

# FLOWSERVE CORPORATION

(NYSE: FLS)

## Barclays Industrial Select Conference

*February 19, 2015*

# Safe Harbor Statement

**Safe Harbor Statement:** This presentation 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 presentation 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 the global financial markets and the availability of capital 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; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly 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; 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 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; and other factors described from time to time in our filings with the Securities and Exchange Commission.

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

# Flowserve Overview

- **Leading manufacturer and aftermarket service provider of comprehensive flow control systems**
  - History dates back to 1790 with more than 50 well-respected brands such as Worthington, IDP, Valtek, Limitorque, Durco and Edward
  - Our pure-play flow control model focus of industry participants
- **Design, develop, manufacture and repair precision-engineered flow control equipment for customers' critical processes**
  - Portfolio includes pumps, valves, seals and support systems, automation and aftermarket services supporting global infrastructure
  - Focused on oil & gas, power, chemical, water and general industries
- **Worldwide presence with approximately 20,200 employees\***
  - 71 manufacturing facilities and 175 aftermarket Quick Response Centers (QRCs) with Flowserve employees in more than 50 countries
  - SIHI Group acquisition in January 2015 includes 28 facilities (15 service center)
- **Long-term relationships with leading energy customers**
  - National and international oil & gas, chemical and power companies, engineering & construction firms, and global distributors
- **Established commitment to safety, customer service, and quality with a strong ethical, compliance and performance culture**



\* Includes approximately 1,700 SIHI employees

# Investment Highlights

- Focused flow control provider engaged primarily in energy infrastructure markets
- Diversified business model provides stability and foundation for earnings growth
  - Broad portfolio of distinguished brand names, with over 10,000 customers globally
  - Stable business platform due to global geographic exposure and mix of industries served
  - Combination of run-rate and large, late-cycle original equipment with recurring aftermarket
  - Substantial installed base in existing infrastructure with global aftermarket QRC network
- Emphasis on operational excellence drives margin and cash flow improvement
- Experienced, shareholder focused leadership team - **“One Flowserve”**
- Growth pursued through customer focus, innovation, expanding capabilities and strategic investments, primarily in emerging markets
- Disciplined capital allocation with emphasis on growth and shareholder value
- Expected growth will leverage earnings power of improving operating platform

***Strong expected cash flow generation focused on growth initiatives and returns to shareholders***

# Business Outlook

- Disciplined focus on profitable growth
  - Diverse, attractive end markets
  - Opportunities to accelerate our resilient aftermarket franchise growth
  - Leverage significant competitive advantages including flexible operating platform, broad product portfolio and worldwide installed base
  - R&D investment and new product development
  - Strong financial position to invest in growth, organic and inorganic
- Continued internal focus and success of **"One Flowserve"** strategies driving strong, consistent execution
  - Internal progress supports increased focus on growth including inorganic growth opportunities with lower integration risk
  - Performance culture continues to improve our capabilities to meet and exceed customer requirements
- Diverse end-market and geographic exposures continue to dampen risk and volatility and provide opportunities across our global energy markets
- Disciplined focus on return on assets drives capital allocation, portfolio optimization and return for shareholders

# Diversified Business Model

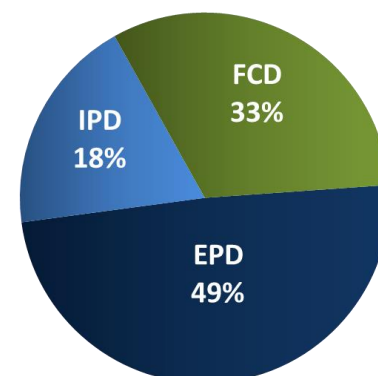
*Diverse mix of products, end markets and geographies provided earnings stability through the cycle and decreases risk profile*

## Operating Segments

- Engineered Product Division (EPD) - highly-engineered pumps, seals and systems
- Industrial Product Division (IPD) - pre-configured pumps and systems
- Flow Control Division (FCD) - industrial valves and automation solutions

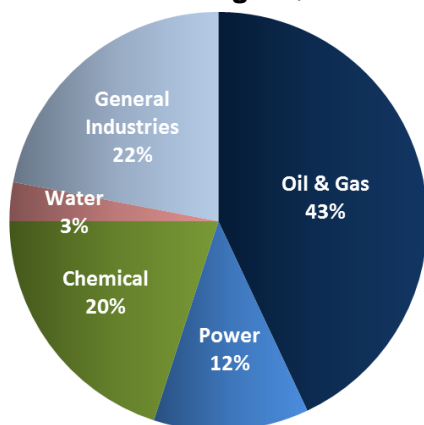
## Segment Breakdown

2014 Sales - \$4.9B



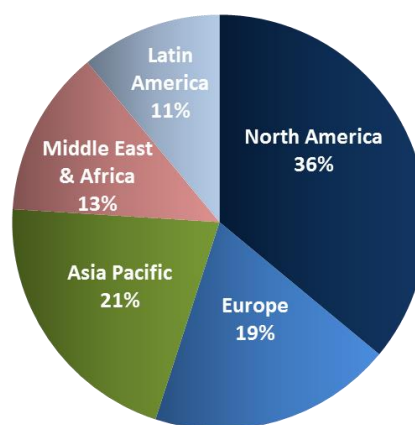
## Energy-focused End Markets

2014 Bookings - \$5.2B



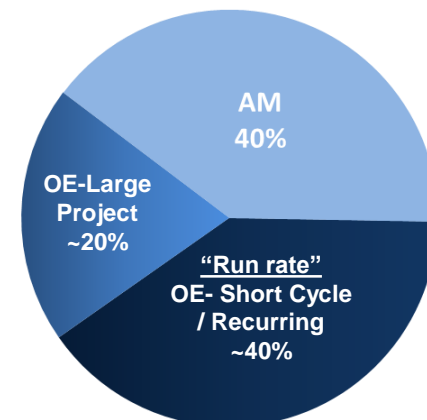
## Geographic Exposure

2014 Sales



## Diverse OE / AM Mix

2014 Sales



***Balanced flow control portfolio of products and aftermarket services provides diversification and reduces earnings risk profile***

# Resiliency of Business

Traditional mix of sales		Recent years' mix of sales	
~20%	OE large projects	Has trended lower: only 10-15%	<ul style="list-style-type: none"> <li>• New capacity – greenfield / brownfield expansion</li> <li>• Typically large, longer lead-time OE projects</li> <li>• E&amp;C driven, highly engineered</li> <li>• Tend to cut across multiple FLS divisions</li> </ul>
~40%	Run-rate OE: short cycle, recurring	Has trended higher	<ul style="list-style-type: none"> <li>• Replacing / adding equipment in existing infrastructure</li> <li>• Shorter lead-time</li> <li>• Typically customer direct</li> </ul>
~40%	Aftermarket	Has trended higher	<ul style="list-style-type: none"> <li>• Parts, repairs, spares, MRO spending</li> <li>• Leverages FLS' network of Quick Response Centers and associated talent</li> <li>• Service and response time critical</li> </ul>

***Approximately 80% of business is traditionally aftermarket or run-rate original equipment → stability and resiliency***

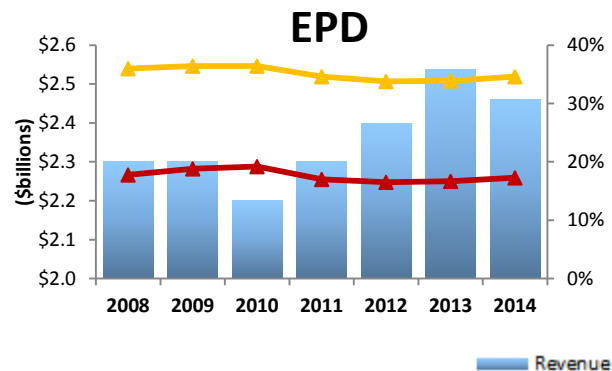
# Projected Impact of Oil Price Declines

