

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

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Date of Report (Date of earliest event reported): **February 15, 2018**

**FLOWSERVE CORPORATION**

(Exact name of registrant as specified in its charter)

**New York**  
(State or other jurisdiction  
of incorporation)

**1-13179**  
(Commission  
File Number)

**31-0267900**  
(IRS Employer  
Identification No.)

**5215 N. O'Connor Blvd., Suite 2300, Irving, Texas**  
(Address of Principal Executive Offices)

**75039**  
(Zip Code)

**(972) 443-6500**  
(Registrant's telephone number, including area code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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## Item 2.02 Results of Operations and Financial Condition.

On February 15, 2018, Flowserve Corporation, a New York corporation (the “Company”), issued a press release announcing financial results for the fourth quarter and full year ended December 31, 2017. A copy of this press release is attached as Exhibit 99.1 and incorporated herein by reference. The information in this Item 2.02 of Form 8-K and in the sections titled “Fourth Quarter 2017 Highlights”, “Full Year 2017 Highlights”, “2018 Initial Guidance”, “Fourth Quarter 2017 Results Conference Call” and “About Flowserve” of Exhibit 99.1 attached hereto is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

## Item 7.01 Regulation FD Disclosure.

On February 16, 2018, the Company will make a presentation about its financial and operating results for the fourth quarter of 2017, as noted in the press release described in Item 2.02 above. The Company has posted the presentation on its website at <http://www.flowserve.com> under the “Investor Relations” section. The information in this Item 7.01 of Form 8-K and in the sections titled “Fourth Quarter 2017 Highlights”, “Full Year 2017 Highlights”, “2018 Initial Guidance”, “Fourth Quarter 2017 Results Conference Call” and “About Flowserve” of Exhibit 99.1 attached hereto is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

## Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Press Release, dated February 15, 2018.</u></a>

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FLOWSERVE CORPORATION

Dated: February 15, 2018

By: /s/ LEE S. ECKERT

Lee S. Eckert

Senior Vice President, Chief Financial Officer

## Flowserve Corporation Reports Fourth Quarter and Full Year 2017 Results; Issues 2018 Financial Guidance

DALLAS--(BUSINESS WIRE)--February 15, 2018--Flowserve Corporation (NYSE: FLS), a leading provider of flow control products and services for the global infrastructure markets, today announced its financial results for the fourth quarter and full year ended December 31, 2017.

### **Fourth Quarter 2017 Highlights**

- Reported Loss Per Share (LPS) of \$0.81 and Adjusted Earnings Per Share (EPS)<sup>[1]</sup> of \$0.50
  - Reported LPS includes \$158 million of discrete, non-cash tax expenses, primarily related to the impact of the U.S. Tax Cuts and Jobs Act of 2017
- Sales were \$1.03 billion, down 3.4%, or 7.1% on a constant currency basis and included approximately 2% negative impact related to divested businesses
  - Aftermarket sales were \$502 million, up 0.1%, or down 2.8% on a constant currency basis
- Reported gross and operating margins of 29.4% and 8.3%
  - Adjusted gross and operating margins<sup>[2]</sup> were 30.5% and 9.8%
- Total bookings were \$985 million, up 8.5%, or 4.7% on a constant currency basis, and included approximately 2% negative impact related to divested businesses
  - Aftermarket bookings were \$464 million, or 47% of total bookings, up 3.9%, or 0.9% on a constant currency basis

### **Full Year 2017 Highlights**

- Reported EPS of \$0.02 and Adjusted EPS<sup>[1]</sup> of \$1.36
    - Reported EPS includes \$158 million of discrete, non-cash tax expenses, primarily related to the impact of the U.S. Tax Cuts and Jobs Act of 2017
  - Sales were \$3.66 billion, down 8.3%, or 9.1% on a constant currency basis and included approximately 2% negative impact related to divested businesses
    - Aftermarket sales were \$1.78 billion, down 0.6%, or 1.2% on a constant currency basis
  - Reported gross and operating margins of 29.6% and 9.2%
    - Adjusted gross and operating margins<sup>[2]</sup> were 31.3% and 8.6%
  - Total bookings were \$3.80 billion, up 1.2%, or 0.4% on a constant currency basis, and included approximately 2% negative impact related to divested businesses
    - Aftermarket bookings were \$1.83 billion, or 48% of total bookings, up 0.4%, or down 0.2% on a constant currency basis
  - Backlog at December 31, 2017 was \$2.03 billion, up 6.9% versus 2016 year-end
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“Flowserve’s fourth quarter and full year 2017 adjusted results were largely in-line with our expectations. In the quarter, we achieved better than anticipated bookings growth, providing a solid foundation for growth in 2018,” said Scott Rowe, Flowserve’s president and chief executive officer. “Additionally, we are increasingly optimistic that our core energy end markets are positioned to inflect. We believe that the continued stability in oil price levels, global economic growth, completion of U.S. tax reform and an improved regulatory environment, have improved market conditions, which could support our customers increased spending on deferred maintenance and efficiency upgrades, as well as reaching investment decisions for larger projects.”

