with Kerr McGee is currently being formalized. And while there isn’t a formal alliance with ExxonMobil, FMC Energy Systems equipment has been the standard for their last four subsea projects.

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► Energy Systems is busy meeting the demand for complex subsea systems. Pictured here is the MEGI tree team.

Altogether, Houston expects to build a record number of subsea systems in 2002 and 2003. Among them, the BP Thunder Horse tree is the first vertical subsea tree in the industry designed to handle producing pressures of 15,000 psi and temperatures of 350° F in waters more than a mile deep. The Shell NaKika tree, which is currently under construction, will be one of the deepest installations in the Gulf of Mexico.

Meeting the demand

To meet these mushrooming demands, the Company has expanded its Houston facility over the last 12 months, adding additional office space, a new assembly bay, a new test pit and various other equipment designed to help execute the projects.

“Right now, we are very focused on execution,” John says. “To keep the business that we have, we have to perform perfectly. Focusing on execution will also reduce costs, reduce lead time and add even more value for our customers.”

What qualifies as perfect execution?

“On-time delivery is very important,” John says. “Deepwater rigs cost about \$300,000 a day to operate. If our tree is not ready, that rig is sitting there costing the operator a lot of money. Of equal importance is quality and reliability. Subsea wells must produce large volumes to justify their cost. If our system is unreliable and they have to shut in the well, the oil company not only loses production but must pay for expensive repairs.”

In order to execute while ramping up to do bigger volumes, the Company has taken several steps, including standardizing products and improving efficiency in the manufacturing area.

“Because of our long-term relationships, we are in a position to standardize key components of a tree,” John says. “And to the extent we can standardize, we can reduce our costs, reduce lead times and improve quality and safety. For example, Shell analyzed their prospects in the Gulf of Mexico

and determined that we could design a subsea system that meets the needs of 80 percent of their deepwater wells in the Gulf. They developed the standard, and we’re building them.”

But to build them quickly requires improved efficiency. “We’re working to reduce the time that it takes to perform each of the steps in building a tree, whether it’s supply chain management, the machining, welding or assembly processes or ensuring that issues are addressed early and not passed along to the next step,” says Steve Hotchkiss, Subsea Operations Manager. “For example, in the machine shop, we only make progress with a part when the spindle is turning. So we measure the amount of spindle time daily and record the reasons the spindles aren’t turning. That allows us to get to the root cause and make corrections.”

Developing pit crews

Perhaps the most important change, however, was the development of pit crews for the manufacturing unit. “We undertook a study with a consultant to evaluate our processes and try to reduce the time the tree sits idle,” explains Kendall Turner, Assembly Process Engineering Manager, who also is a member of the Shell alliance team. “What we observed was that the people who were actually building the tree system were the ones who also had to solve any issues. We related the tree to a race car. The race car pulled into the pit, but instead of having a crew to change tires, the driver (in our case, the assembly mechanic) had to get out of the car, go find a tire, then find a jack and so forth.”

“We observed that the assembly mechanics were actively building a tree only about 15 percent of the time,” Steve explains. “The rest of the time, they were getting parts, looking for an engineer or quality person, getting test equipment ready, etc. Using the pit crew concept, they now spend significantly more of their time building the tree. That cuts the time it takes to build the tree in half.”

The pit crew comprises all the talent and disciplines necessary to solve issues immediately, such as engineering, materials and quality support. In addition, runners are available to get tooling for certain processes and bring it to the assemblers.

“The results have been dramatic,” says Richard Meier, Subsea Assembly Manager. “The time required to complete a tree has dropped from 18 weeks to under 10 weeks, and we believe that we will achieve eight weeks as a reliable performance measure in the next two or three trees.”

Quality initiatives are important

Quality initiatives have also played an important role. “One of these initiatives was controlling the effective collection of data for our Manufacturing Records Data Book,” Richard says. “There are various documents that are compiled during construction and testing of a tree that are very important to customers. At the eleventh hour, we were finding things incorrectly recorded or missing. We employed some simple techniques of keeping track of accomplishments throughout the process, rather than doing a last-minute review, and it has made a huge difference.”

Another such efficiency involved the rewriting of instructions. “Previously, the sequence in our instruction book was done according to the different functions of the tree,” Richard explains. “People were searching from section to section through the procedure to find where they were in the process. So we rewrote the book with an eye to how the work actually flows. It’s not very sexy, but it’s very powerful in its benefit.”

Besides the huge volume of work, the Houston manufacturing team is perhaps proudest of its safety record, which in 2002 surpassed 7.7 million man hours without a lost time accident—the best record in the industry.

“Every one of us is committed to it,” Kendall says, “and everyone in the industry is very impressed. But this is just the way work is done here.” ◉

“The time required to complete a tree has dropped from 18 weeks to under 10 weeks, and we believe that we will achieve eight weeks as a reliable performance measure in the next two or three trees.”

barbaraHERMANN

(Airport Systems)



Barbara Herrmann

BACKGROUND

Barbara began her career as a secretary with Jetway® Systems 27 years ago in what she expected to be a temporary job. Today, as General Manager of

Airport Services in the FMC Airport Systems business, Barbara is responsible for a team of more than 200 people spread among locations from Houston to Hawaii, with responsibility for a variety of airport service functions, including equipment and facilities maintenance.