	Market	Typical share of FLS bookings	Expected Impact to FLS			Recent observations / expectations
			Project OE	Run-rate OE	AM	
Oil & Gas	<b>Downstream O&amp;G</b>	High	Negative to neutral	Neutral	Neutral	<ul style="list-style-type: none"> <li>Integrated (Int'l) oil companies to be impacted; NOCs and independents less so</li> </ul>
	<b>Midstream O&amp;G</b>	Low	Negative to neutral	Neutral	Neutral	<ul style="list-style-type: none"> <li>Less impact vs. upstream</li> </ul>
	<b>Upstream (E&amp;P) O&amp;G</b>	Low	—	Negative to neutral	Negative to neutral	<ul style="list-style-type: none"> <li>Exploration projects to be impacted</li> <li>Low extraction cost regions to be less impacted</li> </ul>
	<b>Chemical</b>	High	+	+	+	<ul style="list-style-type: none"> <li>Lower cost natural gas and naphtha feedstocks</li> <li>Demand for chemicals could increase</li> <li>Budgets will be managed tightly</li> </ul>
	<b>Power</b>	Medium	+	+	+	<ul style="list-style-type: none"> <li>Lower cost natural gas feedstock</li> <li>Demand for power could increase</li> </ul>
	<b>Water</b>	Low	Neutral	Neutral	Neutral	<ul style="list-style-type: none"> <li>Demand could increase due to benefit to GDP</li> <li>Limited correlation with oil prices</li> </ul>
	<b>General industries</b>	High	+	+	+	<ul style="list-style-type: none"> <li>Lower energy costs could be a positive</li> <li>More GDP dependent</li> <li>Paper, Distribution, F&amp;B, Ag, Mining, etc.</li> </ul>

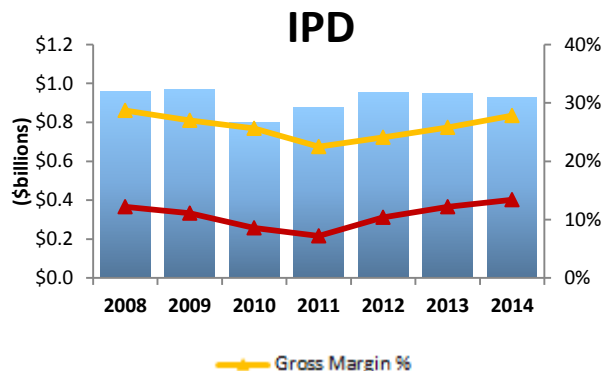
**While oil price impacts FLS' business, our diverse exposures, aftermarket and run-rate original equipment provide stability**



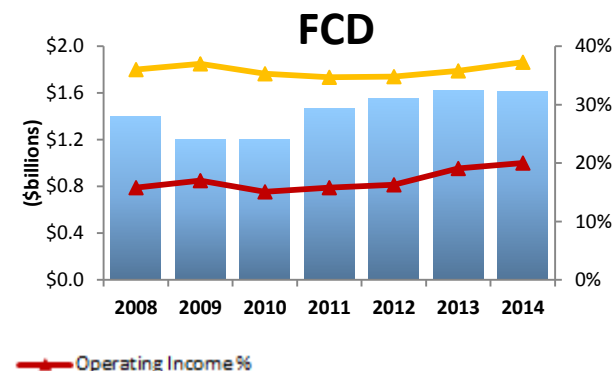
# Broad Flow Control Platform



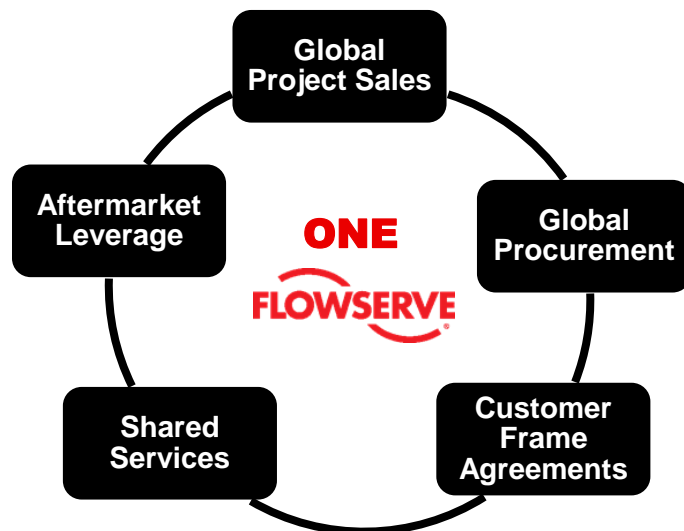
- Engineered Custom
- Late and long cycle-business
- Growing market share
- Solid aftermarket
- Direct sales to customers



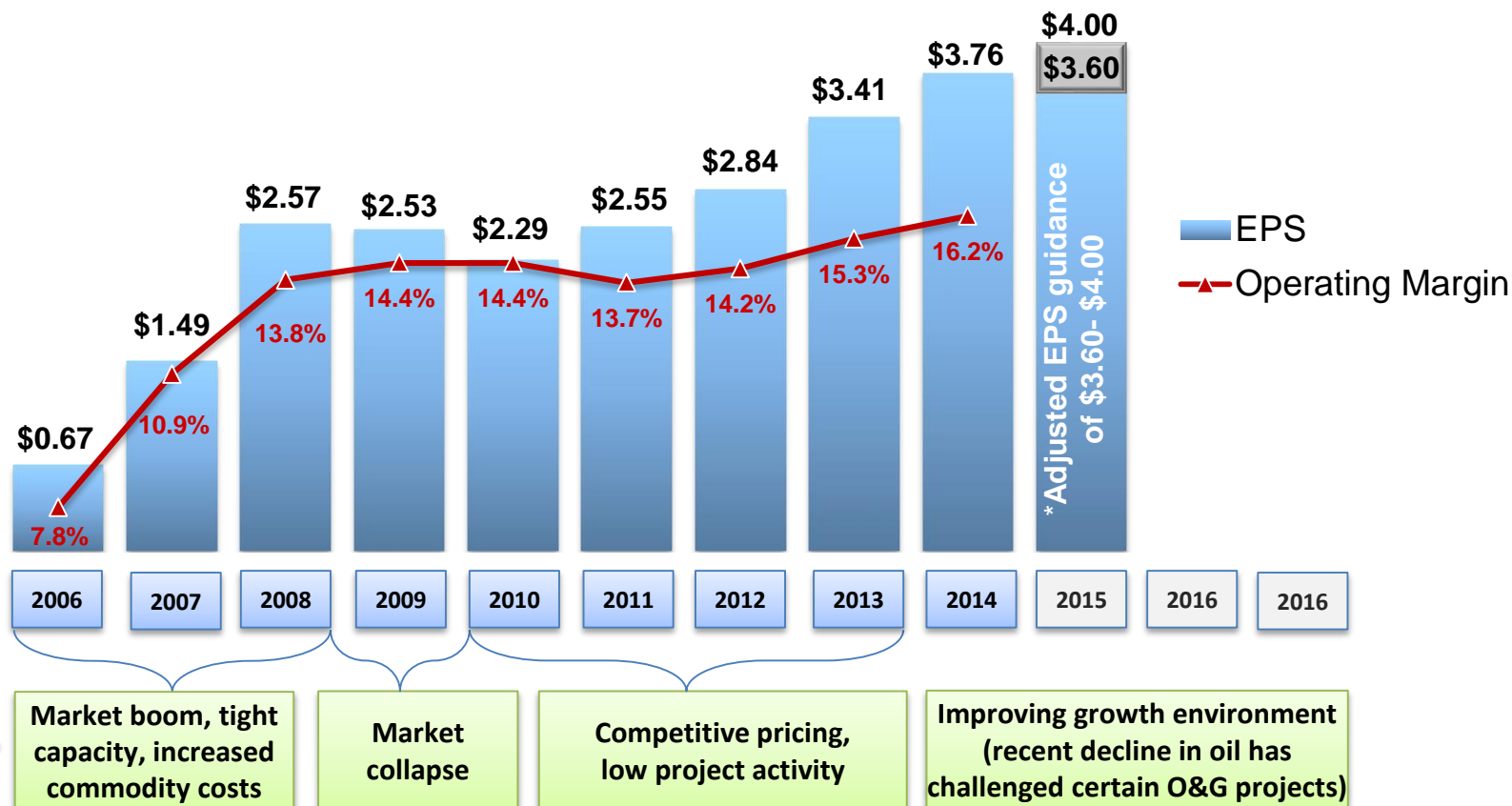
- Participates in projects
- Engineered to specifications
- Focus on improving product gaps
- Improving execution
- Direct sales and distribution



- Increasing exposure to oil and gas segment
- Consistent strong execution
- Focused on growth
- Direct sales and distribution



# Earnings Stability Through the Cycle



\* 2015 Adjusted EPS guidance excludes estimated \$0.25 dilutive impact of SIHI Group acquisition and includes approximately \$0.20 above-the-line foreign currency impact assuming year-end 2014 foreign.

