FMC TECHNOLOGIES, INC. AND CONSOLIDATED SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2016, 2015 and 2014

The following Management Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements of FMC Technologies, Inc. and consolidated subsidiaries as of December 31, 2016 and 2015 and for the three-year period ended December 31, 2016 filed with the Securities and Exchange Commission by TechnipFMC plc on a Current Report on Form 8-K/A on February 24, 2017.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following Management Discussion and Analysis of Financial Condition and Results of Operations of the consolidated financial statements and related notes of FMC Technologies, Inc. and consolidated subsidiaries as of December 31, 2016 and 2015 and for the three-year period ended December 31, 2016 contains "forward-looking statements". All statements other than statements of historical fact contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements are often identified by the words "believe," "expect," "anticipate," "plan," "intend," "foresee," "should," "would," "could," "may," "estimate," "outlook" and similar expressions, including the negative thereof. The absence of these words, however, does not mean that the statements are not forward-looking. These forward-looking statements are based on our current expectations, beliefs and assumptions concerning future developments and business conditions and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate.

All of our forward-looking statements involve risks and uncertainties (some of which are significant or beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause actual results to differ materially from those contemplated in the forward-looking statements include:

- Demand for our products and services, which is affected by changes in the price of, and demand for, crude oil and natural gas in domestic and international markets;
- Potential liabilities arising out of the installation or use of our products;
- U.S. and international laws and regulations, including environmental regulations, that may increase our costs, limit the demand for our products and services or restrict our operations;
- Disruptions in the political, regulatory, economic and social conditions of the countries in which we conduct business;
- Fluctuations in currency markets worldwide;
- Cost overruns that may affect profit realized on our fixed price contracts;
- Disruptions in the timely delivery of our backlog and its effect on our future sales, profitability and our relationships with our customers;
- The cumulative loss of major contracts or alliances;
- Rising costs and availability of raw materials;
- A failure of our information technology infrastructure or any significant breach of security;
- Our ability to develop and implement new technologies and services, as well as our ability to protect and maintain critical intellectual property assets;
- The outcome of uninsured claims and litigation against us;
- Deterioration in future expected profitability or cash flows and its effect on our goodwill;
- Downgrade in the ratings of our debt could restrict our ability to access the debt capital markets;
- Continuing consolidation within our industry; and
- Our dependence on the continuing services of certain of our key managers and employees.

We undertake no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except to the extent required by law.

FMC Technologies, Inc. is a global provider of technology solutions for the energy industry. FMC Technologies, Inc. was incorporated in November 2000 under Delaware law and was a wholly-owned subsidiary of FMC Corporation until its initial public offering in June 2001. Our principal executive offices are located at 5875 North Sam Houston Parkway West, Houston, Texas 77086. As used in this report, except where otherwise stated or indicated by the context, all references to the "Company," "FMC Technologies," "we," "us," and "our" are to FMC Technologies, Inc. and its consolidated subsidiaries.

Merger of FMC Technologies and Technip

In May 2016 FMC Technologies announced its intention to enter into a business combination with Technip S.A. ("Technip"). On June 14, 2016, FMC Technologies and Technip entered into a definitive business combination agreement providing for the business combination among FMC Technologies, FMC Technologies SIS Limited, a private limited company incorporated under the laws of England and Wales and a wholly-owned subsidiary of FMC Technologies, and Technip. On August 4, 2016, FMC Technologies SIS Limited changed its name to TechnipFMC Limited and was subsequently re-registered under the laws of England and Wales on January 11, 2017 as TechnipFMC plc ("TechnipFMC"). On December 5, 2016, the definitive business combination agreement was unanimously approved by the board of directors of FMC Technologies and Technip.

On January 16, 2017, the business combination was completed. Pursuant to the terms of the definitive business combination agreement, Technip merged with and into TechnipFMC, with TechnipFMC continuing as the surviving company (the "Technip Merger"), and each ordinary share of Technip (the "Technip Shares"), other than Technip Shares owned by Technip or its wholly-owned subsidiaries, were exchanged for 2.0 ordinary shares of TechnipFMC, subject to the terms of the definitive business combination agreement. Immediately following the Technip Merger, a wholly-owned indirect subsidiary of TechnipFMC ("Merger Sub") merged with and into FMC Technologies, with FMC Technologies continuing as the surviving company and as a wholly-owned indirect subsidiary of TechnipFMC (the "FMCTI Merger"), and each share of common stock of FMC Technologies (the "FMCTI Shares"), other than FMCTI Shares owned by FMC Technologies, TechnipFMC, Merger Sub or their respective wholly-owned subsidiaries, were exchanged for 1.0 ordinary share of TechnipFMC, subject to the terms of the definitive business combination agreement.

Executive Overview

We design, manufacture and service technologically sophisticated systems and products for customers in the energy industry. We have manufacturing operations worldwide, strategically located to facilitate delivery of our products, systems and services to our customers. We report our results of operations in the following segments: Subsea Technologies, Surface Technologies and Energy Infrastructure. Management's determination of the Company's reporting segments was made on the basis of our strategic priorities and corresponds to the manner in which our chief operating decision maker reviews and evaluates operating performance to make decisions about resources allocations to each segment.

We focus on economic- and industry-specific drivers and key risk factors affecting our business segments as we formulate our strategic plans and make decisions related to allocating capital and human resources. The results of our segments are primarily driven by changes in capital spending by oil and gas companies, which largely depend upon current and anticipated future crude oil and natural gas demand, production volumes, and consequently, commodity prices. We use crude oil and natural gas prices as an indicator of demand. Additionally, we use rig count as an indicator of demand which consequently influences the level of worldwide production activity and spending decisions. We also focus on key risk factors when determining our overall strategy and making decisions for capital allocation. These factors include risks associated with the global economic outlook, product obsolescence and the competitive environment. We address these risks in our business strategies, which incorporate continuing development of leading edge technologies and cultivating strong customer relationships.

Our Subsea Technologies segment is primarily affected by trends in deepwater oil and natural gas production. Our Surface Technologies segment is primarily affected by trends in land-based and shallow water oil and natural gas production, including trends in shale production. We have developed close working relationships with our customers. Our Subsea Technologies segment builds long-term alliances with oil and natural gas companies that are actively engaged in offshore deepwater development. We believe that by closely working with our customers, we enhance our competitive advantage, improve our operating results and strengthen our market positions. Our share of subsea tree awards during the year is one way we evaluate our market position.

As we evaluate our operating results, we consider business segment performance indicators like segment revenue, operating profit and capital employed, in addition to the level of inbound orders and order backlog. A significant proportion of our revenue is recognized under the percentage of completion method of accounting. Cash receipts from such arrangements typically occur at milestones achieved under stated contract terms. Consequently, the timing of revenue recognition is not always correlated with the timing of customer payments. We aim to structure our contracts to receive advance payments that we typically use to fund engineering efforts and inventory purchases. Working capital (excluding cash) and net (debt) cash are therefore key performance indicators of cash flows.

In each of our segments, we serve customers from around the world. During 2016, approximately 75% of our total sales were recognized outside of the United States. We evaluate international markets and pursue opportunities that fit our technological capabilities and strategies. We have targeted opportunities in West Africa, Brazil, the North Sea and the Asia-Pacific region because of the expected offshore drilling potential in those regions.

Business Outlook

Merger of FMC Technologies and Technip—Refer to “Merger of FMC Technologies and Technip” for further information related to the business combination.