From 0 to \$16 million

Over the past year and a half, we've grown the Airport Services business from zero to around \$16 million in sales. Our most recent success was our new contract to provide maintenance management systems and services to Continental Airlines at Houston's Bush Intercontinental Airport. We were able to unseat a tenured incumbent to assume a four-year contract worth about \$7.5 million a year, with options for additional years.

An untapped market

When we looked at the maintenance area, we realized that it was virtually untapped as far as enhancement through technology, efficiency or productivity improvements. We started by differentiating ourselves from the small regional players and a couple of large ones by developing some very strong maintenance management software. It is that technology and the data it provides

that allow us to bring the concept of pay for performance to the customer. That means we can give the customer a base price, plus a performance fee, which is like a bonus that we earn each month for achieving certain targets defined with the client. We've also created efficiency around this technology with hand-held computers that our service people use to input data in real time. That means a manager can look into the system and see where we are on work orders or special projects, whether we're within budget and how we're doing on overall performance.

Sharing a vision

We are developing a business from the ground up, so we're working very hard to ensure that we're putting the right policies and procedures in place, training our people properly and communicating our vision. We want them to take to work each day the vision of what we are and how we are different.

From everywhere

I call myself a Texan, but I grew up everywhere. My father was in the military, so I went to 17 different schools and attended college at the University of Maine. Some people would have found it difficult. I found it rewarding.

Time out at home

We live in the mountains outside of Ogden, Utah. It is very isolated and lovely with lots of deer, elk, foxes and other wildlife. In my spare time, I mostly enjoy being here with my family and friends. (I have a husband and two grown sons.) I'm an avid reader, so I enjoy reading books in the solitude of our beautiful mountains – mostly business books and historical novels. And I love to play bridge.

FINANCIALLY SPEAKING

What Wall Street is saying

In a tough period for the stock market and businesses alike, FMC Technologies held its own in its first year as a publicly traded company with third quarter earnings that were roughly even with pro forma numbers last year. Buoyed by continued strength in subsea systems, which produced strong performance by Energy Systems, the Company reported third quarter net income of \$0.25 per diluted share on sales of \$525.4 million.

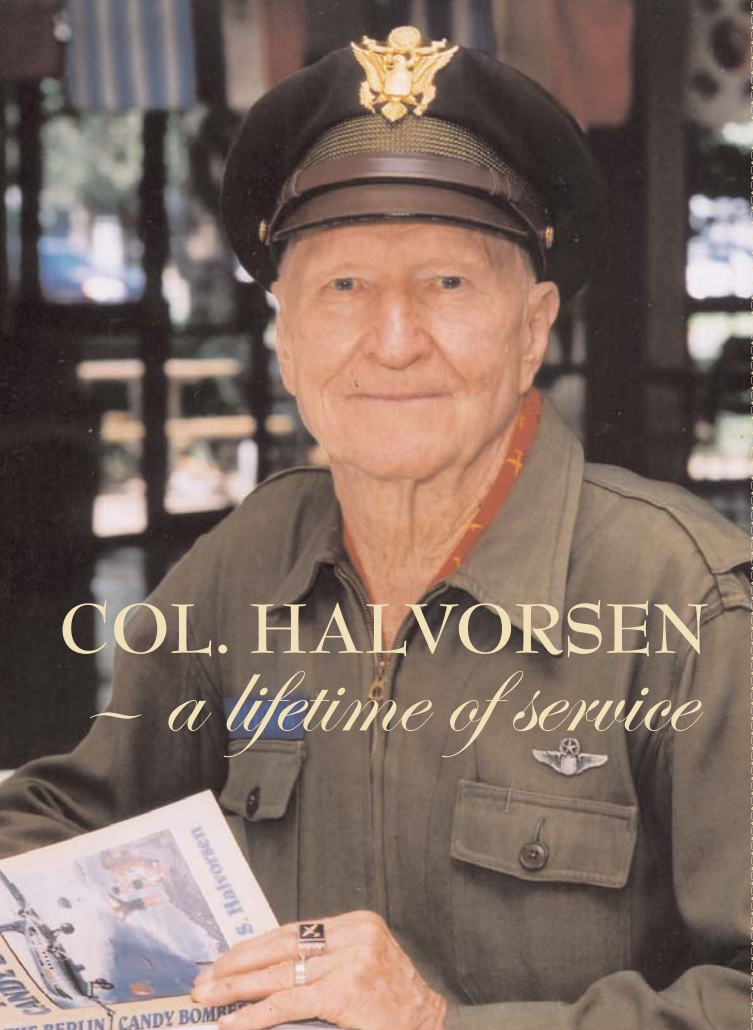
And the response from Wall Street has been positive. The Company offered 11 million shares of its stock in the Initial Public Offering (IPO) in June 2001. Since the IPO, the stock has outperformed its peers on the oil service index.

The company is viewed by analysts as an oil service company, in spite of having two significant non-oil services businesses—FoodTech and Airport Systems—a fact that Dave Grzebinski, Director, Investor Relations, is often asked about. “We describe



it as a function of our roots and the fact that it made more sense to have these machinery oriented businesses grouped together rather than being part of a chemical company,” Dave says.