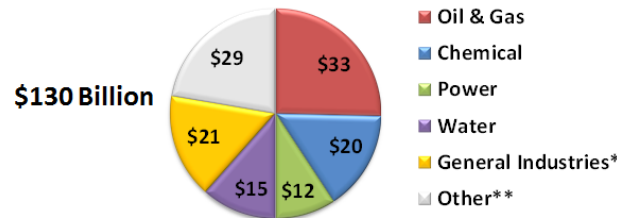
currency exchange rates

**Disciplined execution of strategies and operating excellence drive earnings and cash generation for growth investments**

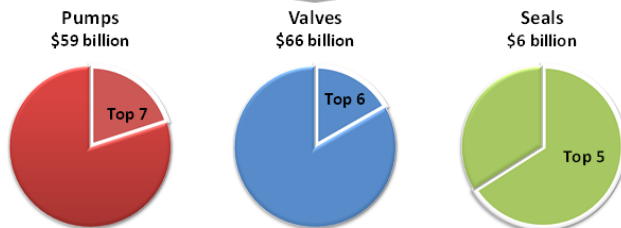
# Flowserve's Served Market

- Flowserve offers the market a broad range of flow control products
- Served markets represent ~75% of total available market
- Pump, valve & seal spend increasingly taking place in developing regions
- Developing markets accounted for nearly 60% of 2013 spend

**Total Available Market**



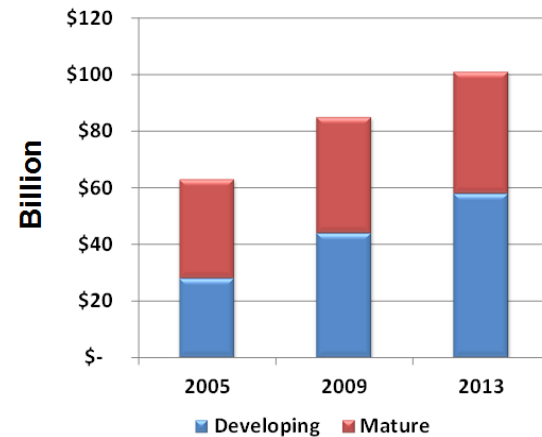
**Total Available Market – By Pumps, Valves & Seals**



Source: European Industrial Forecasting, company reports and internal estimates

\*General Industries: Mining, Pulp & Paper and Food & Beverage \*\*Other: Building & Construction, Marine and other

**Served† Market for Pumps, Valves & Seals**



Source: European Industrial Forecasting

† Includes oil & gas, chemical, power, water & general industries; excludes building & construction, marine & other

***Pumps & valves are highly fragmented with many suppliers, whereas seals is concentrated among a few competitors***

# Key Drivers of Growth

<p><b>Energy and emerging market growth</b></p>	<p><b>Long-term tailwinds for our growth:</b></p> <ul style="list-style-type: none"> <li>• Energy demand growth</li> <li>• Global economic and population growth</li> <li>• Resurgence of large project activity</li> </ul>
<p><b>Opportunity “within four walls of Flowserve”</b></p>	<ul style="list-style-type: none"> <li>• Operational excellence - propensity</li> <li>• Customer focus / performance culture</li> <li>• Strategic localization / geographic expansion</li> <li>• Building upon our Aftermarket strength</li> </ul>
<p><b>Product Innovation</b></p>	<ul style="list-style-type: none"> <li>• Breakthrough products</li> <li>• Product line extensions</li> <li>• Product enhancements</li> </ul>
<p><b>Acquisitions</b></p>	<ul style="list-style-type: none"> <li>• Niche, bolt-on strategy – top-line synergies</li> <li>• Attractive segments – filling in “gaps”</li> <li>• Strong fit with our competitive advantages</li> <li>• Solid economics to drive long-term value</li> </ul>

# Large OE Activity Announcements



JV with Technip Awarded Sasol's Louisiana ethane cracker  
Fluor and JGC Joint Venture Awarded EPC  
Contract by Chevron Phillips Chemical for Gulf  
Coast Petrochemicals Project in Texas

Fluor Selected for Clean Fuels Project in Kuwait

Fluor and JGC Awarded EPC Contract for Kitimat  
LNG Project

CB&I Announces Contract For U.S. Ethylene Plant

CB&I and Chiyoda Awarded Contract for LNG Liquefaction and Export Facilities

CB&I Awarded Contract for LNG Liquefaction Terminal

CB&I Announces LNG Award in Australia



**BECHTEL ENTERS INTO CONTRACT WITH CHENIERE FOR CORPUS  
CHRISTI LIQUEFACTION PROJECT**

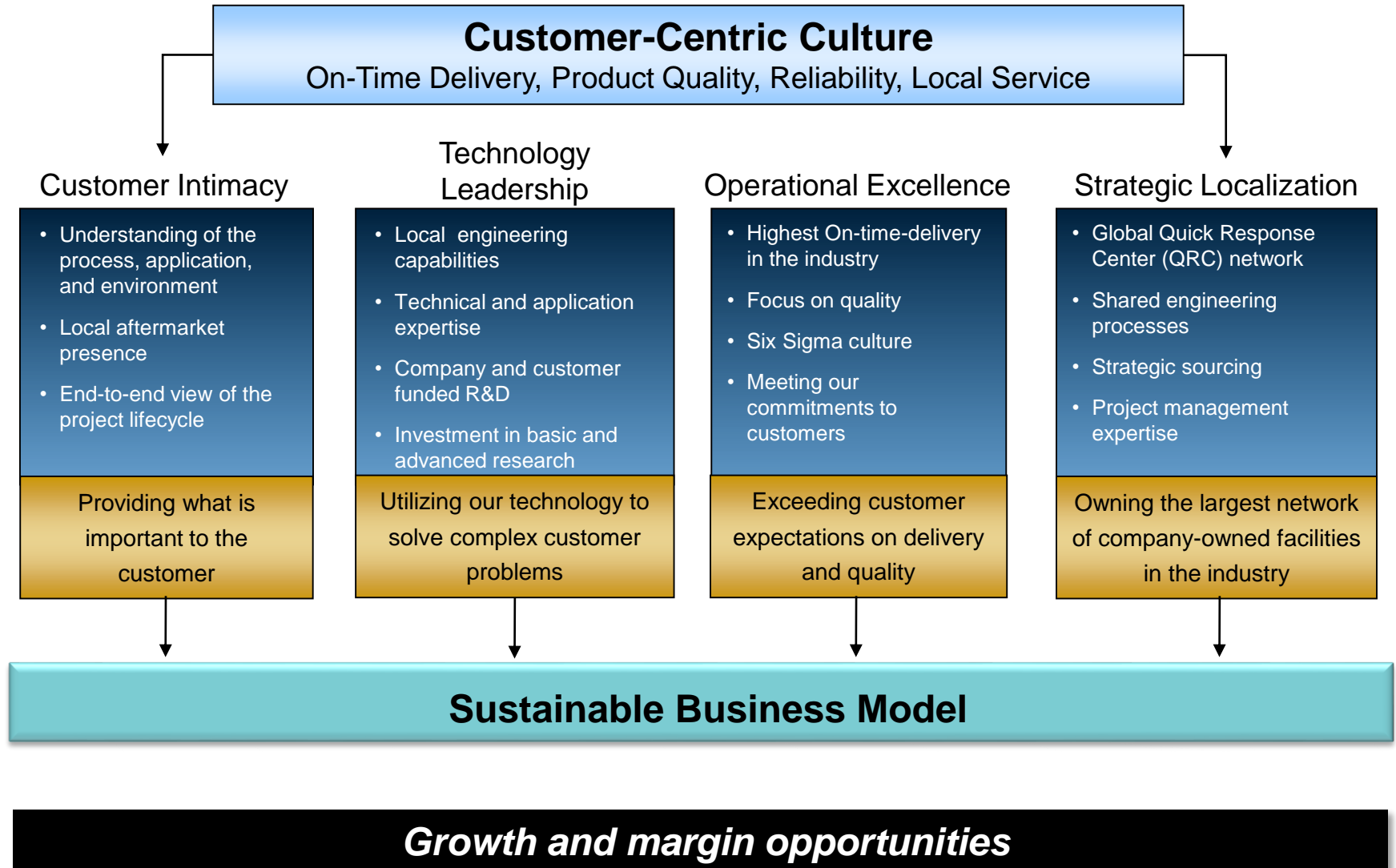
KBR Awarded Two Engineering, Procurement, and Construction  
Contracts for Agrium's Nitrogen Operations Facility