Overall Outlook—Although the price of crude oil recovered in 2016 when compared to the prior year, the oil and gas industry continues to experience the overall impacts of the low crude oil price environment and the uncertainties in the crude oil price outlook. Despite OPEC’s recently announced framework agreement to cap OPEC crude oil production in 2017, uncertainty in the crude oil price outlook remains as to the effectiveness and duration of both concurrent OPEC and non-OPEC production cuts. Overall, the uncertain crude oil price outlook is expected to have a continued negative effect on our businesses in 2017. The timing of any recovery of crude oil prices and business activity is dependent on many variables, but many analysts believe the market corrections necessary to address the oversupply of crude oil are expected to occur over the next year. As long-term demand rises and production naturally declines, we believe commodity prices should continue to recover, improving the cash flows and confidence of our customers to increase their investments in new sources of oil production.

Subsea Technologies—The low crude oil price environment over the last two years led many of our customers to reduce their capital spending plans or defer new deepwater projects. These capital spending reductions had an adverse effect on 2016 subsea inbound orders when compared to the prior year. Beginning in 2015, we began to reduce our workforce to align our operations with the anticipated decreases in activity in 2016 due to delayed subsea project inbound and to maintain operating margins. We benefited from these restructuring actions by attaining more cost-effective manufacturing during 2016. We expect subsea revenue to decrease a third consecutive year in 2017. We also recognize the need to strategically invest in our people to ensure that we preserve the core competencies and capabilities that delivered the strong results in 2016 and will be needed to respond to the market recovery. We believe the operational improvements made will help mitigate the anticipated decline in operating margins. We remain confident that we can deliver double digit operating margins for the full-year 2017. Our customers are taking aggressive actions to improve their project economics. Accordingly, we remain focused on ways to reduce costs to our customers by offering cost-effective approaches to our customers’ project developments, including customer acceptance of integrated business models to help achieve the cost-reduction goals and accelerate achievement of first oil. In the long term, we continue to believe deepwater development will remain a significant part of our customers’ portfolio.

Surface Technologies—Our Surface Technologies businesses continues to operate in a challenging environment as a result of lower activity and competitive pricing, particularly in the North American land market. As a result, where excess supply has limited the ability to earn an acceptable return, we have temporarily suspended certain operations in our surface integrated services business until additional market activity supports our profit and cash flow objectives. The market recovery has begun in North America. Our restructuring actions taken in 2016 have reduced costs, and we expect our rationalized operating structure to provide us with flexibility to respond to this recovery. Based on its strong backlog and the inherent geographical mix in which it operates, our international surface business delivered strong results in 2016. However, we experienced competitive pricing pressure throughout 2016 in these international markets, and we expect this to negatively impact future margins into 2017.

CONSOLIDATED RESULTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Year Ended December 31,			Change			
(In millions, except percentages)	**2016**	**2015**	**2014**	**2016 vs. 2015**		**2015 vs. 2014**	
Revenue	$ 4,542.3	$ 6,362.7	$ 7,942.6	$ (1,820.4)	(29)%	$ (1,579.9)	(20)%
Costs and expenses:							
Cost of sales	3,528.1	4,894.8	5,994.9	(1,366.7)	(28)	(1,100.1)	(18)
Selling, general and administrative expense	581.7	624.8	750.6	(43.1)	(7)	(125.8)	(17)
Research and development expense	114.1	135.3	123.7	(21.2)	(16)	11.6	9
Restructuring and impairment expense	92.9	112.2	4.9	(19.3)	(17)	107.3	2,190
Merger transaction and integration costs	45.2	3.5	—	41.7	1,191	3.5	*
Total costs and expenses	4,362.0	5,770.6	6,874.1	(1,408.6)	(24)	(1,103.5)	(16)
Gain on disposition of business, net	6.4	—	84.3	6.4	*	(84.3)	*
Other income (expense), net	(30.1)	(57.2)	(54.0)	27.1	*	(3.2)	*
Net interest expense	(30.0)	(32.3)	(32.5)	2.3	7	0.2	1
Income before income taxes	126.6	502.6	1,066.3	(376.0)	(75)	(563.7)	(53)
Provision for income taxes	79.5	107.8	361.0	(28.3)	(26)	(253.2)	(70)
Income from continuing operations	47.1	394.8	705.3	(347.7)	(88)	(310.5)	(44)
Income (loss) from discontinued operations, net of income taxes	(10.1)	—	—	(10.1)	*	—	*
Net income	37.0	394.8	705.3	(357.8)	(91)	(310.5)	(44)
Less: net (income) loss attributable to noncontrolling interests	1.4	(1.7)	(5.4)	3.1	182	3.7	69
Net income attributable to FMC Technologies, Inc.	$ 38.4	$ 393.1	$ 699.9	$ (354.7)	(90)%	$ (306.8)	(44)%

*Not meaningful

2016 Compared With 2015

Revenue decreased by $1,820.4 million in 2016 compared to the prior year. Revenue in 2016 included an $88.7 million unfavorable impact of foreign currency translation. In Subsea Technologies, revenue is primarily impacted by the amount of beginning backlog entering the year, the pace of backlog conversion and the orders received during the year. Revenue decreased across all subsea regions primarily due to lower inbound orders achieved during 2015 that affected the backlog coming into the current year and lower subsea service revenue year-over-year. Additionally, the decrease in revenue was attributable to lower sales volumes in our Schilling Robotics and Multi Phase Meters businesses as a result of lower market activity. Surface Technologies posted lower revenue primarily driven by lower market activity in North America which decreased demand for our well service pumps and flowline products in our fluid control business and conventional wellheads in our surface integrated services business.

Gross profit (revenue less cost of sales) decreased as a percentage of sales to 22.3% in 2016 from 23.1% in the prior year. The decrease in gross profit as a percentage of sales was primarily due to lower market activity in North America which decreased sales volumes in our surface integrated services business and decreased sales volumes for our well service pumps and flowline products in our fluid control business. The decrease in gross profit as a percentage of sales was partially offset by higher margin project backlog conversion in our Western Region and Asia Pacific subsea business and lower excess and obsolescence inventory charges in our surface integrated services, fluid control and measurement solutions businesses in 2016.

Selling, general and administrative expense decreased by $43.1 million year-over-year, driven by lower headcount across all reporting segments, foreign currency translation and decreased sales commissions.

Restructuring and impairment expense decreased by $19.3 million year-over-year, driven by lower impairment charges taken in 2016 when compared to the prior year. In 2016 we recorded impairment charges of $42.6 million primarily due to the impairment of tangible and intangible assets in our U.S. and Canadian surface integrated services businesses related to the downturn in the energy market in the U.S. and the related sale of our wireline business in Canada, respectively. In 2015 we recorded impairment expenses of $66.5 million primarily due to the impairment of tangible and intangible assets in our Canadian surface integrated services business related to the downturn in the energy market in Canada. Additionally, we recorded restructuring expenses of $50.3 million and $45.7 million during 2016 and 2015, respectively, as a result of our company-wide reduction in workforce and facility consolidation that began in 2015.

Merger transaction and integration costs of $45.2 million incurred during 2016 were due to the merger of FMC Technologies and Technip. Refer to "Merger of FMC Technologies and Technip" for further information related to the business combination.

Other income (expense), net, primarily reflects foreign currency gains and losses. The decrease in other income (expense), net from 2015 to 2016 is primarily related to the devaluation of the Angolan new kwanza in 2015.

Our provision for income taxes reflected an effective tax rate of 62.1% and 21.5% in 2016 and 2015, respectively. The increase in our effective tax rate in 2016 from 2015 was primarily due to an increase in the valuation allowance on deferred tax assets related to intercompany interest costs in Norway, partially offset by a favorable change in mix of earnings. 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 which are set to expire after 2018 in Singapore and 2017 and 2020 in Malaysia. The difference between the effective tax rate and the statutory U.S. federal income tax rate primarily related to differing foreign and state tax rates.