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COL. HALVORSEN *— a lifetime of service*

The statesman and namesake of FMC Airport System's Halvorsen Loader has distinguished himself in the field of military aviation, in the U.S. and abroad. The life of retired Colonel Gail S. Halvorsen began with a boy's love of flying and evolved into a lifetime of aviation service to his country.

During World War II and afterwards, Col. Halvorsen flew C-47s and C-54s in the South Atlantic as a transport pilot. During the Berlin Airlift, he undertook an assignment that is still remembered as a significant humanitarian gesture. He dropped candy-laden parachutes earmarked for the children of East and West Berlin. The campaign, known as Operation Little Vittles, earned Col. Halvorsen the nickname, "The Candy Bomber." These acts of kindness set the stage for future humanitarian airlifts by the U.S. military and rallied widespread support among Americans for keeping Berlin free from the Soviets.

In 1949, he won the prestigious Cheney Award for his efforts during the airlift. The honor opened doors for Col. Halvorsen to serve as a positive diplomat to Germany, a role he also filled without compensation. He received the German Service Cross to the Order of Merit from the president of Germany for his efforts on that country's behalf.

Since the war, Col. Halvorsen has served the Air Force in a variety of posts. He worked as project engineer for cargo aircraft research and development at the Wright Air Development Center at Wright-Patterson Air Force Base and Hill Air Force Base. He fulfilled various assignments for the U.S. space program. And during the 1970s, he commanded the Templehof Air Base in Germany, where he ensured free movement from Berlin air corridors and planned airlift contingencies in case the Soviets attempted further blockade. He also served as the Air Force's representative in Berlin.

THE HALVORSEN LOADER

The Air Force's indispensable beast of burden

Celebrations and speeches were the order of the day September 6 as employees at FMC Airport Systems' Orlando, Florida, facilities delivered the 100th Halvorsen Loader to the U.S. Air Force's 437th Aerial Port Squadron. Colonel Gail S. Halvorsen, U.S. Air Force (retired) was the featured keynote speaker for the event, along with Air Force Major General Arthur J. Lichte and Brigadier General Ted F. Bowlds. All three speakers praised the efforts of the FMC Airport Systems Halvorsen Loader team in meeting the military's needs for this important equipment.

To the Air Mobility Command of the U.S. Air Force, the cargo-loading device known as the Halvorsen Loader is an indispensable beast of burden. Engineered and built by FMC Airport Systems, the loader can be deployed swiftly and easily during routine operations by Air Force personnel who load cargo onto military and commercial aircraft.

"We have delivered 130 loaders to the Air Force as of November 2002 and plan to complete a total order of 264," says David Morrow, Program Manager for the Halvorsen Loader program. "We've been building 15 per month over the last six months."

In November, the company received an order from the Air Force for 86 Halvorsen Loaders to be delivered in 2003. This latest order is valued at \$35 million. The contract is part of a five-year program that calls for FMC Airport Systems to replace all of the Air Force's existing 25,000-pound cargo loaders.

FMC Airport Systems won the award to build the Halvorsen Loader in June 2000, after extensive testing of prototypes in 1999 at Travis Air Force Base in California. The first two loaders were officially placed in service at Dover Air Force Base in Delaware in June 2001. The equipment is manufactured at Airport Systems plants located in Orlando, Florida, and Tupelo, Mississippi.

The Halvorsen Loader plays a critical operational role as the U.S. responds to military and terrorist conflicts around the world. "It's a lightweight vehicle that can be quickly configured for shipment, then driven into a variety of cargo planes and flown to remote airfields close to battle," says Doug Lynch, Marketing Manager for the Halvorsen Loader Program and a retired Air Force airlifter.



▶ Airport Systems employees joined with Colonel Gail S. Halvorsen to celebrate the delivery of the 100th Halvorsen Loader to the Air Force's 437th Aerial Port Squadron

The Air Force uses the Halvorsen Loader in two different ways, Doug explains. "The loader can be used in air cargo operations at airbases located, for example, at Travis Air Force Base, California or Dover Air Force Base in Delaware. Or it can be utilized by mobile airlift support units, known as Air Mobility Squadrons (AMS). They deploy the loaders wherever and whenever they are needed to load or unload any kind of cargo," he says.

Capable of carrying up to 25,000 pounds, the loader's design improves upon equipment the Air Force once used. "The previous loaders wouldn't reach the main deck of a DC-10 or B-747," Doug says. "The Air Force had to use a special wide body elevating loader. It took one aircraft just to deploy it and three to four men about a day to assemble it and another day to disassemble for return shipment. In contrast, two operators can easily configure the Halvorsen Loader for air transport in less than 15 minutes."

The loader is versatile and easily deployed in locations all over the world. The Air Force, for example, has taken the equipment to Fort Campbell, Kentucky, to load a Federal Express airplane. The loaders have also been supporting the Air Force's efforts in the world-

wide war on terrorism, including Southwest Asia operations.

Rugged and reliable, the loader is transported by air and self-propelled for operation in tough conditions. "It was designed for transport in a C-130 military cargo plane," Doug explains. "The Air Force's mobility operations and contingency response groups are prepared to deploy the loaders and personnel to locations in the United States, Europe and

the Southwest Asia theater of operations.