Jacobs Awarded Contract by Midwest Fertilizer

***E&C awards for large infrastructure projects key leading indicator***

# One Flowserve



# Global Provider of OEM & Aftermarket Services

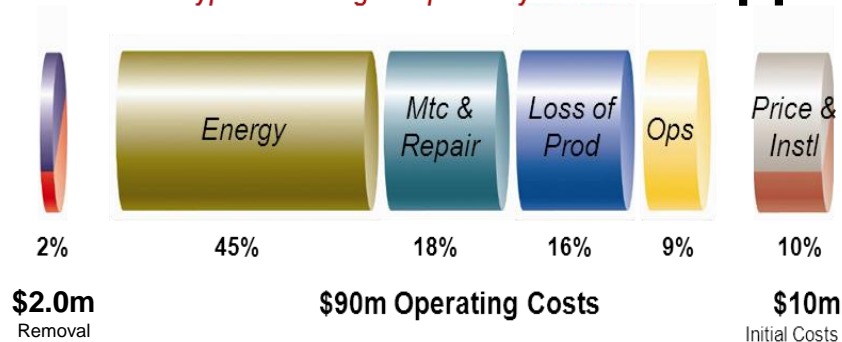
Lead Product Operation	Secondary Product Operation	Quick Response Centers
<ul style="list-style-type: none"> <li>• “<i>Product line custodian</i>” and recognized as the world wide product leader</li> <li>• Common processes and procedures</li> <li>• Ensures products are identical irrespective of where it is manufactured</li> <li>• Global product focus</li> </ul>	<ul style="list-style-type: none"> <li>• Implements the manufacturing and aftermarket support within the <i>designated geographical region</i> for the assigned product</li> <li>• Local contract execution</li> <li>• Local manufacturing</li> <li>• Local market pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Local service and repair</li> <li>• Field engineering and technical service</li> <li>• Root cause analysis</li> <li>• Asset management services</li> <li>• Hydraulic upgrade technologies</li> <li>• Customer training</li> </ul>

<u>Assets</u>	<u>Total</u>	<u>NA</u>	<u>LA</u>	<u>EMA</u>	<u>AP</u>	<u>SIHI</u>	<u>Inc'l SIHI</u>
Employees*	18,500	6,345	2,005	6,630	3,520	1,700	20,200
Mfg Sites	71	20	7	28	16	13	84
QRCs**	175	58	23	51	43	15	190

***Flowserve's 274 facilities provide manufacturing and service to support customers worldwide and optimize our asset base***

# Proximity to Customers Provides Aftermarket Opportunities

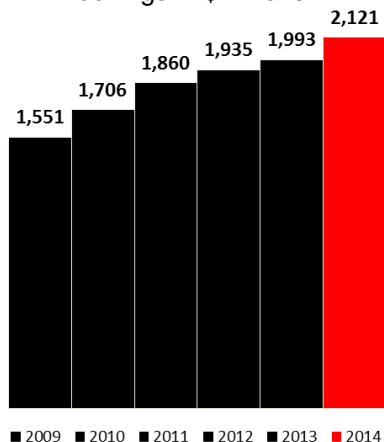
*Typical Refining Pump Life Cycle Costs*



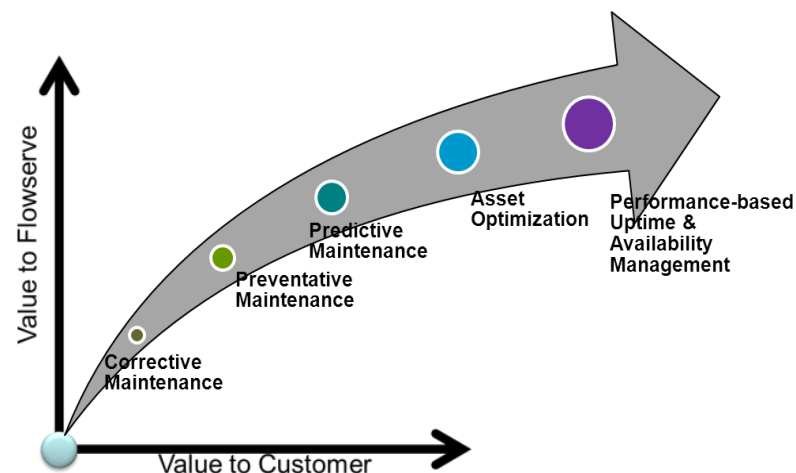
End user customers vary in maintenance philosophies

**2010 – 2014 AM CAGR = 6.5%**

AM Bookings in \$Millions



End-user customers typically experience approximately nine times the initial purchase and installation costs over the equipment's operating life