We recorded a $10.1 million loss, net of income taxes, from discontinued operations in 2016. In 2007, the Algerian Tax Authority issued a notice of tax assessment against SOFEC Floating Systems, Inc. ("SOFEC") for calendar years 2003 through 2006. SOFEC, a former wholly-owned subsidiary of FMC Technologies, issued a protest in 2009 in response to the assessment, and during 2016, we were notified the tax assessment protest was officially rejected. During the period assessed, SOFEC engaged in a multi-year supply and installation project for Sonatrach, Algeria's national oil company.

2015 Compared With 2014

Revenue decreased by $1,579.9 million in 2015 compared to the prior year. Revenue in 2015 included a $652.5 million unfavorable impact of foreign currency translation. Excluding the impact of foreign currency translation, total revenue decreased by $927.4 million year-over-year. In Subsea Technologies, we entered 2015 with a strong backlog; however, during the latter part of 2014 and throughout 2015, crude oil prices experienced a precipitous decline. The decline in crude oil prices had an unfavorable effect on the subsea market which led to decreased order activity for subsea systems and services. Additionally, the decrease in revenue was attributable to lower sales volumes in our Schilling Robotics and Multi Phase Meters businesses as a result of lower market activity. Surface Technologies posted lower revenue in 2015 driven by lower market activity in North America which decreased demand for our well service pumps and flowline products in our fluid control business and conventional wellheads and frac-tree rental, flowback and wireline services in our surface integrated services business.

Gross profit (revenue less cost of sales) decreased as a percentage of sales to 23.1% in 2015 from 24.5% in the prior year. The decrease in gross profit as a percentage of sales was primarily due to lower market activity in North America which decreased sales volumes in our surface integrated service business and decreased sales volumes for our well service pumps and flowline products in our fluid control business. Additionally, the market downturn in North America led us to take excess and obsolescence inventory charges in our surface integrated services, fluid control and measurement solutions businesses in 2015. The decrease in gross profit as a percentage of sales was partially offset by higher margin project backlog conversion in our Western Region and Asia Pacific subsea business.

Selling, general and administrative expense decreased by $122.3 million year-over-year, driven by foreign currency translation, decreased sales commissions, and costs associated with terminating a representative agreement in our international surface wellhead business in 2014.

Restructuring and impairment expense increased by $107.3 million year-over-year, driven by impairment expenses of $66.5 million primarily due to the impairment of tangible and intangible assets in our Canadian surface integrated service business related to the downturn in the energy market in Canada and restructuring expenses of $45.7 million as a result of our company-wide reduction in workforce and facility consolidation that began in 2015.

During 2014 we recognized a net $84.3 million gain on the sale of our material handling products business.

Other income (expense), net, reflected foreign currency losses in 2015 primarily related to the devaluation of the Angolan new kwanza. In 2014, other income (expense), net reflected foreign currency losses primarily related to a $33.4 million loss related to the remeasurement of an intercompany foreign currency transaction and other foreign currency losses primarily due to the strengthening of the U.S. dollar.

Our provision for income taxes reflected an effective tax rate of 21.5% and 34.0% in 2015 and 2014, respectively. The decrease in our effective tax rate in 2015 from 2014 was primarily due to a favorable change in mix of earnings, partially offset by an increase in the valuation allowance for certain intercompany interest costs and a settlement of an IRS audit. 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 which are set to expire after 2018 in Singapore and 2017 and 2020 in Malaysia. The difference between the effective tax rate and the statutory U.S. federal income tax rate primarily related to differing foreign and state tax rates.

OPERATING RESULTS OF BUSINESS SEGMENTS
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

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, net interest income (expense) associated with corporate debt facilities, income taxes, 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.

We report our results of operations in U.S. dollars; however, our earnings are generated in various currencies worldwide. For example, we generate a significant amount of revenue, and incur a significant amount of costs, in Norwegian krone, Brazilian real, Singapore dollar, Malaysian ringgit, British pound, Angolan new kwanza and the euro. In order to provide worldwide consolidated results, the earnings of subsidiaries functioning in their local currencies are translated into U.S. dollars based upon the average exchange rate during the period. While the U.S. dollar results reported reflect the actual economics of the period reported upon, the variances from prior periods include the impact of translating earnings at different rates.

Subsea Technologies

	Year Ended December 31,			Favorable/(Unfavorable)			
(In millions, except %)	**2016**	**2015**	**2014**	**2016 vs. 2015**		**2015 vs. 2014**	
Revenue	$ 3,314.0	$ 4,509.0	$ 5,266.4	$ (1,195.0)	(27)%	$ (757.4)	(14)%
Operating profit	$ 430.4	$ 630.2	$ 748.2	$ (199.8)	(32)%	$ (118.0)	(16)%
Operating profit as a percent of revenue	13.0%	14.0%	14.2%		(1.0) pts.		(0.2) pts.

2016 Compared With 2015

Subsea Technologies' revenue decreased $1,195.0 million in 2016 compared to the prior year. Revenue for 2016 included a $58.6 million unfavorable impact of foreign currency translation. Subsea Technologies revenue is primarily impacted by the amount of beginning backlog entering the year, the pace of backlog conversion and the orders received during the year. Revenue decreased across all subsea regions primarily due to lower inbound orders achieved during 2015 that affected the backlog coming into the current year and lower subsea service revenue year-over-year. Additionally, the decrease in revenue was attributable to lower sales volumes in our Schilling Robotics and Multi Phase Meters businesses as a result of lower market activity.

Subsea Technologies' operating profit totaled $430.4 million, or 13.0% of revenue, in 2016, compared to the prior-year's operating profit as a percentage of revenue of 14.0%. The margin decline was primarily driven by the following:

- Subsea Systems - 0.2 percentage point decrease due to losses from equity earnings in affiliates related to our FTO Services and Forsys Subsea joint ventures, partially offset by higher margin project backlog conversion in our Western Region and Asia Pacific subsea business and lower restructuring and severance charges recorded in 2016; and
- Schilling Robotics and Multi Phase Meters - 0.8 percentage point decrease due to the decline in crude oil price and its related effect on market activity in 2016.

Subsea Technologies' operating profit in 2016 included a $4.8 million unfavorable impact of foreign currency translation and $39.4 million in impairment, restructuring and other severance charges. Subsea Technologies' operating profit in 2015 included $49.7 million in impairment, restructuring and other severance charges.

2015 Compared With 2014

Subsea Technologies' revenue decreased $757.4 million in 2015 compared to the prior year. Revenue for 2015 included a $540.6 million unfavorable impact of foreign currency translation, primarily as a result of the Brazilian real and Norwegian krone. Excluding the impact of foreign currency translation, Subsea Technologies' revenue decreased by $216.8 million during 2015 compared to the prior year. We entered 2015 with a strong backlog; however, during the latter part of 2014 and throughout 2015, crude oil prices experienced a precipitous decline. The decline in crude oil price had an unfavorable effect on the subsea market which led to decreased order activity for subsea systems and services. Additionally, the decrease in revenue was attributable to lower sales volumes in our Schilling Robotics and Multi Phase Meters businesses as a result of lower market activity.

Subsea Technologies' operating profit totaled $630.2 million, or 14.0% of revenue, in 2015, compared to the prior-year's operating profit as a percentage of revenue of 14.2%. The margin decline was primarily driven by the following:

- Subsea Systems - 0.5 percentage point increase due to higher margin project backlog conversion in our Western Region and Asia Pacific subsea business, partially offset by restructuring and severance charges in 2015; and
- Schilling Robotics and Multi Phase Meters - 0.8 percentage point decrease due to the decline in crude oil price and its related effect on market activity in 2015.

