Flowserve Third Quarter 2016 Earnings Conference Call

October 28, 2016

Experience In Motion

Special Note

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 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. We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections about us and the markets we serve. We caution users of the enclosed financial information that these statements are not guarantees of future performance and involve risks and uncertainties. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including those detailed on Item 1A, Risk Factors, in our Annual Report on Form 10-K for 2015 and in our subsequent disclosures filed 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.

Certain non-GAAP measures have been provided to facilitate comparison with the prior year. 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; throughout our materials we refer to non-GAAP measures as “Adjusted.” Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance. 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.

We have provided a table on pages 9 and 10 that reconcile these non-GAAP measures to their corresponding GAAP-based measures.

Current Conditions Overview

- Reported 2016 Third quarter GAAP Loss Per Share* of $0.16, Adjusted EPS of $0.52
    - Adjusted EPS excludes $0.68 of adjusted items[(1)] and includes $0.02 of negative currency translation
- Constant currency bookings decline of 7.3%, primarily due to 11.4% lower original equipment bookings
    - Aftermarket constant currency bookings remained stable, down 2.1% in the quarter, but modest growth year-to-date
- Continued progress on longer-term realignment actions in light of the current markets - actions initiated at over two-thirds of targeted facilities
    - Targeting a total investment of $400 million to produce $230 million of annualized savings in 2018
- Remain confident in the long-term fundamental growth outlook of our end-markets
- Continuing to pursue strategic growth opportunities

***Calculated using Q3 fully diluted shares of 130.3 million**
(1) See pg. 9 for reconciliation

2016-2017 Strategic Priorities

Competitive cost structure

- Right-size to market conditions
- Accelerate our previously planned manufacturing migration to emerging markets
    - Leverage our LPO/SPO model to facilitate migration
- Structurally reduce SG&A through lean structure and facility consolidation

Targeted growth with a special focus on Aftermarket and IPD

- Aftermarket: Continue to overdrive our Aftermarket and MRO opportunities
- IPD: Enhanced front-end sales model to capture run-rate business
    - Leveraging best-in-class approach from SIHI to extend throughout IPD
    - Distribution initiatives to target previously unserved markets

Pricing and margin discipline

- Maintain focus on products that provide an aftermarket tail
- Maintain original equipment margins in products with limited aftermarket
- Enhanced coordination between sales and operations as well as increased analytics and pricing capabilities to support growth efforts