"We are pleased to continue to supply the U.S. Air Force's needs for the Halvorsen program," says Charlie Cannon, Vice President and Group Manager – FMC Airport Systems. "The Halvorsen Loader, which was developed using our decades of expertise in cargo loading technology, is proving its reliability under the most rigorous, demanding conditions." ◉



▶ Airport Systems' Halvorsen Loader team members were thanked by Air Force officers for their efforts in supporting military operations.

MOVE IT!

New Automated Systems contract improves efficiency in healthcare industry

For 15 years, guided vehicles supplied by FMC Automated Systems have proved vital to building cars and printing large-circulation newspapers. But as costs have soared and the healthcare industry has become increasingly concerned about maintaining profits and improving efficiency, the demand for laser-guided handling systems has expanded into the pharmaceutical and healthcare arenas.

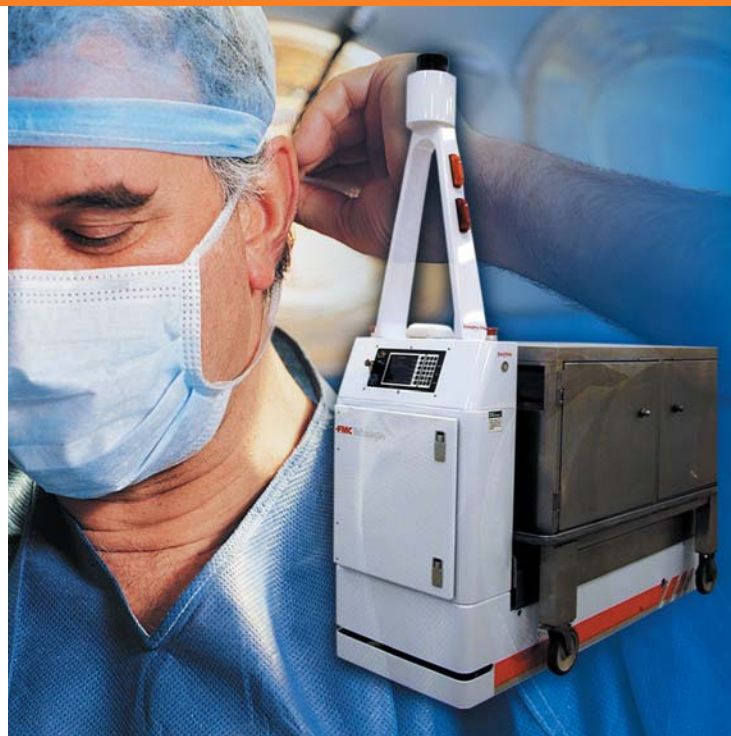
Most recently, FMC Technologies' Automated Systems group was selected by the Ohio State University Medical Center to supply a sophisticated, automated material handling system for distribution of medical supplies at the facility by the end of 2003. The system at Ohio State features 45 laser-guided vehicles and a wireless system of sensors and card-swipes needed to make them work. Using the system, medical center staff can make the vehicles deliver carts of patient meals, surgical supplies, linens and waste between central storage and processing stations and patient floors.

The laser guidance technology allows the vehicles to accurately navigate unmanned through the facility. Built-in sensors prevent the vehicles from bumping into walls or doors and allow the system to interface with elevators and door openers as well. During installation next year, FMC Automated Systems will create a series of operator stations, including card-swipes for added security.

"It's a pretty complex system," says Mark Longacre, Marketing Manager for FMC Automated Systems. "We're trying to make it very integrated with the medical center's day-to-day operations and minimize the tasks required by operators to only what is absolutely necessary. To design a system, engineers analyze the flow of hospital goods down to the last detail. Then they create a computerized model that simulates the vehicles' movements along hallways and on and off freight lifts."

Hospitals are not exactly a new market for FMC Technologies. The company installed six automated systems in the early 1990s in various U.S. hospitals, but the market went to sleep when managed health-care took over. Now, as hospitals come under increasing pressure to lower costs and increase revenues, they are reevaluating the merits of automated vehicles.

"Today, healthcare facilities are benchmarking other cost-conscious industries in developing ways to streamline operations and improve efficiency," says Barry Douglas, General Manager of FMC Automated Systems.



► The laser-guided automated materials handling system can be used by medical center staff to deliver patient meals, surgical supplies and linens.

"Our laser-guided vehicle solution is extremely flexible and can change and expand as the hospital changes and expands."

Barry notes that the transport systems benefit clinics and hospitals in numerous ways. Having automated cart movement saves on labor costs, because staff is no longer needed to push around carts all day. Human resource departments can also avoid the drain of constantly hiring and training people for these types of functions. And, best of all, the system can be counted on for service far into the future. "Our laser-guided vehicle solution is extremely flexible and can change and expand as the hospital changes and expands," Barry says.

Using automated vehicles to move supplies is safer. Gone are the physical and ergonomic constraints associated with letting people do the heavy lifting. Automated vehicles also do less damage to carts and walls. The company's newest, laser-guided vehicles are also amazingly versatile. They can drop off warehouse parts at the auto assembly line, haul giant rolls of paper to busy printing shops or deliver lunch at the hospital.

Overall, relying on automated vehicles makes the staff's job easier. "For example, the hospital staff has to work harder when surgical supplies are not in the right place at the right time," Mark says. "With the vehicles, you eliminate the need for nurses scurrying around looking for surgical supplies, dietary items or linens. The proper scheduling and transport of these supplies prevent delays."