Subsea Technologies' operating profit in 2015 included a $77.5 million unfavorable impact of foreign currency translation and $49.7 million in impairment, restructuring and other severance charges.

Surface Technologies

	Year Ended December 31,			Favorable/(Unfavorable)			
(In millions, except %)	**2016**	**2015**	**2014**	**2016 vs. 2015**		**2015 vs. 2014**	
Revenue	$ 935.3	$ 1,487.6	$ 2,130.7	$ (552.3)	(37)%	$ (643.1)	(30)%
Operating profit (loss)	$ (69.2)	$ 60.6	$ 393.0	$ (129.8)	(214)%	$ (332.4)	(85)%
Operating profit (loss) as a percent of revenue	(7.4)%	4.1%	18.4%		(11.5) pts.		(14.3) pts.

2016 Compared With 2015

Surface Technologies' revenue decreased $552.3 million in 2016 compared to the prior year. Revenue decreased in all of our Surface Technologies businesses year-over-year. The decrease in revenue was primarily driven by lower market activity in North America which decreased demand for our well service pumps and flowline products in our fluid control business and conventional wellheads in our surface integrated services business. Additionally, the revenue decrease in our surface integrated services business was also attributable to the divestiture of our wireline business during the second quarter of 2016. Foreign currency translation unfavorably impacted Surface Technologies revenue by $28.8 million in 2016.

Surface Technologies' operating loss totaled $69.2 million, or (7.4)% of revenue, in 2016, compared to the prior-year's operating profit as a percentage of revenue of 4.1%. The margin decline was primarily driven by the following:

- Surface Integrated Services - 10.3 percentage point decrease due to $22.2 million in restructuring and other severance charges and lower market activity in North America, partially offset by lower impairment charges taken in 2016; and
- Fluid Control - 2.1 percentage point decrease due to decreased sales volumes for our well service pumps and flowline products resulting from lower activity in the North American shale markets.

Surface Technologies' operating loss in 2016 included a $3.6 million unfavorable impact of foreign currency translation, $65.7 million in impairment, restructuring and other severance charges, and $14.7 million in excess and obsolescence inventory charges. Surface Technologies' operating profit in 2015 included $73.7 million in impairment, restructuring and other severance charges, and $41.1 million in excess and obsolescence inventory charges.

2015 Compared With 2014

Surface Technologies' revenue decreased $643.1 million in 2015 compared to the prior year. The decrease in revenue was primarily driven by lower market activity in North America which decreased demand for our well service pumps and flowline products in our fluid control business and conventional wellheads in our surface integrated services business. Foreign currency translation unfavorably impacted revenue by $74.3 million in 2015.

Surface Technologies' operating profit totaled $60.6 million, or 4.1% of revenue, in 2015, compared to the prior-year's operating profit as a percentage of revenue of 18.4%. The margin decline was primarily driven by the following:

- Surface Integrated Services - 10.2 percentage point decrease due to $59.0 million in asset impairment charges primarily in Canada, excess and obsolescence inventory charges, and lower market activity in North America; and
- Fluid Control - 5.6 percentage point decrease due to decreased sales volumes for our well service pumps and flowline products resulting from lower activity in the North American shale markets and related excess and obsolescence inventory charges and restructuring expense.

Surface Technologies' operating profit in 2015 included a $7.6 million favorable impact of foreign currency translation, $73.7 million in impairment, restructuring and other severance charges, and $41.1 million in excess and obsolescence inventory charges.

Energy Infrastructure

	Year Ended December 31,			Favorable/(Unfavorable)			
(In millions, except %)	2016	2015	2014	2016 vs. 2015		2015 vs. 2014	
Revenue	$ 316.9	$ 395.4	$ 557.4	$ (78.5)	(20)%	$ (162.0)	(29)%
Operating profit	$ 2.9	$ 3.2	$ 52.5	$ (0.3)	(9)%	$ (49.3)	(94)%
Operating profit as a percent of revenue	0.9%	0.8%	9.4%		0.1pts.		(8.6) pts.

2016 Compared With 2015

Energy Infrastructure's revenue decreased $78.5 million in 2016 compared to the prior year. The decrease in revenue was due to lower sales volumes primarily in our measurement solutions business driven by the continued reduction in market activity in 2016. Foreign currency translation unfavorably impacted revenue by $1.9 million in 2016.

Energy Infrastructure's operating profit totaled $2.9 million, or 0.9% of revenue, in 2016, compared to the prior-year's operating profit as a percentage of revenue of 0.8%. The margin improvement was primarily driven by the following:

- Measurement Solutions - 2.6 percentage point increase due to lower restructuring charges and inventory write-downs in 2016; and
- Loading Systems - 2.1 percentage point decrease due to lower sales volumes and restructuring costs taken in 2016.

Energy Infrastructure's operating profit in 2016 included $3.4 million in restructuring and other severance charges and $0.8 million in excess and obsolescence inventory charges. Energy Infrastructure's operating profit in 2015 included $8.5 million in restructuring and other severance charges and $7.4 million in excess and obsolescence inventory charges.

2015 Compared With 2014

Energy Infrastructure's revenue decreased $162.0 million in 2015 compared to the prior year. The decrease in revenue was due to lower sales volumes primarily in our measurement solutions business driven by the market downturn in 2015. Foreign currency translation unfavorably impacted revenue by $38.7 million in 2015.

Energy Infrastructure's operating profit totaled $3.2 million, or 0.8% of revenue, in 2015, compared to the prior-year's operating profit as a percentage of revenue of 9.4%. The margin decline was primarily driven by a 6.5 percentage point decrease in our measurement solutions business as a result of lower sales volumes due to the market downturn in 2015 and restructuring expense, severance charges and excess and obsolescence inventory charges recorded in 2015. Energy Infrastructure's operating profit in 2015 included $8.5 million in restructuring and other severance charges and $7.4 million in excess and obsolescence inventory charges.

Corporate Items

(In millions, except %)	Year Ended December 31, 2016	2015	2014	Favorable/(Unfavorable) 2016 vs. 2015		2015 vs. 2014	
Corporate expense	$ (57.3)	$ (60.2)	$ (66.3)	$ 2.9	5%	$ 6.1	9%
Other revenue and other (expense), net	(149.0)	(100.8)	(33.7)	(48.2)	(48)%	(67.1)	(199)%
Net interest expense	(30.0)	(32.3)	(32.5)	2.3	7%	0.2	1%
Total corporate items	$ (236.3)	$ (193.3)	$ (132.5)	$ (43.0)	(22)%	$ (60.8)	(46)%

2016 Compared With 2015

Our corporate items reduced earnings by $236.3 million in 2016, compared to $193.3 million in 2015. The year-over-year increase primarily reflected the following:

- unfavorable variance of $41.7 million related to business combination transaction and integration costs related to the merger with Technip;
- unfavorable variance of $23.8 million related to transition and facility consolidation costs;
- unfavorable variance of $10.6 million related to corporate restructuring and impairment expenses; and a
- favorable variance of $25.0 million associated with foreign currency gains and losses.

2015 Compared With 2014

Our corporate items reduced earnings by $193.3 million in 2015, compared to $132.5 million in 2014. The year-over-year increase primarily reflected the following:

- unfavorable variance of $84.3 million related to the gain on sale of our Material Handling Products business in 2014;
- favorable variance of $8.0 million related to inventory LIFO and valuation adjustments; and a
- favorable variance of $13.9 million associated with lower pension expense, primarily related to settlement charges in our U.S. defined benefit plan in 2014.