Driving structural cost reductions while focusing on profitable growth

Serving Attractive Global Infrastructure Markets

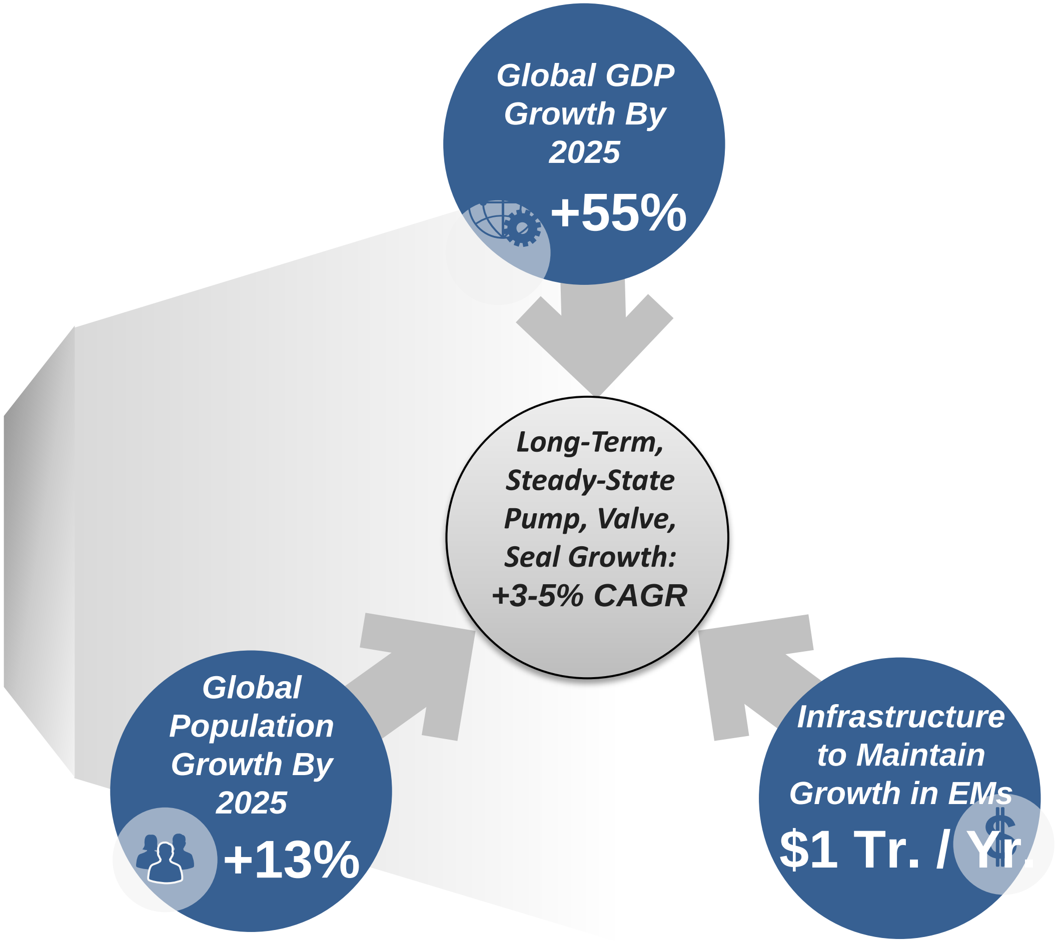
Long-term growth fueled by megatrends

- Global population growth
- Rise of emerging market middle class
- Significant infrastructure demands

Markets are cyclical, but the long-term positive drivers remain intact

Additionally, aging infrastructure drives further "brownfield" spending

- Average US refinery: 40 years old
- Average US power plant: 30 years old
- Majority of US gas pipelines built pre-1970



Sources: IEA World Energy Outlook 2015, Nov 2015; Infrastructure: World Bank; PVS market: EIF

Long-term global macro fundamentals support growth

Realignment Program to Structurally Transform Flowserve

- **Increase manufacturing capabilities and labor hours in low cost regions**
- **Enhance ability to serve growth in emerging markets**
- **Reduce our manufacturing footprint by approximately 30%**
- **Reduce cost structure by approximately $230M once realignment is complete**

Program Targets

Expected Completion: Late 2017

$350M

(+$50M below-the-line)
Cost Reduction Efforts
Includes SIHI realignment

~15-20%

Workforce Reduction*

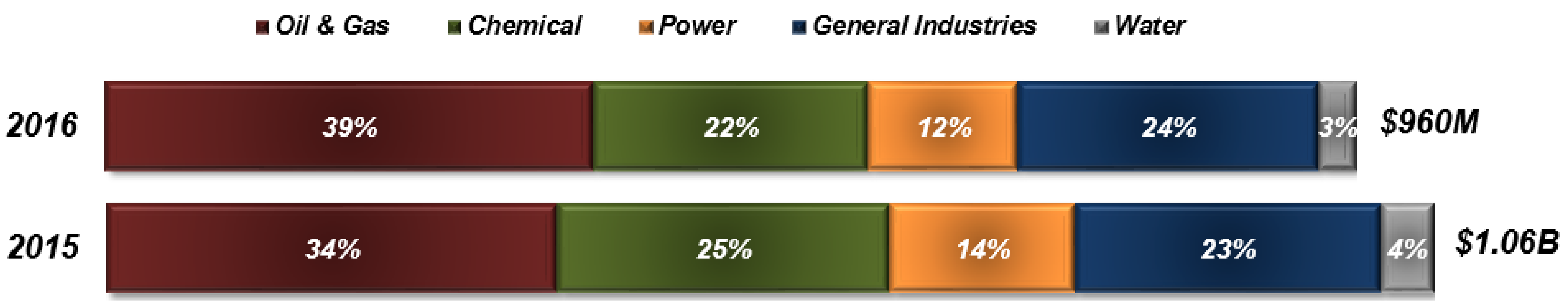
$230M

Annual Run-rate Savings
Includes SIHI realignment

Flowserve will be more focused and cost competitive, with manufacturing geographically aligned with forecasted market growth