The folks at Automated Systems are betting that such increased efficiency will go a long way toward improving service to patients and reducing stress for the medical staff. ◉

A NIGHT OF KUDOS

Celebrating that quality we call "excellence"



► The FMC Frigoscandia Equipment Iberica team leaders, from Madrid, Spain, are congratulated by Charlie Cannon, Vice President and General Manager of FMC FoodTech, at the Excellence Awards celebration in Chicago. From left to right: Charlie, Manuel Anquela (Managing Director), Sergio Rabadan and Rafael Velazques.

Twenty-seven recipients. From 11 plants. In four countries.

This year's 2002 Excellence Awards winners traveled from around the globe to Chicago to be honored by the Company for outstanding work performance, academic achievements and for helping their communities become better places to live. This was the first celebration held to recognize all corporate-level award recipients.

"These awards spotlight the individuals that distinguish our company and make FMC Technologies a special place to work," said Mike Murray, Vice President of Human Resources and emcee for the event. "This evening, we celebrate the essence and vitality that deserves special recognition—that quality we call 'excellence'."

Eusebio Romo, Senior Sales Account Manager for FMC

FoodTech's Citrus Processing business in Riverside, California, was honored for his 48 years of service, more than any other active employee in the world. "In honoring Eusebio, we also honor the hundreds of employees who each year celebrate important milestones with our company," Mike said. "The ongoing commitment of individuals like Eusebio gives us a competitive edge."

Two heroes honored

Dave Reeger doesn't think of himself as a hero, but this FMC FoodTech Service Representative for Citrus Systems, who hails from Black Lick, Pennsylvania, demonstrated immense courage last June. That's when he stood eye-to-eye with an armed man who had allegedly shot a pregnant teenager in the head moments earlier. In fact, Dave confronted the gunman more than once, persuading him finally to put his .357 Magnum away.

Dave first encountered the armed suspect in front of a convenience store. He was standing

near a car carrying four young people at whom he had shot during an altercation on the freeway.

"I just told him it would be better for everybody if he put that thing down," Dave recalled. "All I wanted to do was to calm things down."

The suspect then opened the cylinder on the pistol, removed the remaining rounds and walked back to his pickup truck. At that point, Dave entered the store to offer assistance, but the suspect came inside and began "having words" with some of the people from the car who were seeking help for their wounded passenger. Once again, Dave persuaded the suspect to return to his truck and leave the scene. The man was arrested several hours later.

Doug Sutter, Service Technician at Citrus Systems in Lakeland, Florida, also didn't think twice about coming to the aid of others – in this case, two employees of a customer. Doug bravely entered a test facility when it became filled with dangerous ammonia gases.

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"This evening, we celebrate the essence and vitality that deserves special recognition—that quality we call 'excellence'."

KEEPING YOUR BREAKFAST BURRITOS SAFE

FMC FoodTech helps prevent food-related hazards

You may not realize it, but those tasty McDonald's breakfast burritos you wolf down between gulps of coffee on your drive to work contain sausage preserved in high-tech freezers designed by FMC FoodTech. The grilled chicken patties inside many popular sandwiches made by Burger King and McDonald's are precooked in FoodTech fryers and ovens. And believe it or not, FoodTech freezers preserve nearly 60 percent of the hamburgers sold by McDonald's restaurants.

“Utilizing food equipment that is easy to clean, sanitize and maintain will assist food processors in controlling the growth of food-borne pathogens in their operation.”



Consumers are more aware of the importance of food safety than ever before. Frequent reports of food processing companies involved in product recalls by the U.S. Department of Agriculture, the Food and Drug Administration, Centers for Disease Control and the media also suggest there is more emphasis on food-related hazards. Consequently, industry leaders such as FMC FoodTech have made food safety a top priority. FMC FoodTech conducts extensive food safety research, development and testing in the U.S. and in Helsingborg, Sweden.

“We understand that companies who manufacture and process food are under pressure to comply with safety standards and regulations,” says Dr. Nahed Kotrola, a food scientist and safety expert at FMC FoodTech in Sandusky, Ohio. “We want to help our customers in their efforts to deal effectively with those issues.”

Keeping it safe

When food is processed, cooked or frozen by Tyson and other industry giants, FMC FoodTech plays a role in helping them respond to the challenges of keeping it safe. FoodTech does this in a number of interesting ways. “As a leading-edge equipment manufacturer, FoodTech works with the food processing industry to meet obstacles to the safe processing and preparation of food while maintaining quality,” says Nahed. While providing customers with high-quality products, FoodTech staff also helps customers in their efforts to comply with regulatory guidelines and performance standards.

The Salisbury steak in your favorite TV dinner goes through many steps before you lift it steaming from your microwave. When it is first processed, the beef is treated with steam to help reduce the risk of E.coli and other pathogens. Today, nearly 60 percent of U.S. beef carcasses are treated using FoodTech's steam pasteurization equipment.

“Utilizing food equipment that is easy to clean, sanitize and maintain will assist food processors in controlling the growth of food-borne pathogens in their operation,” says Nahed. “Sanitation is a major issue in the food-processing plant.”