Inbound Orders and Order Backlog

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

	Inbound Orders Year Ended December 31,	
(In millions)	**2016**	**2015**
Subsea Technologies	$ 1,650.5	$ 3,102.7
Surface Technologies	835.9	1,289.8
Energy Infrastructure	232.3	379.3
Intercompany eliminations and other	(23.5)	(17.3)
Total inbound orders	$ 2,695.2	$ 4,754.5

Order backlog—Order backlog is calculated as the estimated sales value of unfilled, confirmed customer orders at the reporting date. Foreign currency translation positively affected backlog by $140.0 million and negatively affected backlog by $655.6 million for the years ended December 31, 2016 and 2015, respectively.

	Order Backlog December 31,	
(In millions)	**2016**	**2015**
Subsea Technologies	$ 2,241.7	$ 3,761.8
Surface Technologies	329.3	432.8
Energy Infrastructure	79.8	163.9
Intercompany eliminations	(2.3)	(2.9)
Total order backlog	$ 2,648.5	$ 4,355.6

Subsea Technologies. Order backlog at December 31, 2016, decreased by $1.5 billion compared to December 31, 2015, primarily due to lower inbound orders during 2016. Subsea Technologies backlog of $2.2 billion at December 31, 2016, was composed of various subsea projects, including BP's Shah Deniz Stage 2; Petrobras' pre-salt tree and manifold award; Shell's Appomattox; Statoil's Johan Sverdrup Phase 1; Total's Egina; and Woodside's Greater Western Flank Phase 2. The above listed projects represented 44% of our Subsea Technologies backlog as of December 31, 2016. We expect to convert approximately 60% to 65% of December 31, 2016 backlog into revenue during 2017.

Surface Technologies. Order backlog at December 31, 2016 decreased by $103.5 million compared to December 31, 2015. The decrease in backlog was due to lower inbound orders primarily in our surface international business during 2016. We expect to convert substantially all December 31, 2016 backlog into revenue into 2017.

Liquidity and Capital Resources

Substantially all of our cash balances are held outside the United States and are generally used to meet the liquidity needs of our non-U.S. operations. Most of our cash held outside the United States could be repatriated to the United States, but under current law, any such repatriation would be subject to U.S. federal income tax, as adjusted for applicable foreign tax credits. We have provided for U.S. federal income taxes on undistributed foreign earnings where we have determined that such earnings are not indefinitely reinvested.

We expect to meet the continuing funding requirements of our U.S. operations with cash generated by such U.S. operations, cash from earnings generated by non-U.S. operations that are not indefinitely reinvested and our existing revolving credit facility. If cash held by non-U.S. operations is required for funding operations in the United States, and if U.S. tax has not previously been provided on the earnings of such operations, we would make a provision for additional U.S. tax in connection with repatriating this cash, which may be material to our cash flows and results of operations.

Net Debt—Net debt, or net cash, is a non-GAAP financial measure reflecting cash and cash equivalents, net of debt. Management uses this non-GAAP financial measure to evaluate our capital structure and financial leverage. We believe net debt, or net cash, is a meaningful financial measure that may assist investors in understanding our financial condition and recognizing underlying trends in our capital structure. Net (debt) cash should not be considered as an alternative to, or more meaningful than, cash and cash equivalents as determined in accordance with GAAP or as an indicator of our operating performance or liquidity.

The following is a reconciliation of our cash and cash equivalents to net (debt) cash for the periods presented.

(In millions)	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 1,015.9	$ 916.2
Short-term debt and current portion of long-term debt	(317.3)	(21.9)
Long-term debt, less current portion	(908.1)	(1,134.1)
Net debt	$ (209.5)	$ (239.8)

The change in our net debt position was primarily due to cash-generated income from operations and proceeds from the disposition of businesses, partially offset by capital expenditures, treasury stock repurchases, negative changes in our working capital position from operations, investments in Angolan bonds and cash requirements to fund our joint ventures.

Cash Flows

Cash flows for each of the years in the three-year period ended December 31, 2016, were as follows:

	Year Ended December 31,		
(In millions)	2016	2015	2014
Cash provided by operating activities	$ 273.2	$ 932.6	$ 894.8
Cash required by investing activities	(192.3)	(275.2)	(285.1)
Cash provided (required) by financing activities	0.5	(345.8)	(357.7)
Effect of exchange rate changes on cash and cash equivalents	18.3	(34.2)	(12.3)
Increase in cash and cash equivalents	$ 99.7	$ 277.4	$ 239.7

Operating cash flows—During 2016, we generated $273.2 million in cash flows from operating activities, which represented a $659.4 million decrease compared 2015. Our cash flows from operating activities in 2015 were $37.8 million higher than 2014. The year-over-year decrease in 2016 was due to a negative change in our working capital position driven by our portfolio of projects and lower cash-generated income during the year. The year-over-year increase in 2015 was due to a positive change in our working capital position driven by our portfolio of projects, partially offset by lower cash-generated income during the year. Our working capital balances can vary significantly depending on the payment terms and timing on key contracts.

Investing cash flows—Our cash requirements for investing activities in 2016 were $192.3 million, primarily reflecting cash required by our capital expenditure program of $118.1 million during 2016 related to continued investments in our subsea equipment business, $60.0 million related to the purchase of Angolan bonds which were classified as held-to-maturity investments and $57.8 million in investments in our Forsys Subsea and FTO Services joint ventures, partially offset by $35.5 million in proceeds related to the dispositions of businesses.

Our cash requirements for investing activities in 2015 were $275.2 million, primarily reflecting cash required by our capital expenditure program of $250.8 million during 2015 related to continued investments in service asset primarily in our Subsea Technologies segment and $34.5 million in investments in our Forsys Subsea and FTO Services joint ventures.

Our cash requirements for investing activities in 2014 were $285.1 million, primarily reflecting cash required by our capital expenditure program of $404.4 million related to continued investments in capacity expansion and service asset investments primarily in our Subsea Technologies segment, partially offset by $105.6 million of proceeds related to the sale of our Material Handling Products business in the second quarter of 2014.

Financing cash flows—Cash generated by financing activities was $0.5 million in 2016. The increase in cash generated from financing activities from the prior year was due to an increase in our commercial paper position and lower repurchases of our common stock during 2016. Pursuant to the business combination agreement executed by FMC Technologies and Technip related to the merger, repurchases of common stock were suspended during the period prior to the close of the merger.

Cash required by financing activities was $345.8 million in 2015. The decrease in cash required from financing activities from the prior year was driven by decreased purchases of treasury stock in 2015 and the payment of the Multi Phase Meters earn-out obligation in 2014, partially offset by higher payments to reduce our commercial paper position in 2015.

Debt and Liquidity

Total borrowings at December 31, 2016 and 2015, comprised the following:

	December 31,	
(In millions)	**2016**	**2015**
Revolving credit facility	$ —	$ —
Commercial paper	410.1	337.2
2.00% Notes due 2017	299.6	299.1
3.45% Notes due 2022	497.9	497.5
Term loan	—	15.6
Foreign uncommitted credit facilities	17.4	5.9
Property financing	0.3	0.7
Total borrowings	$ 1,225.3	$ 1,156.0

Credit Facilities—On September 24, 2015, we entered into a new $2.0 billion revolving credit agreement ("credit agreement") with Wells Fargo Bank, National Association, as Administrative Agent. The credit agreement is a five-year, revolving credit facility expiring in September 2020. Subject to certain conditions, at our request the aggregate commitments under the credit agreement may be increased by an additional $500 million.

Borrowings under the credit agreement bear interest at the highest of three base rates or the London interbank offered rate ("LIBOR"), at our option, plus an applicable margin. Depending on our senior unsecured credit rating, the applicable margin for revolving loans varies (i) in the case of LIBOR loans, from 1.00% to 1.75% and (ii) in the case of base rate loans, from 0.00% to 0.75%.