** For workforce reduction efforts, where applicable, we will engage all necessary parties to meet our local consultation and information requirements.*

Q3 2016 Bookings & Industry Outlook



OIL & GAS

- *Low oil prices continue to impact global capital investment; early indications of market stabilization*
- *Challenges in key energy producing regions also impact upstream project & related MRO*
- *Opportunities in refining, however maintenance continues to be delayed in some regions*

CHEMICAL

- *Chemical market restrained as global capacity utilization remains below the long-term average*
- *US investment in ethylene & derivatives continues; Europe strengthening*

POWER

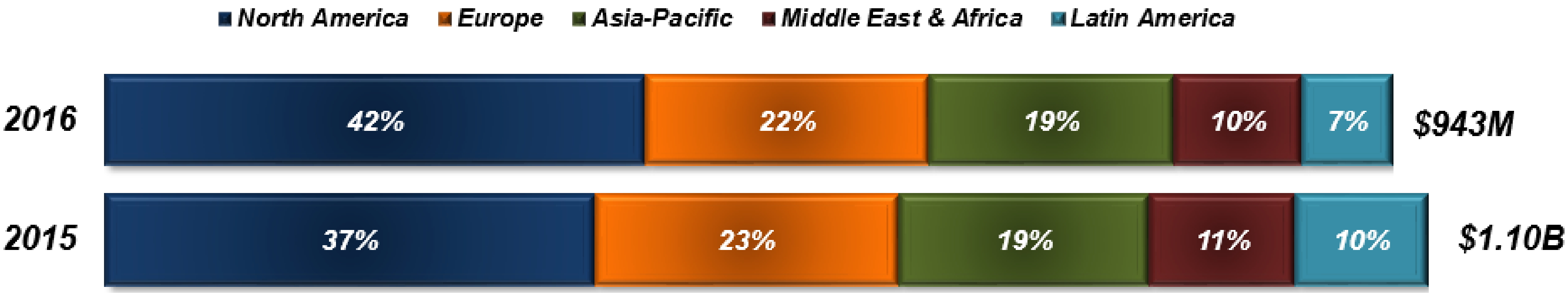
- *Strong nuclear power aftermarket activity in North America; investment slow elsewhere although long-term prospects promising*
- *Non-nuclear power market down, however select opportunities driven by emerging markets, infrastructure renewal & power mix diversification*

GENERAL INDUSTRIES

- *Slowing global growth hampers investment; pockets of activity in market such as food & beverage*
- *Distribution mixed; softness in some markets with areas of regional growth*

Sources: GlobalData, IHS, Oxford Economics, IMF, Flowserve internal data

Q3 2016 Sales & Regional Outlook



NORTH AMERICA
- *Oil & gas capital and maintenance spending remains low; investment in ethylene & derivatives continues*
- *Opportunities in the industrial & municipal markets, as well as power aftermarket*

EUROPE
- *Refining & chemical market activity solidifies*
- *Power generation challenged with some growth in fossil-fired; good future prospects in nuclear & renewables*

MIDDLE EAST & AFRICA
- *Oil & gas spending remains down overall, despite opportunities in refining*
- *Power markets difficult but some growth in fossil-fired & desalination*

ASIA-PACIFIC
- *India growth accelerates while China slows*
- *General industries on the rise across several market segments; distribution business improving*

LATIN AMERICA
- *Opportunities in refining, however energy markets remain subdued due to challenges in Brazil and Venezuela*
- *Mining still in decline but improvement in other general industries markets*