Lee Eckert, Flowserve’s senior vice president and chief financial officer, added, “Flowserve delivered strong operating cash flow of \$239 million in the 2017 fourth quarter. We ended last year with cash and cash equivalents of over \$700 million, a \$200 million improvement from the 2017 third quarter levels. While we made progress last year, continuing to reduce our working capital will remain a major priority for the business going forward.”

Rowe concluded, “While we expect to benefit from stronger end-markets, we also continue to advance our Flowserve 2.0 strategy to streamline and simplify the business. I am confident Flowserve has tremendous opportunity ahead, and we expect to drive significant long-term value for our customers, employees and shareholders.”

**2018 Initial Guidance**<sup>[3]</sup>

Flowserve is providing Reported and Adjusted EPS guidance for 2018, as well as certain other financial metrics, as shown in the table below.

	2018 Target Range
Revenues	Up 3% to 6%
Reported Earnings Per Share	\$0.95 - \$1.15
Adjusted Earnings Per Share	\$1.50 - \$1.70
Net interest expense	\$58 - \$60 million
Tax rate (approximate)	27% – 28%

Flowserve’s 2018 Adjusted EPS target range excludes expected realignment charges of approximately \$90 million, as well as the potential impact of below-the-line foreign currency effects and certain other discrete items. Both the Reported and the Adjusted EPS target range includes the expected revenue increase of approximately 3 to 6 percent year-over-year, and is based on current foreign currency rates and commodity prices, 2017 year-end backlog, expected bookings levels and market conditions, minimal impact from adoption of accounting pronouncements, the reset of annual incentive performance goals, a broad-based merit increase, modest above-the-line foreign currency benefits, net interest expense in the range of \$58 to \$60 million and a tax rate of 27 to 28 percent. The quarterly phasing of expected 2018 earnings is anticipated to reflect traditional seasonality, although more pronounced in its second half weighting.

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## **Fourth Quarter 2017 Results Conference Call**

Flowserve will host its conference call with the financial community on Friday, February 16<sup>th</sup> at 11:00 AM Eastern. Scott Rowe, president and chief executive officer, as well as other members of the management team will be presenting. The call can be accessed by shareholders and other interested parties at [www.flowserve.com](http://www.flowserve.com) under the “Investor Relations” section.

[1] See Reconciliation of Non-GAAP Measures table for detailed reconciliation of reported results to adjusted measures.

[2] Adjusted gross and operating margins are calculated by dividing adjusted gross profit and operating income, respectively, by revenues. Adjusted gross profit and adjusted operating income are derived by excluding the adjusted items. See reconciliation of Non-GAAP Measures table for detailed reconciliation.

[3] Adjusted 2018 EPS will exclude the Company’s realignment expenses, the impact from other specific one-time events and below-the-line foreign currency effects and utilizes year-end 2017 FX rates and approximately 132 million fully diluted shares.

– FX headwind is calculated by comparing the difference between the actual average FX rates of 2017 and the year-end 2017 spot rates both as applied to our 2018 expectations, divided by the number of shares expected for 2018.

### **About Flowserve**

Flowserve Corp. is one of the world’s leading providers of fluid motion and control products and services. Operating in more than 50 countries, the company produces engineered and industrial pumps, seals and valves as well as a range of related flow management services. More information about Flowserve can be obtained by visiting the company’s Web site at [www.flowserve.com](http://www.flowserve.com).

**Safe Harbor Statement:** This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Words or phrases such as, "may," "should," "expects," "could," "intends," "plans," "anticipates," "estimates," "believes," "forecasts," "predicts" or other similar expressions are intended to identify forward-looking statements, which include, without limitation, earnings forecasts, statements relating to our business strategy and statements of expectations, beliefs, future plans and strategies and anticipated developments concerning our industry, business, operations and financial performance and condition.