In connection with the new credit agreement, we terminated our previously existing $1.5 billion five-year, revolving credit agreement.

The following is a summary of our revolving credit facility at December 31, 2016:

(In millions) Description	Amount	Debt Outstanding	Commercial Paper Outstanding (a)	Letters of Credit	Unused Capacity	Maturity
Five-year revolving credit facility	$ 2,000.0	$ —	$ 410.1	$ —	$ 1,589.9	September 2020

(a) Under our commercial paper program, we have the ability to access up to $1.5 billion of financing through our commercial paper dealers. Our available capacity under our revolving credit facility is reduced by any outstanding commercial paper.

Committed credit available under our revolving credit facility provides the ability to issue our commercial paper obligations on a long-term basis. We had $410.1 million of commercial paper issued under our facility at December 31, 2016. As we had 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 accompanying consolidated balance sheet at December 31, 2016.

Among other restrictions, the terms of the credit agreement include negative covenants related to liens and our total capitalization ratio. As of December 31, 2016, we were in compliance with all restrictive covenants under our revolving credit facility.

On January 12, 2017, FMC Technologies and Technip Eurocash SNC (the "Borrowers") entered into a $2.5 billion five-year unsecured revolving credit facility agreement ("facility agreement") with JPMorgan Chase Bank, National Association, as agent and arranger, SG Americas Securities LLC as an arranger, and the lenders party thereto. The agreement provides that we would act as initial guarantor and TechnipFMC would accede as an additional borrower and an additional guarantor following the consummation of the business combination between FMC Technologies and Technip.

The facility agreement provides for the establishment of a multicurrency, revolving credit facility, which includes a $1.5 billion letter of credit subfacility. Subject to certain conditions, the Borrowers may request the aggregate commitments under the facility agreement be increased by an additional $500 million. The facility agreement expires in January 2022. The facility agreement contains usual and customary covenants, representations and warranties and events of default for credit facilities of this type, including financial covenants. Our previously existing $2.0 billion five-year revolving credit agreement was terminated upon availability of the facility agreement. Refer to Note 25 to our consolidated financial statements for the year ended December 31, 2016 for additional information related to the facility 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 and $500.0 million aggregate principal amount of 3.45% senior notes due October 2022 (collectively, 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. Refer to Note 11 to our consolidated financial statements for the year ended December 31, 2016 for additional information related to the Senior Notes.

Outlook for 2017

Historically, we have generated our liquidity and capital resources primarily through operations and, when needed, through our existing credit facility. The capacity available under our revolving credit facility provides the necessary liquidity should working capital needs temporarily increase in response to changes in market demand. The volatility in credit, equity and commodity markets creates some uncertainty for our businesses. However, management believes, based on our current financial condition, existing backlog levels and current expectations for future market conditions, that we will continue to meet our short- and long-term liquidity needs with a combination of cash on hand, cash generated from operations and access to capital markets. Although, we will continue to reach payment milestones on many of our projects, we expect our consolidated operating cash flow position in 2017 to decrease as a result of the negative impact the decline in commodity prices will have on our overall business. The downturn in the oilfield services industry as a result of the decrease in commodity prices has led some of our customers to request price concessions or delays in backlog delivery. Consequently, any discounts or material product delivery delays that may ultimately be mutually agreed with our customers may adversely affect our results of operations and cash flows.

We expect to make contributions of approximately $9.5 million to our international pension plans during 2017. We do not expect to make any contributions to our U.S. Qualified Pension Plan or our U.S. Non-Qualified Defined Benefit Pension Plan in 2017. Actual contribution amounts are dependent upon plan investment returns, changes in pension obligations, regulatory environments and other economic factors. We update our pension estimates annually or more frequently upon the occurrence of significant events.

We project spending approximately $120 million in 2017 for capital expenditures, largely towards expenditures in our subsea equipment business.

On January 16, 2017, the business combination of FMC Technologies and Technip was completed, and consequently, FMC Technologies delisted its shares from the New York Stock Exchange. Refer to “Merger of FMC Technologies and Technip” for further information related to the business combination.

Contractual Obligations

The following is a summary of our contractual obligations at December 31, 2016:

(In millions) Contractual obligations	Payments Due by Period Total payments	Less than 1 year	1-3 years	3 -5 years	After 5 years
Long-term debt (a)	$ 1,207.9	$ 299.8	$ 410.2	$ —	$ 497.9
Short-term debt	17.4	17.4	—	—	—
Interest on long-term debt (a)	109.6	23.3	34.5	34.5	17.3
Operating leases (b)	381.8	80.4	120.3	79.6	101.5
Purchase obligations (c)	508.6	435.0	73.5	0.1	—
Pension and other post-retirement benefits (d)	9.5	9.5	—	—	—
Unrecognized tax benefits (e)	50.2	50.2	—	—	—
Total contractual obligations	$ 2,285.0	$ 915.6	$ 638.5	$ 114.2	$ 616.7

(a) Our available long-term debt is dependent upon our compliance with covenants, including negative covenants related to liens and our total capitalization ratio. Any violation of covenants or other events of default, which are not waived or cured, or changes in our credit rating could have a material impact on our ability to maintain our committed financing arrangements. Refer to “Liquidity and Capital Resources” for information related to our entrance into a new $2.5 billion five-year unsecured revolving credit facility agreement on January 12, 2017.

Due to our intent and ability to refinance commercial paper obligations on a long-term basis under our revolving credit facility and the variable interest rates associated with these debt instruments, only interest on our Senior Notes is included in the table. During 2016, we paid $33.9 million for interest charges, net of interest capitalized.

(b) In 2014 we entered into construction and operating lease agreements to finance the construction of manufacturing and office facilities located in Houston, TX. In January 2016, construction of the facilities was completed and rental payments under the operating lease commenced. Upon expiration of the lease term in September 2021, we have the option to renew the lease, purchase the facilities or re-market the facilities on behalf of the lessor, including certain guarantees of residual value under the re-marketing option.

(c) In the normal course of business, we enter into agreements with our suppliers to purchase raw materials or services. These agreements include a requirement that our supplier provide products or services to our specifications and require us to make a firm purchase commitment to our supplier. As substantially all of these commitments are associated with purchases made to fulfill our customers’ orders, the costs associated with these agreements will ultimately be reflected in cost of sales on our consolidated statements of income.

(d) We expect to contribute approximately $9.5 million to our international pension plans, representing primarily the U.K. and Norway qualified pension plans, in 2017. We do not expect to make any contributions to our U.S. Qualified Pension Plan or our U.S. Non-Qualified Defined Benefit Pension Plan in 2017. Required contributions for future years depend on factors that cannot be determined at this time.

(e) It is reasonably possible that $50.2 million of liabilities for unrecognized tax benefits will be settled during 2017, and this amount is reflected in income taxes payable in our consolidated balance sheet as of December 31, 2016. Although unrecognized tax benefits are not contractual obligations, they are presented in this table because they represent demands on our liquidity.