Sources: GlobalData, IHS, Oxford Economics, IMF, Flowserve internal data

Q3 2016 - Consolidated Financial Results

($ millions)	3rd Quarter 2016	3rd Quarter 2015	3rd Quarter Delta ($)	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	3rd Quarter Adjusted: 2016 Adjusted Items		2016 Adjusted Results	2015 Comparable Results		Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 959.5	$ 1,056.7	$ (97.2)	(9.2)%	(7.3)%	$ —		$ 959.5	$ 1,056.7		$ (97.2)	(9.2)%	(7.3)%
Sales	$ 943.3	$ 1,096.5	$ (153.2)	(14.0)%	(12.1)%	$ —		$ 943.3	$ 1,096.5		$ (153.2)	(14.0)%	(12.1)%
Gross Profit	$ 265.4	$ 388.8	$ (123.4)	(31.7)%		$ (40.4)	**(1)**	$ 305.8	$ 394.0	**(5)**	$ (88.2)	(22.4)%	
Gross Margin (%)	28.1%	35.5%		(740) bps				32.4%	35.9%			(350) bps	
SG&A	$ 271.6	$ 223.5	$ 48.1	21.5%	22.9%	$ 72.8	**(2)**	$ 198.8	$ 220.8	**(6)**	$ (22.0)	(10.0)%	(8.6)%
SG&A (%)	28.8%	20.4%		840 bps				21.1%	20.1%			100 bps	
Income from Affiliates	$ 3.4	$ 2.6	$ 0.8	30.8%		$ —		$ 3.4	$ 2.6		$ 0.8	(30.8)%	
Operating (loss) Income	$ (2.8)	$ 167.8	$ (170.6)	(101.7)%	(99.0)%	$ (113.2)		$ 110.4	$ 175.8		$ (65.4)	(37.2)%	(34.7)%
Operating Margin (%)	(0.3)%	15.3%		(1560) bps				11.7%	16.0%			(430) bps	
Other Income / (Expense), net **	$ 1.9	$ (5.4)	$ 7.3	(135.2)%		$ 1.4	**(3)**	$ 0.5	$ (0.6)	**(7)**	$ 1.1	(183.3)%	
Tax (Expense)/Benefit	$ (5.0)	$ (52.1)	$ 47.1	(90.4)%		$ 23.3	**(4)**	$ (28.3)	$ (45.8)	**(8)**	$ 17.5	(38.2)%	
Net (loss) Earnings	$ (20.9)	$ 93.6	$ (114.5)	(122.3)%		$ (88.5)		$ 67.6	$ 112.6		$ (45.0)	(40.0)%	
Diluted EPS	$ (0.16)	$ 0.70	$ (0.86)	(122.9)%		$ (0.68)		$ 0.52	$ 0.85		$ (0.33)	(38.8)%	

- Diluted EPS calculated using fully diluted shares of 130.3 million and 133.2 million shares in Q3 2016 and Q3 2015, respectively
- Flowserve repurchased 0 and 2,378,700 shares in Q3 2016 and Q3 2015 respectively

* Constant FX represents the year-over-year variance assuming 2016 results at 2015 FX rates

** Third Quarter 2016 includes $1.4 million of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $5.0 million in Q3 2015

1. Cost of sales includes $24.5 million of realignment charges, $14.0 million Brazil inventory write-down and Venezuela inventory reserve of $1.9 million
2. SG&A includes $7.0 million of realignment charges, $63.2 million charge to fully reserve Venezuela accounts receivable and $2.6 million of PPA and integration expenses
3. Includes $1.4 million below-the-line FX gains
4. Includes tax impact of items above offset by $5.4 million of realignment expense recorded in provision for income taxes
5. Excludes $1.8 million of realignment charges and $3.4 million of PPA expense
6. Excludes $0.2 million of realignment charges, $1.4 million of acquisition related costs and $1.1 million of SIHI PPA expense
7. Excludes $5.0 million of other below the line FX impacts
8. Excludes tax impact of items above and a $10 million tax charge related to a valuation allowance for Brazilian deferred tax asset