FoodTech’s Gyrocompact M7 Spiral freezer is a mammoth-sized device; its design helps control the growth of microorganisms inside the freezer and prevent cross-contamination of food. The freezer’s technology is based on research that indicates the importance of creating surfaces that are easy to reach and maintain.

Cooked food can also become contaminated if it is not frozen or cooked at uniform temperatures. The less temperature variation there is in the oven, the safer the cooking process is. “In general, FoodTech ovens are designed to prevent temperature variations that can threaten food safety,” says Nahed.

In 2003, FoodTech will launch a revolutionary new oven – the JSO-5. Nahed explains: “Its containment is capable of the temperature control necessary to maintain uniformity in cooking and to achieve desirable food quality. It is designed for easy assembly, cleaning and inspection.”

Training customers

FMC FoodTech staff also helps train equipment users through various cooking and processing classes, to use the oven and its processing capabilities effectively. The Company is working with experts at the University of Georgia, the University of Arkansas and Ecolab to develop a workshop for FoodTech customers on optimizing their cleaning and sanitizing procedures.

FoodTech’s food safety initiatives are designed to help meet the needs of food processing giants. “Our objectives have been to conduct research that provides information useful in solving problems in the food industry and to provide the consumer with high-quality foods having minimal risk to human health,” Nahed says.

FMC FoodTech experts also meet regularly with equipment designers and manufacturers to help improve sanitary design. In addition, company authorities work closely with national standards-writing committees, such as the National Sanitary Foundation (NSF), whose job is to recommend ways to use and maintain food processing equipment. “The NSF group includes regulators, manufacturers and users who develop standards for sanitary equipment design,” Nahed says. ○



Dave Grzebinski

BACKGROUND

As Director of Investor Relations, Corporate Development and Pension Investments, Dave must wear many hats that go with his three job titles. As head of Investor Relations, he is responsible for taking the Company’s message to shareholders and the

investment community. In Corporate Development, he is involved in mergers, acquisitions and divestiture opportunities as well as assisting executive management with corporate strategy initiatives. And his Pension Investments responsibilities call for him to work closely with investment managers to invest and safeguard the assets of the employees’ pension plan.

Creating awareness on Wall Street

Perhaps the biggest challenge in my job has been to increase the awareness of Wall Street of our stock by adding sell side, or research, analysts to cover our company. Over the past year, we have done 10 to 12 investor conferences and over 100 one-on-one meetings with portfolio managers and investors. That has required a lot of traveling to a lot of places, usually with Joe Netherland or Bill Schumann or both. It has been great to deal with such highly motivated, intelligent individuals. We try to have fun and keep it all in perspective.

Responding to investor questions

In Investor Relations, we answer a lot of questions from stockholders and institutional investors. We try to treat each investor equally, whether large or small, individual or institution. We try to answer and respond to each as promptly and quickly as we can while observing the fair disclosure rules set out by the Securities and Exchange Commission.

An engineering background

I was born in Boston, but my father was in the Air Force, so I moved around quite a bit growing up. I started out to be a chemical engineer—got my degree from the University of South Florida—and I earned an MBA from Tulane University. I worked for about 14 years for The Dow Chemical Company as an engineer and plant manager. Then, I moved to their pension fund area and ran a large portfolio, followed by corporate finance work. About five years ago, I got a call from a friend who worked for FMC. I was hired into the Treasury Department as Director of Pensions.

In the off hours

Mostly, I enjoy being with my children. I have two girls and a boy, ages 14 months to six years. I used to run a lot; I’ve even done a few marathons. But between traveling and my kids, I don’t have time for that any more. I just enjoy going to the park with them more than anything.

FROM THE INSIDE

o o joe NETHERLAND o o o o o o o o

A lot has happened since FMC Technologies became an independent, publicly traded company on June 14, 2001. From the awarding of major new contracts to the tragedy of September 11, it's been a roller coaster ride of events. Recently, Chairman, President and CEO Joe Netherland talked about the past 18 months from his unique perspective and shared insights into what he sees for the year ahead.

RIGHT IN THE TEETH

We had an extremely successful initial public offering (IPO). We had a terrific roadshow. We had done a good thing. Then September 11, 2001, came. Fifteen percent of our business is airline equipment, so it hit us right in the teeth. Then the rig count, which had been around 1,200 in 2001, dropped to about 800 in 2002. And then the food processors began having some troubles: one large customer was consolidating with another company, so they weren't spending a lot of capital; another had a major product recall. So by late 2001, we had begun to see a lot of problems.

GOOD PEOPLE DOING GOOD THINGS

It sounds like I'm setting the scene for a bad story, but in fact, our results have actually been very good for 2002. Those results are based on a lot of good people doing a lot of good things. In the Energy Systems group over the past couple of years, we got all of BP's subsea business in the Gulf of Mexico and an alliance with Norsk Hydro; plus, we have retained all of Shell's business and are very active with Kerr-McGee. The Airport Systems team was awarded a military contract to build the Halvorsen Loader, and we have retained all of Federal Express' business. We did a good job of controlling working capital in FoodTech—they have record low levels of money tied up in inventory and receiv-

ables. In addition to funding the expansion for subsea's new contracts, we paid down about \$100 million in debt from over \$360 million at the time of the IPO. And we put \$15 million into the employee pension fund. So in spite of what could have been a very difficult situation, we've done quite well.