Other Off-Balance Sheet Arrangements

The following is a summary of other off-balance sheet arrangements at December 31, 2016:

(In millions) Other off-balance sheet arrangements	Amount of Commitment Expiration per Period Total amount	Less than 1 year	1-3 years	3-5 years	After 5 years
Letters of credit and bank guarantees [a]	$ 643.9	$ 212.2	$ 357.5	$ 1.6	$ 72.6
Surety bonds [a]	5.7	5.1	—	—	0.6
Total other off-balance sheet arrangements	$ 649.6	$ 217.3	$ 357.5	$ 1.6	$ 73.2

(a) As collateral for our performance on certain sales contracts or as part of our agreements with insurance companies, we are liable under letters of credit, surety bonds and other bank guarantees. Our ability to generate revenue from certain contracts is dependent upon our ability to obtain these off-balance sheet financial instruments. These off-balance sheet financial instruments may be renewed, revised or released based on changes in the underlying commitment. Historically, our commercial commitments have not been drawn upon to a material extent; consequently, management believes it is not reasonably likely there will be material claims against these commitments. However, should these financial instruments become unavailable to us, our operations and liquidity could be negatively impacted.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates, judgments and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the periods presented and the related disclosures in the accompanying notes to the financial statements. Management has reviewed these critical accounting estimates with the Audit Committee of our Board of Directors. We believe the following critical accounting estimates used in preparing our financial statements address all important accounting areas where the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change. See Note 1 to our consolidated financial statements for the year ended December 31, 2016 for a description of our significant accounting policies.

Percentage of Completion Method of Accounting

We recognize revenue on construction-type manufacturing projects using the percentage of completion method of accounting whereby revenue is recognized as work progresses on each contract. There are several acceptable methods under U.S. generally accepted accounting principles of measuring progress toward completion. Most frequently, we use the ratio of costs incurred to date to total estimated contract costs at completion to measure progress toward completion.

We execute contracts with our customers that clearly describe the equipment, systems and/or services that we will provide and the amount of consideration we will receive. After analyzing the drawings and specifications of the contract requirements, our project engineers estimate total contract costs based on their experience with similar projects and then adjust these estimates for specific risks associated with each project, such as technical risks associated with a new design. Costs associated with specific risks are estimated by assessing the probability that conditions arising from these specific risks will affect our total cost to complete the project. After work on a project begins, assumptions that form the basis for our calculation of total project cost are examined on a regular basis and our estimates are updated to reflect the most current information and management's best judgment.

Revenue recognized using the percentage of completion method of accounting was approximately 62%, 60% and 52% of total revenue recognized for the years ended December 31, 2016, 2015 and 2014, respectively. A significant portion of our total revenue recognized under the percentage of completion method of accounting relates to our Subsea Technologies segment, primarily for subsea exploration and production equipment projects that involve the design, engineering, manufacturing and assembly of complex, customer-specific systems. The systems are not entirely built from standard bills of material and typically require extended periods of time to design and construct.

Total estimated contract cost affects both the revenue recognized in a period as well as the reported profit or loss on a project. The determination of profit or loss on a contract requires consideration of contract revenue, change orders and claims, less costs incurred to date and estimated costs to complete. Profits are recognized based on the estimated project profit multiplied by the percentage complete. Adjustments to estimates of contract revenue, total contract cost, or extent of progress toward completion are often required as work progresses under the contract and as experience is gained, even though the scope of work required under the contract may not change. The nature of accounting for contracts under the percentage of completion method of accounting is such that refinements of the estimating process for changing conditions and new developments are continuous and characteristic of the process. Consequently, the amount of revenue recognized using the percentage of completion method of accounting is sensitive to changes in our estimates of total contract costs. For each contract in progress at December 31, 2016, a 1% increase or decrease in the estimated margin earned on each contract would have increased or decreased total revenue and pre-tax income by $23.2 million for the year ended December 31, 2016.

The total estimated contract cost in the percentage of completion method of accounting is a critical accounting estimate because it can materially affect revenue and profit and requires us to make judgments about matters that are uncertain. There are many factors, including, but not limited to, the ability to properly execute the engineering and designing phases consistent with our customers' expectations, the availability and costs of labor and material resources, productivity and weather, that can affect the accuracy of our cost estimates, and ultimately, our future profitability. In the past, we have realized both lower and higher than expected margins and have incurred losses as a result of unforeseen changes in our project costs; however, historically, our estimates have been reasonably dependable regarding the recognition of revenue and profit on contracts using the percentage of completion method of accounting.

Inventory Valuation

Inventory is recorded at the lower of cost or market. We evaluate the components of inventory on a regular basis for excess and obsolescence. We record the decline in the carrying value of estimated excess or obsolete inventory as a reduction of inventory and as an expense included in cost of sales in the period in which it is identified. Our estimate of excess and obsolete inventory is a critical accounting estimate because it is highly susceptible to change from period to period. In addition, the estimate requires management to make judgments about the future demand for inventory.

In order to quantify excess or obsolete inventory, we begin by preparing a candidate listing of the components of inventory that have a quantity on hand in excess of usage within the most recent two-year period. The list is reviewed with sales, engineering, production and materials management personnel to determine whether the list of potential excess or obsolete inventory items is accurate. As part of this evaluation, management considers whether there has been a change in the market for finished goods, whether there will be future demand for on-hand inventory items and whether there are components of inventory that incorporate obsolete technology. Finally, an assessment is made of our historical usage of inventory previously written off as excess or obsolete, and a further adjustment to the estimate is made based on this historical experience. As a result, our estimate of excess or obsolete inventory is sensitive to changes in assumptions about future usage of inventory. Factors that could materially impact our estimate include changes in crude oil prices and its effect on the longevity of the current industry downturn, which would impact the demand for our products and services, as well as changes in the pattern of demand for the products that we offer. We believe our inventory valuation reserve is adequate to properly value potential excess and obsolete inventory as of December 31, 2016, however, any significant changes to the factors mentioned above could lead our estimate to change. Refer to Note 7 to our consolidated financial statements for the year ended December 31, 2016 for additional information related to inventory valuation adjustments recorded during 2015.

Impairment of Long-Lived and Intangible Assets

Long-lived assets, including property, plant and equipment, identifiable intangible assets being amortized and capitalized software costs are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the long-lived asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that an impairment loss has occurred, the loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets involves significant estimates on the part of management. Because there usually is a lack of quoted market prices for long-lived assets, fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants, or based on a multiple of operating cash flow validated with historical market transactions of similar assets where possible. The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of future productivity of the asset, operating costs and capital decisions and all available information at the date of review. During 2016, we identified various assets whose carrying values were impaired due to the downturn in the oilfield services industry, driven by the decline in crude oil prices. Refer to Note 5 to our consolidated financial statements for the year ended December 31, 2016 for additional information related to asset impairment charges recorded during 2016. If future market conditions deteriorate beyond our current expectations and assumptions, additional impairments of long-lived assets may be identified if we conclude that the carrying amounts are no longer recoverable.

Impairment of Goodwill

Goodwill is not subject to amortization but is tested for impairment on an annual basis, or more frequently if impairment indicators arise. We have established October 31 as the date of our annual test for impairment of goodwill. Reporting units with goodwill are tested for impairment by first assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If after assessing the totality of events or circumstances, or based on management’s judgment, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a two-step quantitative impairment test is performed.

When using the two-step quantitative impairment test, determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We estimate the fair value of our reporting units using a discounted future cash flow model. The majority of the estimates and assumptions used in a discounted future cash flow model involve unobservable inputs reflecting management's own assumptions about the assumptions market participants would use in estimating the fair value of a business. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, discount rates and future economic and market conditions. Our estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and do not reflect unanticipated events and circumstances that may occur.

At December 31, 2016, recorded goodwill of $54.7 million was associated with our separation systems reporting unit. The decline in crude oil prices and its related effect on customer capital spending has led to negative margins for separation systems in 2016. Our estimate of fair value for the separation systems reporting unit relies on assumptions of lower oil and gas activity over the next few years with expected market recovery in 2019 for this business. To mitigate the impact of lower commodity prices, management is expanding the reporting unit's existing product offering in both greenfield and brownfield applications by introducing differentiating technology and expanding the system and solutions business as a growth platform. Management is monitoring the overall market, specifically crude oil prices and changes in customer capital spending, and its effect on the estimates and assumptions used in our goodwill impairment test for separation systems, which may require re-evaluation and could result in an impairment of goodwill for this reporting unit.