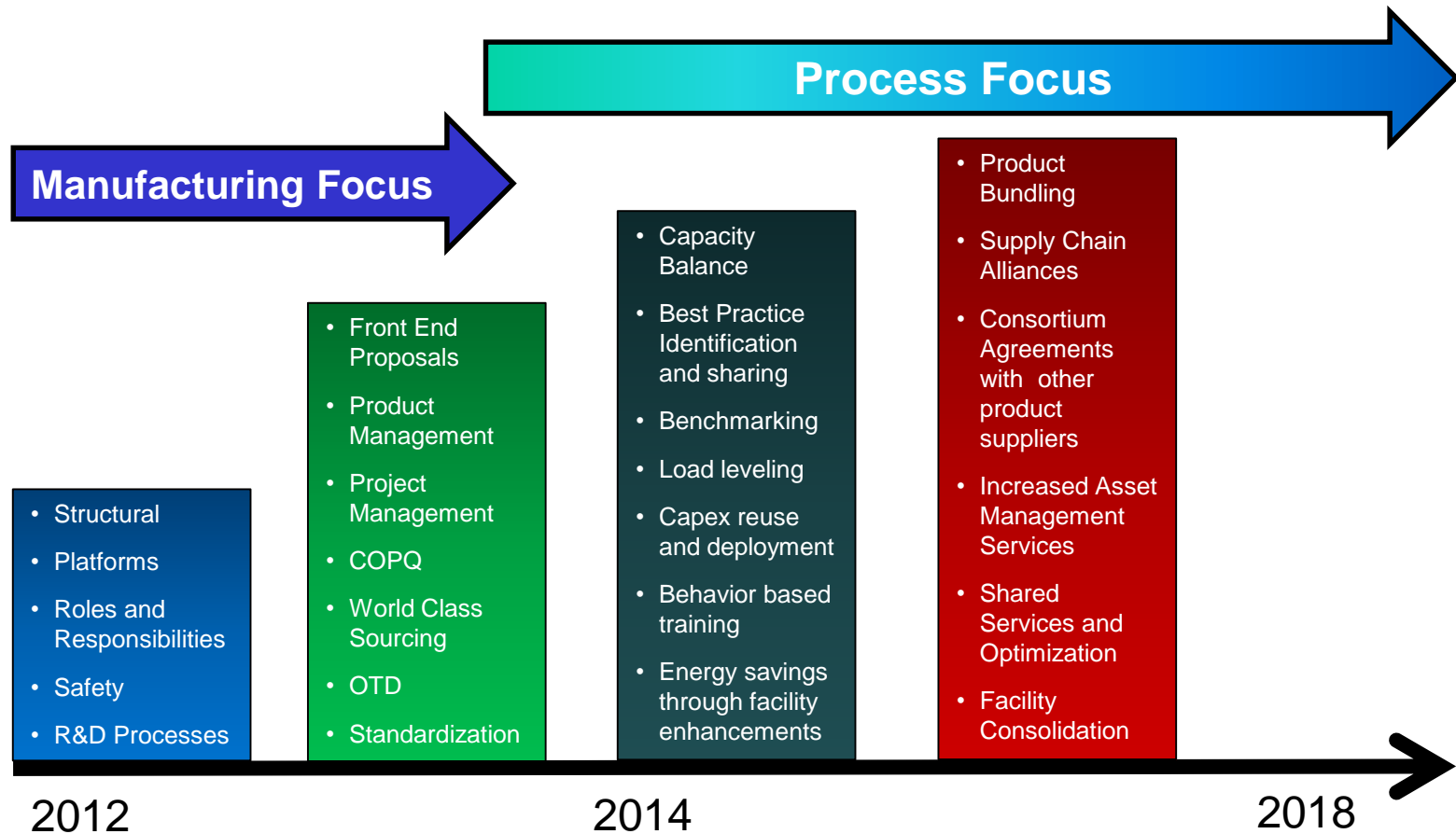


FLS Services & Solutions business drives aftermarket growth

**Leveraging large projects, run rate and aftermarket opportunities over the 40 to 50 year cycle**



# Process Improvement Continuum



***Expanding CIP throughout the business***

# Targeting Acquisitions to Leverage Competitive Advantages



**2014 Acquisition**  
Cash Paid - \$373M  
Price/EBITDA ~10x



**Acquisition strategy seeks to pursue growth in:**

- Markets/units that have “earned the right to grow”
  - High profitability and strong growth
- Attractive businesses (profitable, growing, filling “gaps”)
- Targets that fit with Flowserve competitive advantages
  - AM network, installed base, global manufacturing and sales footprint, etc.
- Targeted acquisitions are designed to be quickly accretive and meet Internal Rate of Return (IRR) targets



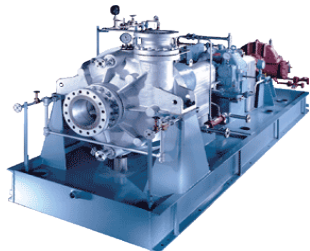
**2013 Acquisition**  
Cash Paid - \$78.7M  
Price/EBITDA ~11x

**Recent acquisitions have reinforced our core business and markets**

**Audco India JV - MM Nagar**  
2013 Acquisition/Divestiture  
Net Cash Rec'd – \$36.1M



- Recent acquisitions at favorable multiples include auction process and relationship driven transactions



**2011 Acquisition**  
Cash Paid - \$88.2M  
Price/EBITDA – 8.8x



**2010 Acquisition**  
Cash Paid - \$199.4M  
Price/EBITDA – 8.1x

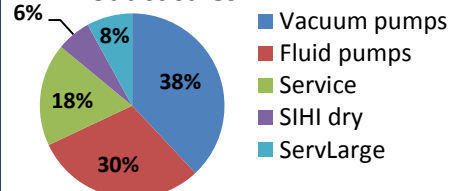
# SIHI Overview



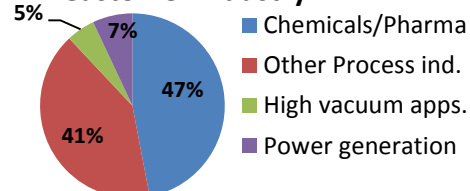
- Global pumping solution provider with innovative and customized solutions for demanding applications in the process industry
- Headquarters: Itzehoe, Germany
- Key products: Vacuum pumps, fluid pumps, ISO, ring section, side channel, end suction industrial

## Products and end markets

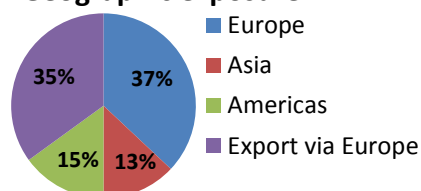
Product sales



Customer industry



Geographic exposure

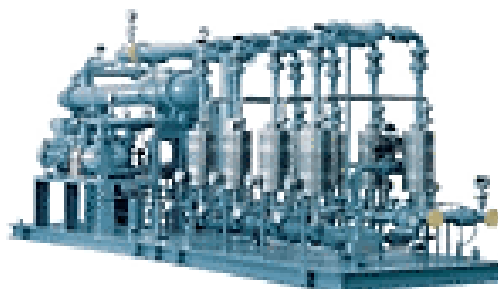


## Locations and employees

- 28 Facilities: Germany (3), 1 each in Spain, Belgium, The Netherlands, US, France, Canada, Colombia, China, Thailand, with foundry in UK and 15 service centers around the world
- Employees: ~1,700

## Est. 2014 key financial information

- Revenues: ~ €280M
- Gross Margin: ~ 30%
- EBITDA: ~ €30M



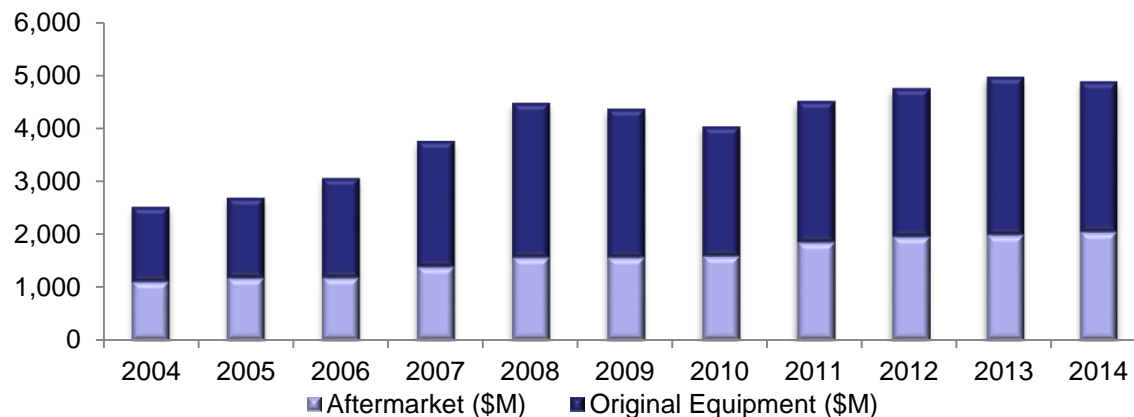
# SIHI Exemplifies M&A Strategy

Achieving Key Strategic Objectives	Rationale for Acquisition of SIHI
<i>Invest in markets/units that “earned the right to grow”</i>	<ul style="list-style-type: none"> <li>• Significant progress in IPD operating platform excellence</li> <li>• Demonstrated success in integrating past acquisitions including Lawrence Pumps and Innomag</li> </ul>
<i>Niche, bolt-on top line growth</i>	<ul style="list-style-type: none"> <li>• Products include high quality vacuum pumps and niche fluid pumps with little Flowserve product overlap</li> <li>• SIHI installed pump base provides Flowserve seal opportunities</li> </ul>
<i>Attractive businesses, markets and filling gaps</i>	<ul style="list-style-type: none"> <li>• Vacuum pumps are additive to Flowserve’s pump portfolio</li> <li>• Leading provider in demanding process industry applications</li> <li>• High product exposure to chemical market, significantly increases Flowserve’s exposure to EMA</li> </ul>
<i>Strong fit with our competitive advantages</i>	<ul style="list-style-type: none"> <li>• Leverage Flowserve’s worldwide sales force to drive SIHI’s vacuum pumps into growth regions</li> <li>• Large installed base supports aftermarket sales synergies</li> </ul>
<i>Drive long-term value</i>	<ul style="list-style-type: none"> <li>• Quickly accretive; IRR exceeds WACC</li> <li>• Opportunities to reinforce core business, markets and operating platform to improve profitability</li> </ul>