The forward-looking statements included in this news release are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in global economic conditions and the potential for unexpected cancellations or delays of customer orders in our reported backlog; our dependence on our customers’ ability to make required capital investment and maintenance expenditures; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; our ability to execute and realize the expected financial benefits from our strategic manufacturing optimization and realignment initiatives; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly North African, Russian and Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; increased aging and slower collection of receivables, particularly in Latin America and other emerging markets; our exposure to fluctuations in foreign currency exchange rates, including in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our ability to anticipate and manage cybersecurity risk, including the risk of potential business disruptions or financial losses; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud; and other factors described from time to time in our filings with the Securities and Exchange Commission.

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All forward-looking statements included in this news release are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statement.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that non-GAAP financial measures which exclude certain non-recurring items present additional useful comparisons between current results and results in prior operating periods, providing investors with a clearer view of the underlying trends of the business. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance. Throughout our materials we refer to non-GAAP measures as “Adjusted.” Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP.

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**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

(Amounts in thousands, except per share data)

	Three Months Ended December 31,	
	2017	2016
Sales	\$ 1,034,069	\$ 1,070,934
Cost of sales	(729,658)	(743,499)
Gross profit	304,411	327,435
Selling, general and administrative expense	(222,683)	(228,681)
Gain on sale of businesses	159	-
Net earnings from affiliates	3,565	4,404
Operating income	85,452	103,158
Interest expense	(15,041)	(15,155)
Interest income	1,056	561
Other (expense) income, net	(4,512)	1,210
Earnings before income taxes	66,955	89,774
Provision for income taxes	(172,843)	(27,862)
Net (loss) earnings, including noncontrolling interests	(105,888)	61,912
Less: Net loss (earnings) attributable to noncontrolling interests	6	(1,855)
Net (loss) earnings attributable to Flowserve Corporation	<u>\$ (105,882)</u>	<u>\$ 60,057</u>
Net (loss) earnings per share attributable to Flowserve Corporation common shareholders:		
Basic	\$ (0.81)	\$ 0.46
Diluted	(0.81)	0.46
Cash dividends declared per share	\$ 0.19	\$ 0.19



**RECONCILIATION OF NON-GAAP MEASURES**  
**(Unaudited)**

(Amounts in thousands, except per share data)

	Three Months Ended December 31, 2017			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 1,034,069	\$ -	\$ -	\$ 1,034,069
Gross profit	304,411	(10,575)	-	314,986
<i>Gross margin</i>	29.4%	-	-	30.5%
Selling, general and administrative expense	(222,683)	(1,672)	(4,115)	(216,896)
Gain on sale of businesses	159	-	159	-
Operating income	85,452	(12,247)	(3,956)	101,655
<i>Operating income as a percentage of sales</i>	8.3%	-	-	9.8%
Interest and other expense, net	(18,497)	-	(4,294)	(14,203)
Earnings before income taxes	66,955	(12,247)	(8,250)	87,452
Provision for income taxes	(172,843)	4,361	(155,538)	(21,666)
<i>Tax Rate</i>	258.1%	35.6%	-1885.3%	24.8%
<b>Net (loss) earnings attributable to Flowserve Corporation</b>	<b>\$ (105,882)</b>	<b>\$ (7,886)</b>	<b>\$ (163,788)</b>	<b>\$ 65,792</b>
Net (loss) earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ (0.81)	\$ (0.06)	\$ (1.25)	\$ 0.50
Diluted	\$ (0.81)	\$ (0.06)	\$ (1.25)	\$ 0.50
Basic number of shares used for calculation	130,681	130,758	130,758	130,758
Diluted number of shares used for calculation	130,681	131,417	131,417	131,417

(a) Reported in conformity with U.S. GAAP

**Notes:**

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above
- (3) Represents \$1.196 million of SIHI integration costs and purchase price adjustments ("PPA") and \$2.919 million of Mexico asset impairment charge
- (4) Represents gain related to the sale of Vogt business
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above, a \$115.320 million tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and certain tax valuation allowances totaling \$43.130 million

**RECONCILIATION OF NON-GAAP MEASURES**  
**(Unaudited)**

(Amounts in thousands, except per share data)