During the first quarter of 2016, a goodwill impairment charge of $2.8 million related to our wireline operations in our U.S. surface integrated services reporting unit was recorded in our Surface Technologies segment as a result of the sale of assets associated with the U.S. and Canadian wireline operations. Refer to Note 5 to our consolidated financial statements for the year ended December 31, 2016 for additional information related to asset impairment charges recorded in 2016.

As part of management's strategy to integrate our products and services in our Surface Technologies segment, the services of our completion services reporting unit became part of our U.S. and Canadian surface integrated services reporting units during the third quarter of 2015. A goodwill impairment charge of $8.4 million related to our Canadian surface integrated services reporting unit was recorded in our Surface Technologies segment during the third quarter of 2015 as a result of the continued deterioration in crude oil prices and its related effect on demand for services of the reporting unit. Refer to Note 5 to our consolidated financial statements for the year ended December 31, 2016 for additional information related to asset impairment charges recorded in 2015.

A lower fair value estimate in the future for any of our reporting units, specifically our U.S. surface integrated services and separation systems reporting units, could result in goodwill impairments. Factors that could trigger a lower fair value estimate include sustained price declines of the reporting unit's products and services, cost increases, regulatory or political environment changes, changes in customer demand, and other changes in market conditions, which may affect certain market participant assumptions used in the discounted future cash flow model.

Accounting for Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for uncertain tax positions reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining our consolidated income tax expense.

In determining our current income tax provision, we assess temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded in our consolidated balance sheets. When we maintain deferred tax assets, we must assess the likelihood that these assets will be recovered through adjustments to future taxable income. To the extent we believe recovery is not likely, we establish a valuation allowance. We record an allowance reducing the asset to a value we believe will be recoverable based on our expectation of future taxable income. We believe the accounting estimate related to the valuation allowance is a critical accounting estimate because it is highly susceptible to change from period to period, requires management to make assumptions about our future income over the lives of the deferred tax assets, and finally, the impact of increasing or decreasing the valuation allowance is potentially material to our results of operations.

Forecasting future income requires us to use a significant amount of judgment. In estimating future income, we use our internal operating budgets and long-range planning projections. We develop our budgets and long-range projections based on recent results, trends, economic and industry forecasts influencing our segments' performance, our backlog, planned timing of new product launches and customer sales commitments. Significant changes in the expected realizability of a deferred tax asset would require that we adjust the valuation allowance applied against the gross value of our total deferred tax assets, resulting in a change to net income.

As of December 31, 2016, we believe that it is not more likely than not that we will generate future taxable income in certain foreign jurisdictions in which we have cumulative net operating losses and, therefore, we have provided a valuation allowance against the related deferred tax assets. As of December 31, 2016, we believe that it is more likely than not that we will have future taxable income in the United States to utilize our domestic deferred tax assets. Therefore, we have not provided a valuation allowance against any domestic deferred tax assets.

The need for a valuation allowance is sensitive to changes in our estimate of future taxable income. If our estimate of future taxable income was 25% lower than the estimate used, we would still generate sufficient taxable income to utilize such domestic deferred tax assets.

The calculation of our income tax expense involves dealing with uncertainties in the application of complex tax laws and regulations in numerous jurisdictions in which we operate. We recognize tax benefits related to uncertain tax positions when, in our judgment, it is more likely than not that such positions will be sustained on examination, including resolutions of any related appeals or litigation, based on the technical merits. We adjust our liabilities for uncertain tax positions when our judgment changes as a result of new information previously unavailable. Due to the complexity of some of these uncertainties, their ultimate resolution may result in payments that are materially different from our current estimates. Any such differences will be reflected as adjustments to income tax expense in the periods in which they are determined.

Accounting for Pension and Other Post-Retirement Benefit Plans

Our pension and other post-retirement (health care and life insurance) obligations are described in Note 16 to our consolidated financial statements for the year ended December 31, 2016.

The determination of the projected benefit obligations of our pension and other post-retirement benefit plans are important to the recorded amounts of such obligations on our consolidated balance sheet and to the amount of pension expense in our consolidated statements of income. In order to measure the obligations and expense associated with our pension benefits, management must make a variety of estimates, including discount rates used to value certain liabilities, expected return on plan assets set aside to fund these costs, rate of compensation increase, employee turnover rates, retirement rates, mortality rates and other factors. We update these estimates on an annual basis or more frequently upon the occurrence of significant events. These accounting estimates bear the risk of change due to the uncertainty and difficulty in estimating these measures. Different estimates used by management could result in our recognition of different amounts of expense over different periods of time.

Due to the specialized and statistical nature of these calculations which attempt to anticipate future events, we engage third-party specialists to assist management in evaluating our assumptions as well as appropriately measuring the costs and obligations associated with these pension benefits. The discount rate and expected long-term rate of return on plan assets are primarily based on investment yields available and the historical performance of our plan assets, respectively. These measures are critical accounting estimates because they are subject to management's judgment and can materially affect net income.

The discount rate affects the interest cost component of net periodic pension cost and the calculation of the projected benefit obligation. The discount rate is based on rates at which the pension benefit obligation could be effectively settled on a present value basis. Discount rates are derived by identifying a theoretical settlement portfolio of long-term, high quality ("AA" rated) corporate bonds at our determination date that is sufficient to provide for the projected pension benefit payments. A single discount rate is determined that results in a discounted value of the pension benefit payments that equate to the market value of the selected bonds. The resulting discount rate is reflective of both the current interest rate environment and the pension's distinct liability characteristics. Significant changes in the discount rate, such as those caused by changes in the yield curve, the mix of bonds available in the market, the duration of selected bonds and the timing of expected benefit payments, may result in volatility in our pension expense and pension liabilities.

The expected long-term rate of return on plan assets is a component of net periodic pension cost. Our estimate of the expected long-term rate of return on plan assets is primarily based on the historical performance of plan assets, current market conditions, our asset allocation and long-term growth expectations. The difference between the expected return and the actual return on plan assets is amortized over the expected remaining service life of employees, resulting in a lag time between the market's performance and its impact on plan results.

Holding other assumptions constant, the following table illustrates the sensitivity of changes in the discount rate and expected long-term return on plan assets on pension expense and the projected benefit obligation:

(In millions, except basis points)	Increase (Decrease) in 2016 Pension Expense Before Income Taxes	Increase (Decrease) in Projected Benefit Obligation at December 31, 2016
50 basis point decrease in discount rate	$ 9.3	$ 98.0
50 basis point increase in discount rate	$ (8.6)	$ (86.0)
50 basis point decrease in expected long-term rate of return on plan assets	$ 4.3	
50 basis point increase in expected long-term rate of return on plan assets	$ (4.3)	

The actuarial assumptions and estimates made by management in determining our pension benefit obligations may materially differ from actual results as a result of changing market and economic conditions and changes in plan participant assumptions. While we believe the assumptions and estimates used are appropriate, differences in actual experience or changes in plan participant assumptions may materially affect our financial position or results of operations.

Other Matters

On March 28, 2016, we received an inquiry from the United States Department of Justice ("DOJ") related to the DOJ's investigation of whether certain services Unaoil S.A.M. provided to its clients, including FMC Technologies, violated the Foreign Corrupt Practices Act. We are cooperating with the DOJ's inquiry and are conducting our own internal investigation.

We are involved in various pending or potential legal actions or disputes in the ordinary course of our business, and management is unable to predict the ultimate outcome of these actions because of their inherent uncertainty. However, management believes that the most probable, ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Standards

Refer to Note 3 to our consolidated financial statements for the year ended December 31, 2016.