Joe Netherland

WHY THEY CHOOSE US

Our customers choose us because we have done a good job of providing answers to some of their most complicated problems and because we have the best technology. Why did BP pick us to build their subsea completion systems? Because we had the best technology for completing wells in up to 7,000 feet of water at 15,000 psi. Why did we retain all of FedEx's work? Because we had the best solution to their biggest problem – which was how to load and unload planes in Memphis. Why do we have such a large percentage of the citrus business? Because we have the best citrus processing equipment in the industry, and we are valued by our customers.

LITTLE BUSINESSES ADD UP TO BIG RESULTS

One of the reasons I think we're successful is because we've never thought of ourselves as a big company. We've tended to

be a bunch of little businesses that add up to big results. I think we treasure that. We have employees who are particularly proud of what their plant or location does. Each plant lives or dies by the products they make and how these products serve their markets. We know our businesses. We don't have a lot of turnover. That makes for a healthy situation.

A CLEAR MISSION

We have a very clear mission. We are going to stay in the oilfield, airline and food equipment businesses. And we're going to focus on having on-time delivery to all of our customers of all the products we make. We need to be not only the best oilfield service company, but the best food processing equipment supplier and the best airport products provider. We must deliver on our subsea equipment contracts. In other businesses, we have to manage them well so that we're ready when the cycle turns. Currently, the airline business is down, but people are still pushing back aircraft from the gates, loading and deicing airplanes – and we make the equipment that enables those activities. At some point, they will need to buy more equipment. We're also becoming stronger in processed foods and food safety.

For 2002, we anticipate an earnings increase of about 16 percent – few other companies linked to the oilfield service sector are doing as well. We're going to continue to pay down debt. And we're going to make every effort to remain a company where people continue to have a future because our products and services remain at the forefront of providing solutions to our customers.

Financially Speaking

CONTINUED FROM PAGE 3

In fact, the FoodTech and Airport Systems businesses generate a great deal of value, says Joe Netherland, Chairman, President and CEO. "Both are well run businesses and strong cash flow generators. Both have strong product lines where they are either number one or number two in each of their markets. Plus, FMC Technologies gets a higher multiple on earnings that they generate by being part of an oil-field service company versus a chemical company."

The second important question asked by investors is why are the Company's profit margins so low, particularly in the Energy Systems business. "The answer is simple, really," Dave says. "We have a systems approach rather than just an equipment selling approach, meaning there is often a significant component of engineering hours in our sales. We also use an outsourcing manufacturing strategy whereby we don't manufacture many parts internally, resulting in a lot of pass-through items. So while overall margins are lower, we are able to service the customer better by having a systems focus."

What the analysts are saying

Recent reports by analysts reflect a generally positive attitude and a sense that the stock is undervalued and the potential for growth is good.

"Based on our sum-of-parts analysis, we believe that FMC Technologies is undervalued," says a recent report by Lehman Brothers. "We are maintaining our 2002 and 2003 earnings estimates of \$0.95 and \$1.05, respectively, and establishing a 2004 earnings estimate of \$1.40."

Analysts from Raymond James & Associates raised their 2002 earnings estimate and issued a strong buy recommendation, saying: "Based on the positive upside in the current quarter, we are raising our 2002

earnings per share (EPS) estimate from \$0.90 to \$0.94 per share. Additionally, we are maintaining our 2003 and 2004 EPS estimates of \$1.10 and \$1.40, respectively. We reiterate our Strong Buy rating and 12-month price target of \$28 based on roughly 20x our 2004 EPS estimate."

Fahnestock & Co. Inc. recognizes the growth potential for Energy Systems as well as strong cash flow potential in the company's other businesses. "FMC Technologies remains attractively positioned for strong secular earnings growth in subsea completion systems, which drives its core Energy Services division. This growth should remain largely independent of short-term swings in North American natural gas markets. Non-core Food Tech and Airport Systems divisions provide strong free cash flow for debt reduction."

Meanwhile, SalmonSmithBarney lowered its 2003 EPS estimate to \$1.12 from \$1.15 due to lower expectations from the FoodTech and Airport Systems divisions.

And at Merrill Lynch, the view is, "The subsea hardware manufacturers are among the best ways to play the continued expansion of deepwater development activity. FTI is the leader in this segment. While other deepwater sensitive segments, such as subsea services, have been disappointing fundamentally, the hardware suppliers have generated more consistent profit growth and have good earnings visibility. This greater visibility should result in premium valuation as investors come back into the oil service sector."

Despite difficult market conditions, management continues to expect 2002 full-year earnings, before non-recurring items, to increase approximately 16 percent over 2001 pro forma results, to \$0.95 per diluted share. Earnings are expected to increase 10 to 15 percent in 2003. ●

"FMC Technologies remains attractively positioned for strong secular earnings growth in subsea completion systems, which drives its core Energy Services division."

A Night of Kudos

CONTINUED FROM PAGE 7

Doug heard the call on his two-way radio and proceeded immediately to the facility, where he donned protective gear and entered the room. Both people were already overcome by the gas.

"I just threw them over my shoulder and carried them out," he said. "When I saw them a few weeks later, they thanked me from the bottom of their hearts."