	Three Months Ended December 31, 2016			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 1,070,934	\$ -	\$ -	\$ 1,070,934
Gross profit	327,435	(22,003)	(1,795)	351,233
<i>Gross margin</i>	30.6%	-	-	32.8%
Selling, general and administrative expense	(228,681)	(7,837)	(3,254)	(217,590)
Gain on sale of business	-	-	-	-
Operating income	103,158	(29,840)	(5,049)	138,047
<i>Operating income as a percentage of sales</i>	9.6%	-	-	12.9%
Interest and other (expense) income, net	(13,384)	-	323	(13,707)
Earnings before income taxes	89,774	(29,840)	(4,726)	124,340
Provision for income taxes	(27,862)	4,057	909	(32,828)
<i>Tax Rate</i>	31.0%	13.6%	19.2%	26.4%
<b>Net earnings attributable to Flowserve Corporation</b>	<b>\$ 60,057</b>	<b>\$ (25,783)</b>	<b>\$ (3,817)</b>	<b>\$ 89,657</b>
Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 0.46	\$ (0.20)	\$ (0.03)	\$ 0.69
Diluted	\$ 0.46	\$ (0.20)	\$ (0.03)	\$ 0.68
Basic number of shares used for calculation	130,573	130,573	130,573	130,573
Diluted number of shares used for calculation	131,180	131,180	131,180	131,180

(a) Reported in conformity with U.S. GAAP

**Notes:**

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above, partially offset by \$4.000 million of realignment expense recorded in provision for income taxes
- (3) Represents Brazil inventory write-down
- (4) Represents SIHI integration costs/purchase price adjustments ("PPA")
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above. There is no tax impact associated with the Brazil inventory write-down.

SEGMENT INFORMATION

(Unaudited)

ENGINEERED PRODUCT DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
Segment operating income
Segment operating income as a percentage of sales

Three Months Ended December 31,			
2017		2016	
\$	485.5	\$	437.0
	498.9		551.8
	140.8		162.2
	28.2%		29.4%
	49.9		70.0
	10.0%		12.7%

INDUSTRIAL PRODUCT DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
Segment operating (loss) income
Segment operating (loss) income as a percentage of sales

Three Months Ended December 31,			
2017		2016	
\$	205.8	\$	188.6
	215.3		219.3
	45.5		53.9
	21.1%		24.6%
	(3.5)		4.1
	(1.6%)		1.9%

FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
Segment operating income
Segment operating income as a percentage of sales

Three Months Ended December 31,			
2017		2016	
\$	314.1	\$	304.1
	344.6		318.2
	117.7		112.4
	34.2%		35.3%
	67.1		58.1
	19.5%		18.3%

**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Sales	\$ 3,660,831	\$ 3,990,487	\$ 4,557,791
Cost of sales	(2,575,454)	(2,759,254)	(3,080,254)
Gross profit	1,085,377	1,231,233	1,477,537
Selling, general and administrative expense	(903,864)	(968,530)	(972,733)
Gain (loss) on sale of businesses	141,317	(7,664)	-
Net earnings from affiliates	12,592	12,926	9,861
Operating income	335,422	267,965	514,665
Interest expense	(59,730)	(60,137)	(65,270)
Interest income	3,429	2,804	2,065
Other (expense) income, net	(16,114)	2,280	(39,093)
Earnings before income taxes	263,007	212,912	412,367
Provision for income taxes	(258,679)	(77,380)	(148,351)
Net earnings, including noncontrolling interests	4,328	135,532	264,016
Less: Net earnings attributable to noncontrolling interests	(1,676)	(3,077)	(5,605)
Net earnings attributable to Flowserve Corporation	<u>\$ 2,652</u>	<u>\$ 132,455</u>	<u>\$ 258,411</u>
Net earnings per share attributable to Flowserve Corporation common shareholders:			
Basic	\$ 0.02	\$ 1.02	\$ 1.94
Diluted	0.02	1.01	1.93
Cash dividends declared per share	\$ 0.76	\$ 0.76	\$ 0.72

**RECONCILIATION OF NON-GAAP MEASURES**  
**(Unaudited)**

(Amounts in thousands, except per share data)