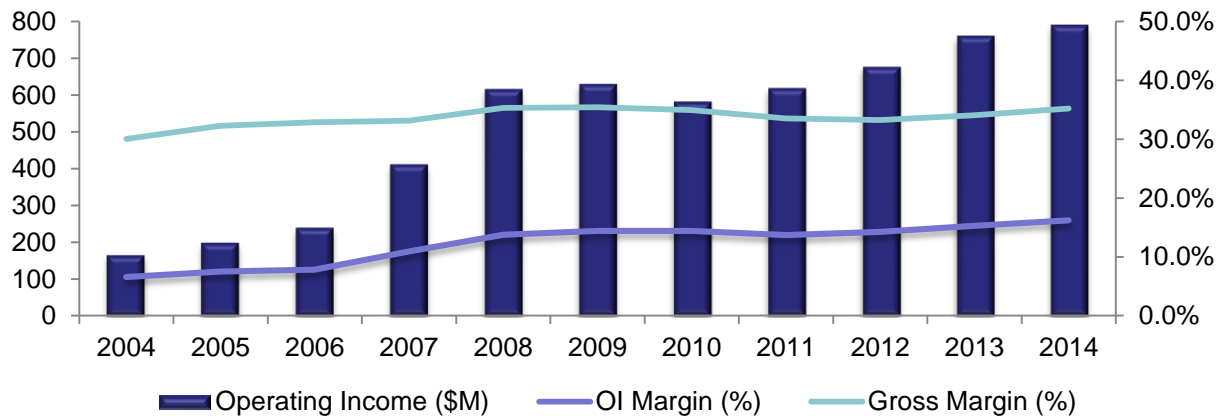
***SIHI acquisition supports long-term profitable growth and increased shareholder value***

# Strong Annual Financial Performance

## Sales

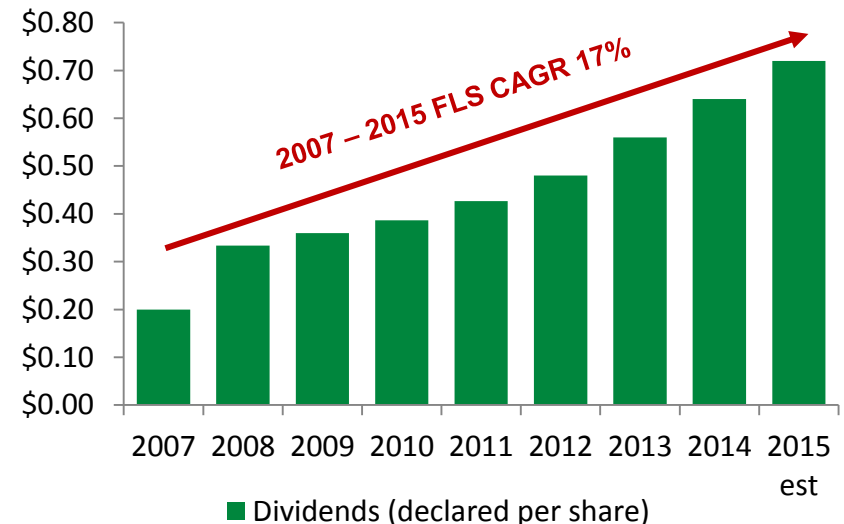
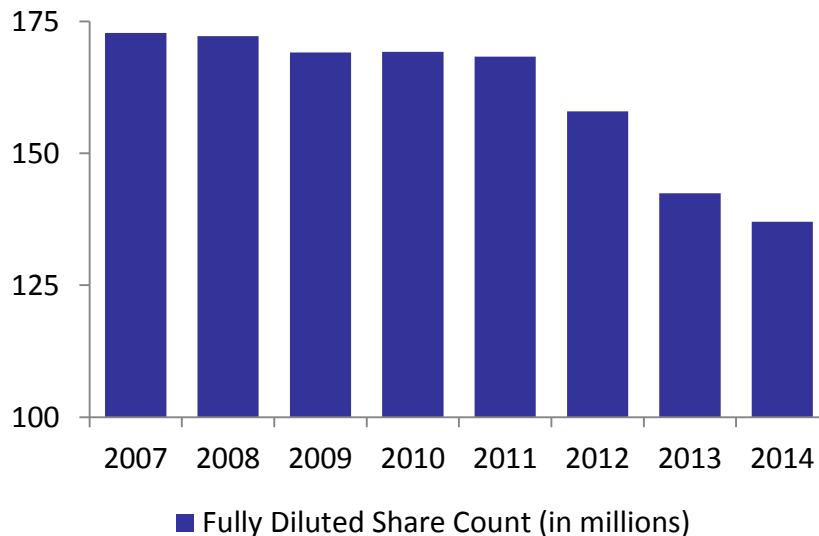


## Operating Results



# Consistent Returns to Shareholders

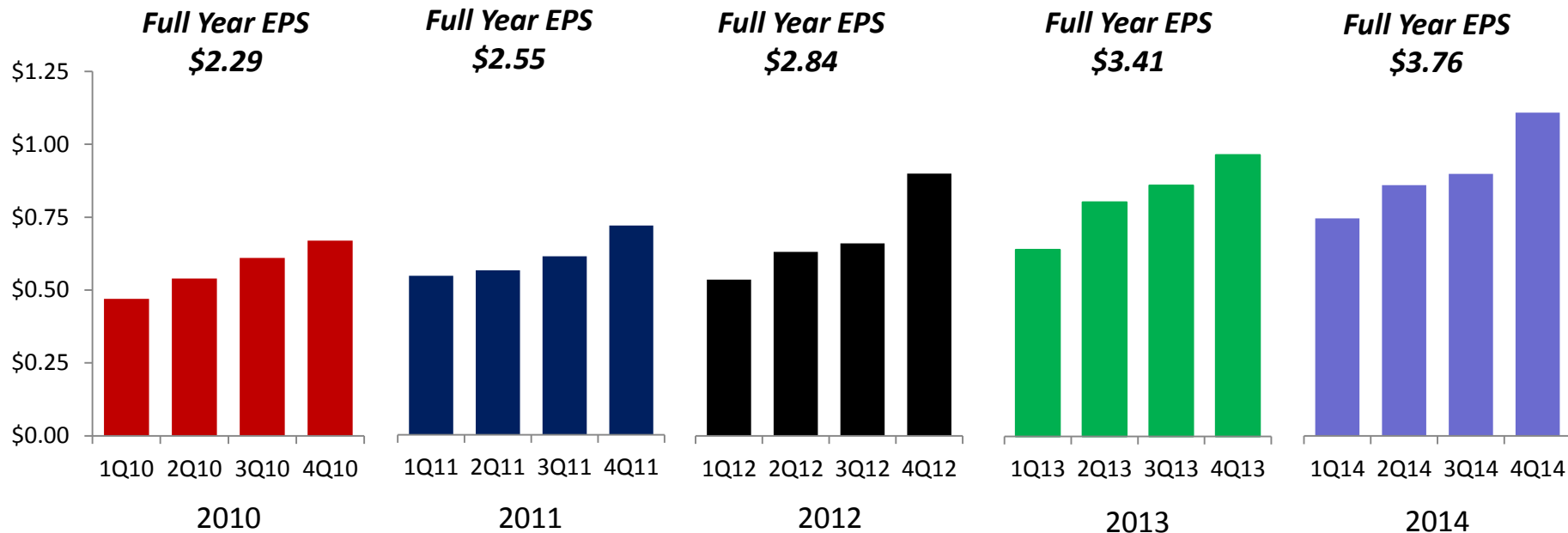
- Total diluted share count has been reduced by approximately 20% since 2005
- Cumulative annual declared dividends increased 360% to the anticipated \$0.72 per share in 2015 from \$0.20 per share in 2007



**Note: Dividends and share count adjusted to reflect 3-for-1 stock split effective June 21, 2013**

# EPS Seasonally Second-Half Weighted

(Quarterly EPS - diluted)



***Earnings continue to be seasonal, 2015 first half is also expected to experience largest year-over-year challenges due to FX headwinds and business sale in Q1 2014***