Academic and professional achievements

Two National Merit Scholarship Program winners were also recog-

nized through a program that allows employees' dependents to qualify for \$2,000 per year for up to four years of college undergraduate study. Annaka Larson, daughter of FMC FoodTech's John Larson of Northfield, Minnesota, plans to attend Carleton College. James Kerchenfaut, son of Mike Kerchenfaut, Operations Manager for FMC Material Handling Systems in Homer City, Pennsylvania, will attend Carnegie Mellon University.

In addition to these special awards, the recipients of the Chairman's, Eagle, Infinity and Tony awards also were honored at

the event. Among these award winners was the team that traveled the farthest – the Frigoscandia Equipment Iberica team from Madrid, Spain, led by Managing Director Manuel Anquela. This team was honored with a Tony Award for outstanding results and customer satisfaction.

"While we are honoring some very special people this evening, we should remember these people embody the skills, energy and commitment to our companies' success of the 8,400 people around the world who work for FMC Technologies," Mike said. ●

in brief ○○○○○○

TRINITY MIRROR PICKS FMC AUTOMATED SYSTEMS TO SUPPLY PAPER HANDLING SYSTEM

Trinity Mirror plc, the United Kingdom's largest newspaper publisher, has selected FMC Automated Systems to install a state-of-the-art reel handling system in its proposed new press hall, which is being built at a cost of \$92.5 million at Fort Dunlop, Birmingham. The system includes three laser-guided vehicles capable of automatically handling newspaper reels from reception to production. The FMC Automated Systems solution also includes reel input conveyors, unwrapping stations, core removal robots, automated removal of waste and core bins to compactors, reel warehouse tracking software and applications software specifically designed for newspaper reel handling.

FMC ENERGY SYSTEMS TO SUPPLY SUBSEA SYSTEMS FOR HYDRO'S VIGDIS EXTENSION IN THE NORTH SEA

FMC Energy Systems has signed a contract with Norsk Hydro ASA to supply subsea systems and related services for the Vigdis Extension Field in the North Sea. The contract, valued at approximately \$49 million, includes six subsea trees and associated structures, manifolds and production control systems as well as connection systems for flowlines and umbilicals.

STATOIL EXTENDS SUBSEA SERVICE AGREEMENT

Statoil ASA has extended its existing subsea service agreement with FMC Energy Systems for an additional two years with an option for two more years beyond that. The company expects to receive approximately \$60 million under the terms of the extension. The agreement calls for FMC Energy Systems to provide technical services in connection with completion, workover, installation, maintenance and other activities associated with subsea field development. The contract also has a provision for additional equipment for Statoil-operated fields previously supplied by FMC Kongsberg Subsea.

SONATRACH PICKS FMC TECHNOLOGIES FOR OIL OFFLOADING PROJECT

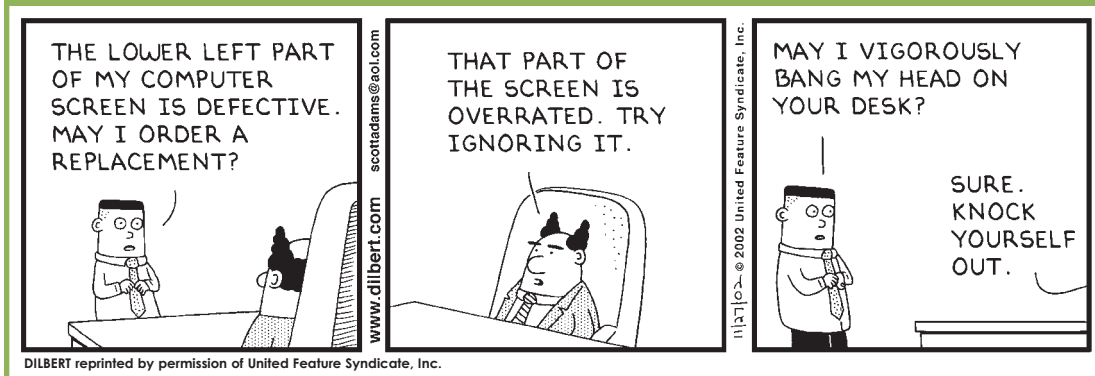
Sonatrach-TRC, the Algerian Oil and Gas Company, has chosen FMC Technologies to develop five offshore loading stations for transporting crude oil and condensate from onshore facilities in Algeria. Valued at approximately \$120 million to FMC Technologies, the project includes five SOFEC™ CALM (catenary anchor leg mooring) type buoys, designed and supplied by FMC SOFEC Floating Systems, for export terminals with associated PLEM (Pipeline End Manifolds). Project completion is anticipated in 2004.

THIS IS THE FIRST

This is the first edition of *CONNECT*, a new publication for the employees of FMC Technologies. It is our hope that this publication will play an important role in keeping you informed about your company and the activities of your fellow employees.

As we develop this new means of communication, we would appreciate your feedback. Please send your comments and ideas to Bruce Bullock or Marvin Brown in Corporate Communications – Houston. ○

IT'S DILBERT ○○○○○○



WE WANT TO HEAR FROM YOU!

What comments do you have about *CONNECT*?
What issues would you like to see addressed in the future?

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CONNECT is published for employees of FMC Technologies.

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