	Twelve Months Ended December 31, 2017			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 3,660,831	\$ -	\$ -	\$ 3,660,831
Gross profit	1,085,377	(43,946)	(16,928)	1,146,251
<i>Gross margin</i>	29.6%	-	-	31.3%
Selling, general and administrative expense	(903,864)	(27,308)	(33,798)	(842,758)
Gain on sale of businesses	141,317	-	141,317	-
Operating income	335,422	(71,254)	90,591	316,085
<i>Operating income as a percentage of sales</i>	9.2%	-	-	8.6%
Interest and other expense, net	(72,415)	-	(13,965)	(58,450)
Earnings before income taxes	263,007	(71,254)	76,626	257,635
Provision for income taxes	(258,679)	17,003	(198,264)	(77,418)
<i>Tax Rate</i>	98.4%	23.9%	258.7%	30.0%
<b>Net earnings attributable to Flowserve Corporation</b>	<b>\$ 2,652</b>	<b>\$ (54,251)</b>	<b>\$ (121,638)</b>	<b>\$ 178,541</b>
Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 0.02	\$ (0.42)	\$ (0.93)	\$ 1.37
Diluted	\$ 0.02	\$ (0.41)	\$ (0.93)	\$ 1.36
Basic number of shares used for calculation	130,703	130,703	130,703	130,703
Diluted number of shares used for calculation	131,358	131,358	131,358	131,358

(a) Reported in conformity with U.S. GAAP

**Notes:**

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above
- (3) Represents reserve for costs incurred related to a contract to supply oil and gas platform equipment to an end user in Latin America
- (4) Represents \$4.400 million of SIHI integration costs and purchase price adjustments ("PPA"), \$28.961 million of asset impairment charges and \$0.437 million reserve for costs incurred related to a contract to supply oil and gas platform equipment to an end user in Latin America
- (5) Represents gain related to the sale of Gestra and Vogt businesses
- (6) Represents below-the-line foreign exchange impacts
- (7) Includes tax impact of items above, a \$115.320 million tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and certain tax valuation allowances totaling \$43.130 million

**RECONCILIATION OF NON-GAAP MEASURES**  
**(Unaudited)**

(Amounts in thousands, except per share data)

	Twelve Months Ended December 31, 2016			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 3,990,487	\$ -	\$ -	\$ 3,990,487
Gross profit	1,231,233	(64,913)	(14,539)	1,310,685
<i>Gross margin</i>	30.9%	-	-	32.8%
Selling, general and administrative expense	(968,530)	(22,358)	(82,848)	(863,324)
Loss on sale of business	(7,664)	(7,664)	-	-
Operating income	267,965	(94,935)	(97,387)	460,287
<i>Operating income as a percentage of sales</i>	6.7%	-	-	11.5%
Interest and other expense, net	(55,053)	-	2,790	(57,843)
Earnings before income taxes	212,912	(94,935)	(94,597)	402,444
Provision for income taxes	(77,380)	18,605	23,765	(119,750)
<i>Tax Rate</i>	36.3%	19.6%	25.1%	29.8%
<b>Net earnings attributable to Flowserve Corporation</b>	<b>\$ 132,455</b>	<b>\$ (76,330)</b>	<b>\$ (70,832)</b>	<b>\$ 279,617</b>
Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 1.02	\$ (0.59)	\$ (0.54)	\$ 2.14
Diluted	\$ 1.01	\$ (0.58)	\$ (0.54)	\$ 2.13
Basic number of shares used for calculation	130,432	130,432	130,432	130,432
Diluted number of shares used for calculation	130,975	130,975	130,975	130,975

(a) Reported in conformity with U.S. GAAP

**Notes:**

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above, partially offset by \$9.400 million of realignment expense recorded in provision for income taxes
- (3) Represents Brazil inventory write-down of \$12.673 million and Venezuela inventory reserve of \$1.866 million
- (4) Represents Venezuela accounts receivable reserve of \$73.533 million and SIHI integration costs/purchase price adjustments ("PPA") of \$9.315 million
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above. There is no tax impact associated with the Brazil inventory write-down.

SEGMENT INFORMATION

(Unaudited)

ENGINEERED PRODUCT DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
Segment operating income
Segment operating income as a percentage of sales

Year Ended December 31,					
2017		2016		2015	
\$	1,842.1	\$	1,823.8	\$	2,065.6
	1,775.4		1,996.0		2,256.8
	544.5		621.6		738.3
	30.7%		31.1%		32.7%
	156.8		167.4		320.0
	8.8%		8.4%		14.2%

INDUSTRIAL PRODUCT DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
Segment operating (loss) income
Segment operating (loss) income as a percentage of sales

Year Ended December 31,					
2017		2016		2015	
\$	821.7	\$	797.7	\$	887.2
	775.2		835.1		981.9
	143.6		182.5		238.7
	18.5%		21.9%		24.3%
	(49.5)		(6.4)		29.1
	(6.4%)		(0.8%)		3.0%

FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
Segment operating income
Segment operating income as a percentage of sales

Year Ended December 31,					
2017		2016		2015	
\$	1,225.7	\$	1,216.8	\$	1,318.5
	1,188.1		1,233.7		1,415.5
	395.1		427.4		496.8
	33.3%		34.6%		35.1%
	321.2		198.6		233.6
	27.0%		16.1%		16.5%

**Fourth Quarter and Year-to-Date 2017 - Segment Results**

(dollars in millions, comparison vs. 2016 fourth quarter and year-to-date, unaudited)

	EPD		IPD		FCD	
	4th Qtr	YTD	4th Qtr	YTD	4th Qtr	YTD
Bookings	\$ 485.5	\$ 1,842.1	\$ 205.8	\$ 821.7	\$ 314.1	\$ 1,225.7
- vs. prior year	11.1%	1.0%	9.1%	3.0%	3.3%	0.7%
- on constant currency	7.7%	0.4%	4.7%	2.1%	-0.5%	-%
Sales	\$ 498.9	\$ 1,775.4	\$ 215.3	\$ 775.2	\$ 344.6	\$ 1,188.1
- vs. prior year	-9.6%	-11.1%	-1.8%	-7.2%	8.3%	-3.7%
- on constant currency	-12.7%	-11.7%	-5.9%	-8.1%	4.3%	-4.8%
Gross Profit	\$ 140.8	\$ 544.5	\$ 45.5	\$ 143.6	\$ 117.7	\$ 395.1
- vs. prior year	-13.2%	-12.4%	-15.6%	-21.3%	4.7%	-7.6%
Gross Margin (% of sales)	28.2%	30.7%	21.1%	18.5%	34.2%	33.3%
- vs. prior year (in basis points)	-120	-40	-350	-340	-110	-130
Operating Income / (Loss)	\$ 49.9	\$ 156.8	\$ (3.5)	\$ (49.5)	\$ 67.1	\$ 321.2
- vs. prior year	-28.7%	-6.3%	NM	-673.4%	15.5%	61.7%
- on constant currency	-33.7%	-7.1%	NM	-665.1%	12.0%	60.7%
Operating Margin (% of sales)	10.0%	8.8%	-1.6%	-6.4%	19.5%	27.0%
- vs. prior year (in basis points)	-270	40	-350	-560	120	1090
Adjusted Operating Income / (Loss) *	\$ 58.2	\$ 211.4	\$ 0.9	\$ (2.4)	\$ 68.7	\$ 194.4
- vs. prior year	-35.8%	-28.8%	-93.5%	NM	12.8%	-8.4%
- on constant currency	-39.6%	-29.2%	-91.7%	NM	9.4%	-9.3%
Adj. Oper. Margin (% of sales)*	11.7%	11.9%	0.4%	-0.3%	19.9%	16.4%
- vs. prior year (in basis points)	-470	-300	-590	-490	80	-80
Backlog	\$ 1,027.7		\$ 424.3		\$ 617.4	

\* Adjusted Operating Income and Adjusted Operating Margin exclude realignment charges, below-the-line FX impacts and other specific discrete items



CONSOLIDATED QUARTERLY FINANCIAL DATA  
(Unaudited)  
(Amounts in millions, except per share data)

Quarter	2017			
	4th	3rd	2nd	1st
Sales	\$ 1,034.0	\$ 883.4	\$ 877.1	\$ 866.3
Gross profit	304.5	267.5	245.0	268.4
Earnings before income taxes	67.0	68.4	103.0	24.6
Net (loss) earnings attributable to Flowserve Corporation	(105.9)	47.6	41.9	19.1
(Loss) earnings per share (1):				
Basic	(\$0.81)	\$ 0.36	\$ 0.32	\$ 0.15
Diluted	(\$0.81)	\$ 0.36	\$ 0.32	\$ 0.15

Quarter	2016			
	4th	3rd	2nd	1st
Sales	\$ 1,071.0	\$ 945.9	\$ 1,027.4	\$ 946.2
Gross profit	327.3	278.0	320.7	305.2
Earnings (loss) before income taxes	89.7	(12.2)	83.9	51.5
Net earnings (loss) attributable to Flowserve Corporation	60.0	(15.8)	54.4	33.9
Earnings (loss) per share (1):				
Basic	\$ 0.46	(\$0.12)	\$ 0.42	\$ 0.26
Diluted	\$ 0.46	(\$0.12)	\$ 0.42	\$ 0.26

(1) Earnings per share is computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in weighted average quarterly shares outstanding.