Note: EPS adjusted to reflect 3-for-1 stock split effective June 21, 2013

# Q4 2014 Financial Highlights

- Fourth quarter EPS\* of \$1.16, up 14.9%, compared to \$1.01 prior year EPS
- Strong bookings of \$1.32 billion, up 5.6% versus prior year, or 11.2% on a constant currency basis
  - Original equipment bookings of \$768 million, increased roughly 6.4%, or 12.5% on a constant currency basis
  - Aftermarket bookings of \$554 million, increase of 4.4%, or 9.5% on a constant currency basis
  - Strength in all end markets with the exception of water
- Gross margin improvement of 130 basis points to 35.2%, driven by 410 bps and 160 bps improvement in IPD and FCD, respectively
- Operating margin of 17.3%, increased 200 basis points versus prior year
- Backlog of \$2.7 billion increased \$147.3 million, or 5.8% versus Q4 2013 or 11.8% on a constant currency basis – supports 2015 guidance



# 2015 Outlook

2015 Adjusted EPS <sup>1</sup>	\$3.60 – \$4.00
Revenue Growth <sup>2</sup>	Down 1% to Up 3%
Net Interest Expense <sup>3</sup>	\$64 – \$66 M
Tax Rate	30% – 31%
Capital Expenditures	\$150 – \$160 M
Pension Contributions	\$30 – \$35 M
Scheduled Debt Reduction	\$45 M
Longer Term Guidance:	
SG&A as a Percent of Sales	18%

<sup>1</sup> 2015 Adjusted EPS guidance excludes estimated \$0.25 dilutive impact of the SIHI Group acquisition and includes approximately \$0.20 negative above-the-line foreign currency impact assuming year-end 2014 foreign exchange rates. 2015 first half is also expected to experience largest year-over-year challenges due to FX headwinds and gain on sale of business in Q1 2014.

<sup>2</sup> 2015 revenue growth guidance excludes SIHI Group expected revenue and assumes year-end 2014 foreign currency exchange rates.

<sup>3</sup> 2015 net interest expense guidance includes expected additional interest expense related to financing the acquisition of SIHI Group.

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# APPENDIX

# Substantial OE Opportunities from New Infrastructure



Refinery - 300,000 bpd  
\$60m - \$100m



Nuclear Power - 1700 MW  
\$60m - \$80m



Coal Power Station - 600MW  
\$30m - \$40m



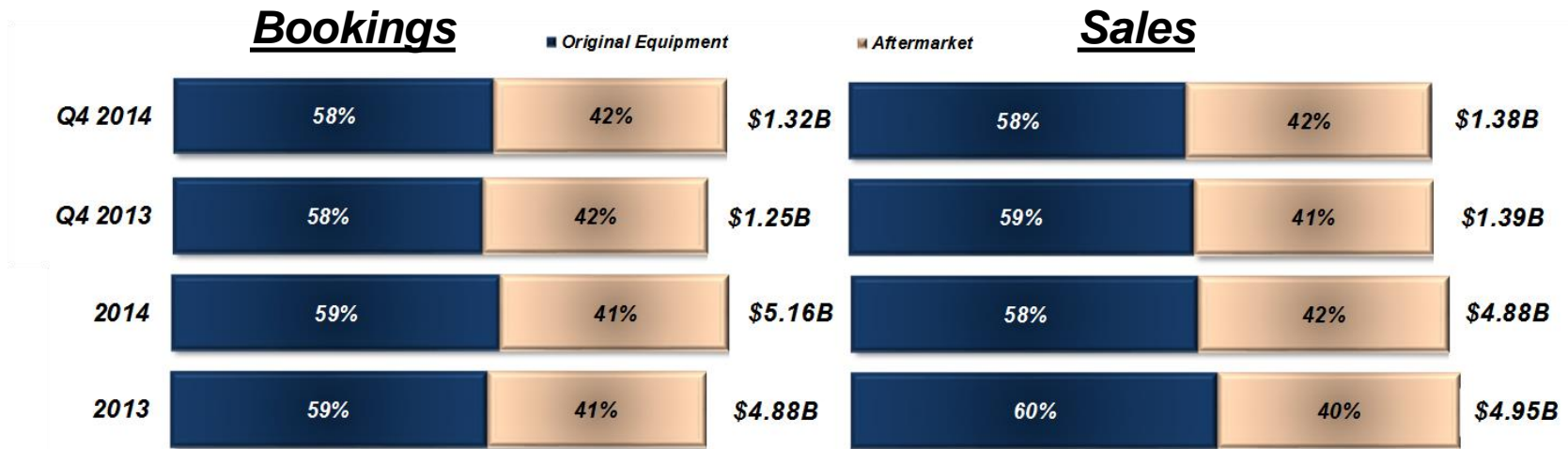
Solar Power Station - 250 MW  
\$20m - \$25m



Combined Cycle Power - 650 MW  
\$10m - \$15m

***Global Infrastructure build drives project growth and installed aftermarket base***

# Full Year & Q4 2014 – Consolidated Bookings & Sales



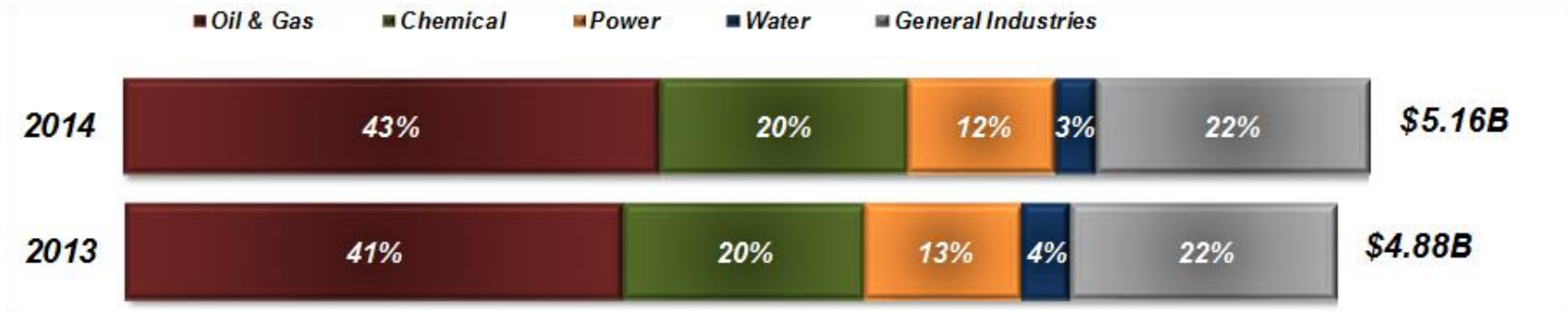
## Bookings

- Bookings in Q4 2014 increased 5.6%, or 11.2% on a constant currency basis, driven by strength in all industries with the exception of water
  - Original equipment bookings increased 6.4%, or 12.5% constant currency
  - Aftermarket bookings increased 4.4%, or 9.5% constant currency

## Sales

- Sales in Q4 2014 decreased 0.6%, or increased 5.6% on a constant currency basis, driven primarily by lower original equipment sales
  - Regionally, strong sales in North America were offset by decreased sales in all other regions

# 2014 Bookings & Industry Outlook



## OIL & GAS

- Oil & gas investment remained strong in 2014 despite geopolitical conflicts in key energy producing regions and downturn in oil prices
- Uncertainty around oil prices leading to greater spending discipline by oil & gas companies, particularly in their upstream businesses
- Global refining market driven by new capacity in emerging markets, clean fuels initiatives around the world and processing activity in U.S.

## POWER

- Many factors drive new power capacity, including emerging market economic development, environmental factors and age of infrastructure
- Asia Pacific accounts for the largest share of new nuclear and coal-fired power generation opportunities worldwide
- Natural gas combined-cycle continues to gain share of actual generation and new capacity additions in North America

## CHEMICAL

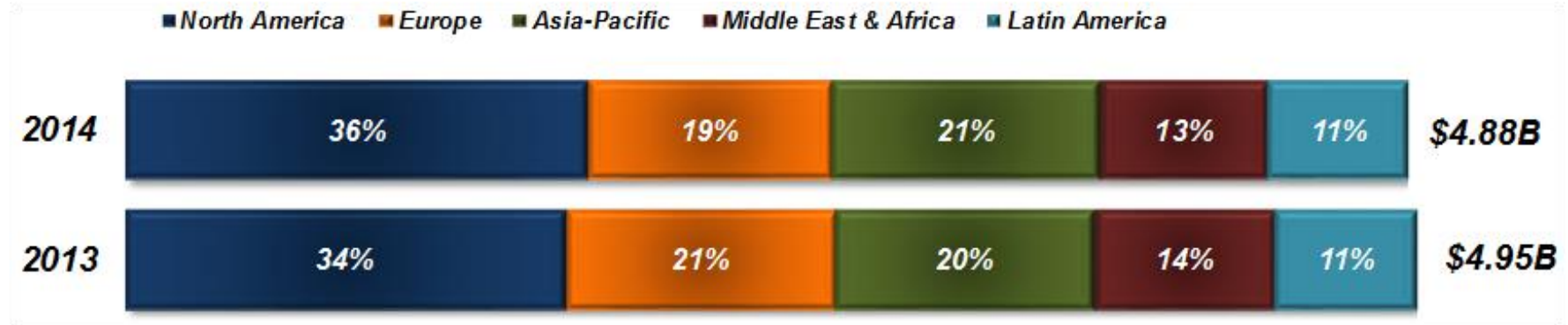
- Strong North American market conditions for petrochemicals and derivatives given low-cost natural gas feedstock
- Majority of new chemical capacity still being developed in BRIC countries and other developing economies

## GENERAL INDUSTRIES

- Good levels of business activity in general industries during 2014, particularly in developed regions
- Favorable long-term prospects in mining driven by emerging market demand and need for replacement capacity

**Sources:** GlobalData, Industrial Info Resources, American Chemistry Council, ITR Economics, IMF, Flowserve internal data

# 2014 Sales & Regional Outlook



## NORTH AMERICA

- Strong growth during 2014 but some uncertainty ahead due to oil price environment
- Good momentum in U.S. petrochemicals due to cost advantages, derivatives build out and general economic expansion
- Environmental factors & flat demand drive closure of older coal-fired units, conversion of coal units to natural gas & addition of combined-cycle units

## EUROPE

- Fragile economic conditions because of difficulties in the Euro zone and political tensions in Russia
- Fossil-fuel power investment in Europe driven by favorable economics and the region's partial retreat away from nuclear power generation

## MIDDLE EAST & AFRICA

- Oil & gas industry activity throughout Persian Gulf and North Africa remains solid in aftermarket and small project opportunities
- Favorable conditions for chemicals and general industries given the region's development toward downstream diversification

## ASIA-PACIFIC

- New coal-fired power plant additions; environmental and diversification factors support growth in other power technologies as well
- About half of global refining and chemical capacity additions planned for China, India and other Asia Pacific countries over the next five years

## LATIN AMERICA

- Positive energy market developments in Mexico and elsewhere; challenges in Brazil
- A key mining market, particularly for copper; industry spend on projects restrained

# Q4 & Full Year 2014 Consolidated Financial Results

(\$ millions)	4th Quarter					Full Year				
	2014	2013	Delta (\$)	Delta (%)	Constant FX (%)*	2014	2013	Delta (\$)	Delta (%)	Constant FX (%)*
<b>Bookings</b>	\$ 1,322.3	\$ 1,252.6	\$ 69.7	5.6%	11.2%	\$ 5,161.0	\$ 4,881.4	\$ 279.6	5.7%	8.0%
<b>Sales</b>	\$ 1,381.4	\$ 1,389.4	\$ (8.0)	(0.6)%	5.6%	\$ 4,877.9	\$ 4,954.6	\$ (76.7)	(1.5)%	0.7%
<b>Gross Profit</b>	\$ 485.7	\$ 470.5	\$ 15.2	3.2%		\$ 1,714.6	\$ 1,688.1	\$ 26.5	1.6%	
<b>Gross Margin (%)</b>	35.2%	33.9%		130 bps		35.2%	34.1%		110 bps	
<b>SG&amp;A</b>	\$ 251.6	\$ 260.6	\$ (9.0)	(3.5)%	1.1%	\$ 936.9	\$ 966.8	\$ (29.9)	(3.1)%	(1.5)%
<b>SG&amp;A (%)</b>	18.2%	18.8%		(60 bps)		19.2%	19.5%		(30 bps)	
<b>Income from Affiliates</b>	\$ 4.7	\$ 3.0	\$ 1.7	56.7%		\$ 12.1	\$ 39.0	\$ (26.9)	(69.0)%	
<b>Operating Income</b>	\$ 238.7	\$ 212.9	\$ 25.8	12.1%	20.2%	\$ 789.8	\$ 760.3	\$ 29.5	3.9%	7.0%
<b>Operating Margin (%)</b>	17.3%	15.3%		200 bps		16.2%	15.3%		90 bps	
<b>Other Income / (Expense), net **</b>	\$ 3.1	\$ (5.6)	\$ 8.7	155.4%		\$ 2.0	\$ (14.3)	\$ 16.3	114.0%	
<b>Tax Expense</b>	\$ 66.8	\$ 49.7	\$ 17.1	34.4%		\$ 208.3	\$ 204.7	\$ 3.6	1.8%	
<b>Net Earnings</b>	\$ 159.0	\$ 141.1	\$ 17.9	12.7%		\$ 518.8	\$ 485.5	\$ 33.3	6.9%	
<b>Diluted EPS</b>	\$ 1.16	\$ 1.01	\$ 0.15	14.9%		\$ 3.76	\$ 3.41	\$ 0.35	10.3%	

- Diluted EPS calculated using fully diluted shares of 137.0 million and 140.1 million shares in Q4 2014 and Q4 2013, respectively

- Flowserve repurchased 935,175 and 1,266,343 shares in Q4 2014 and Q4 2013, respectively and year to date 3,420,656 and 8,142,723 in 2014 and 2013, respectively.

\* Constant FX represents the year-over-year variance assuming 2014 results at 2013 FX rates

\*\* Full year 2014 includes \$2.8 million impact of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of \$12.6 million full year 2013



# Quarterly & Full Year 2014 Cash Flows

(\$ millions)	Q4	Q3	Q2	Q1	YTD	
	2014	2014	2014	2014	2014	2013
Net Income	161	130	125	\$ 109	\$ 525	\$ 488
Depreciation and amortization	27	27	29	27	110	106
Change in working capital	207	(6)	(90)	(207)	(96)	(110)
Other	50	(14)	10	(14)	32	4
<b>Total Operating Activities</b>	<b>445</b>	<b>137</b>	<b>74</b>	<b>(85)</b>	<b>571</b>	<b>488</b>
Capital expenditures	(49)	(30)	(22)	(32)	(133)	(139)
Dispositions, acquisitions and other	—	1	1	47	49	(29)
<b>Total Investing Activities</b>	<b>(49)</b>	<b>(29)</b>	<b>(21)</b>	<b>15</b>	<b>(84)</b>	<b>(168)</b>
(Payments on) / proceeds of long-term debt	(10)	(10)	(10)	(10)	(40)	270
Dividends	(22)	(22)	(22)	(19)	(85)	(77)
Short-term financing and other, net	1	(11)	4	10	4	9
Repurchase of common shares	(59)	(35)	(43)	(110)	(247)	(458)
<b>Total Financing Activities</b>	<b>(90)</b>	<b>(78)</b>	<b>(71)</b>	<b>(129)</b>	<b>(368)</b>	<b>(256)</b>
<b>Effect of exchange rates</b>	<b>(18)</b>	<b>(11)</b>	<b>(2)</b>	<b>(1)</b>	<b>(32)</b>	<b>(4)</b>
<b>Net Increase / (Decrease) in Cash</b>	<b>\$ 288</b>	<b>\$ 19</b>	<b>\$ (21)</b>	<b>\$ (199)</b>	<b>\$ 87</b>	<b>\$ 60</b>

***Solid progress on working capital initiatives drove 17% improvement in full year cash flow from operations***