**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(Amounts in thousands, except par value)

**ASSETS**

	December 31, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 703,445	\$ 367,162
Accounts receivable, net	856,711	882,638
Inventories, net	884,273	897,690
Prepaid expenses and other	114,316	150,199
Total current assets	2,558,745	2,297,689
Property, plant and equipment, net	671,796	724,805
Goodwill	1,218,188	1,205,054
Deferred taxes	51,974	83,722
Other intangible assets, net	210,049	214,527
Other assets, net	199,722	183,126
Total assets	<u>\$ 4,910,474</u>	<u>\$ 4,708,923</u>

**LIABILITIES AND EQUITY**

Current liabilities:		
Accounts payable	\$ 443,113	\$ 412,087
Accrued liabilities	724,196	680,986
Debt due within one year	75,599	85,365
Total current liabilities	1,242,908	1,178,438
Long-term debt due after one year	1,499,658	1,485,258
Retirement obligations and other liabilities	496,954	407,839
Commitments and contingencies		
Shareholders' equity:		
Common shares, \$1.25 par value	220,991	220,991
Shares authorized – 305,000		
Shares issued – 176,793 and 176,793, respectively		
Capital in excess of par value	488,326	491,848
Retained earnings	3,503,947	3,598,396
Treasury shares, at cost – 46,471 and 46,980 shares, respectively	(2,059,558)	(2,078,527)
Deferred compensation obligation	6,354	8,507
Accumulated other comprehensive loss	(505,473)	(624,788)
Total Flowserve Corporation shareholders' equity	1,654,587	1,616,427
Noncontrolling interests	16,367	20,961
Total equity	1,670,954	1,637,388
Total liabilities and equity	<u>\$ 4,910,474</u>	<u>\$ 4,708,923</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(Amounts in thousands)

**Cash flows – Operating activities:**

Net earnings, including noncontrolling interests  
Adjustments to reconcile net earnings to net cash provided by operating activities:  
Depreciation  
Amortization of intangible and other assets  
(Gain) loss on sale of businesses  
Stock-based compensation  
Provision for U.S. Tax Cuts and Jobs Act of 2017 and Latin America accounts receivable reserve  
Foreign currency, asset impairment and other non-cash adjustments  
Change in assets and liabilities

Net cash flows provided by operating activities

**Cash flows – Investing activities:**

Capital expenditures  
Payments for acquisition, net of cash acquired  
Proceeds from disposal of assets  
Proceeds from (payments for) disposition of businesses

Net cash flows provided (used) by investing activities

**Cash flows – Financing activities:**

Payments on long-term debt  
Proceeds from issuance of senior notes  
Payments of deferred loan costs  
Proceeds under other financing arrangements  
Payments under other financing arrangements  
Payments related to tax withholding for stock-based compensation  
Repurchases of common shares  
Payments of dividends  
Other

Net cash flows (used) provided by financing activities

Effect of exchange rate changes on cash

Net change in cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

Income taxes paid (net of refunds)

Interest paid

Year Ended December 31,		
2017	2016	2015
\$ 4,328	\$ 135,532	\$ 264,016
101,438	99,897	99,501
17,016	16,855	27,586
(141,317)	7,664	-
22,820	30,213	34,816
115,320	73,452	-
33,087	(8,127)	74,382
158,374	(115,010)	(59,542)
311,066	240,476	440,759
(61,602)	(89,699)	(181,861)
-	-	(353,654)
5,435	3,294	10,220
232,767	(5,064)	-
176,600	(91,469)	(525,295)
(60,000)	(60,000)	(45,000)
-	-	526,332
(1,503)	-	(5,108)
7,359	35,680	9,426
(19,030)	(12,636)	(34,949)
(6,238)	(10,405)	(15,844)
-	-	(303,651)
(99,233)	(97,746)	(93,650)
(6,708)	1,386	99
(185,353)	(143,721)	37,655
33,970	(4,568)	(37,025)
336,283	718	(83,906)
367,162	366,444	450,350
<u>\$ 703,445</u>	<u>\$ 367,162</u>	<u>\$ 366,444</u>
\$ 59,409	\$ 151,191	\$ 152,536
56,808	57,393	57,030

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