Year-to-Date 2016 - Consolidated Financial Results

	Year to Date					Year to Date Adjusted							
($ millions)	**2016**	**2015**	**Delta ($)**	**Delta (%)**	**Constant FX (%)***	**2016 Adjusted Items**		**2016 Adjusted Results**	**2015 Comparable Results**		**Delta ($)**	**Delta (%)**	**Constant FX (%)***
Bookings	$ 2,855.0	$ 3,213.2	$ (358.2)	(11.1)%	(8.4)%	$ —		$ 2,855.0	$ 3,213.2		$ (358.2)	(11.1)%	(8.4)%
Sales	$ 2,916.8	$ 3,273.3	$ (356.5)	(10.9)%	(8.2)%	$ —		$ 2,916.8	$ 3,273.3		$ (356.5)	(10.9)%	(8.2)%
Gross Profit	$ 898.2	$ 1,089.6	$ (191.4)	(17.6)%		$ (58.8)	**(1)**	$ 957.0	$ 1,144.8	(5)	$ (187.8)	(16.4)%	
Gross Margin (%)	30.8%	33.3%		(250) bps				32.8%	35.0%			(220) bps	
SG&A	$ 737.1	$ 707.0	$ 30.1	4.3%	6.3%	$ 91.4	**(2)**	$ 645.7	$ 672.0	**(6)**	$ (26.3)	(3.9)%	(1.8)%
SG&A (%)	25.3%	21.6%		370 bps				22.1%	20.5%			160 bps	
Income from Affiliates	$ 8.5	$ 6.3	$ 2.2	34.9%		$ —		$ 8.5	$ 6.3		$ 2.2	34.9%	
Operating Income	$ 169.6	$ 388.8	$ (219.2)	(56.4)%	(53.3)%	$ (150.2)		$ 319.8	$ 479.0		$ (159.2)	(33.2)%	(30.7)%
Operating Margin (%)	5.8%	11.9%		(610) bps				11.0%	14.6%			(360) bps	
Other Income / (Expense), net **	$ 2.1	$ (30.3)	$ 32.4	(106.9)%		$ 3.5	**(3)**	$ 5.6	$ (1.2)	**(7)**	$ 6.8	(566.7)%	
Tax (Expense) / Benefit	$ (47.8)	$ (111.5)	$ 63.7	(57.1)%		$ 34.0	**(4)**	$ (81.8)	$ (124.9)	**(8)**	$ 43.1	(34.5)%	
Net Earnings	$ 79.9	$ 196.3	$ (116.4)	(59.3)%		$ (112.7)		$ 192.6	$ 302.3		$ (109.7)	(36.3)%	
Diluted EPS	$ 0.61	$ 1.46	$ (0.85)	(58.2)%		$ (0.86)		$ 1.47	$ 2.25		$ (0.78)	(34.7)%	

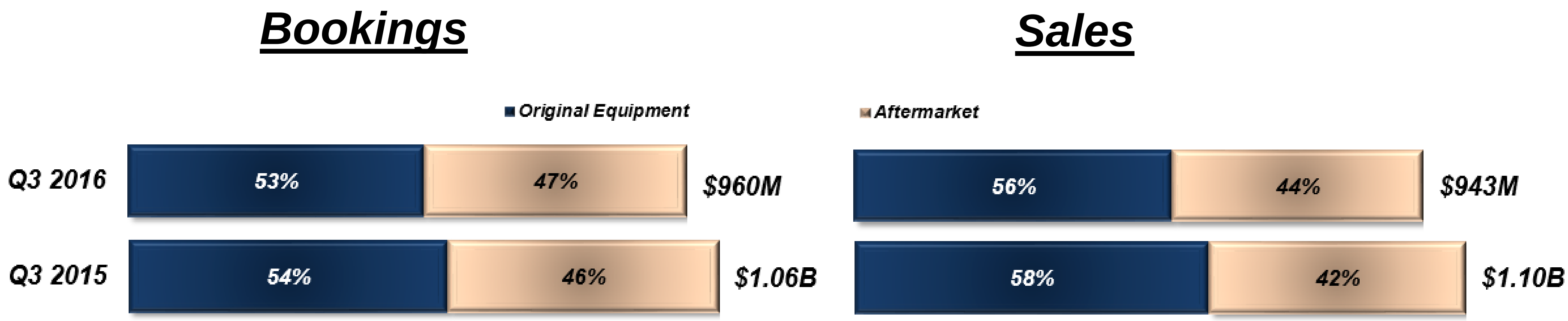
- Diluted EPS calculated using fully diluted shares of 130.9 million and 134.6 million shares in YTD 2016 and YTD 2015, respectively
- Flowserve repurchased 0 and 4,833,146 shares in YTD 2016 and YTD 2015 respectively

* Constant FX represents the year-over-year variance assuming 2016 results at 2015 FX rates

** YTD 2016 includes $3.5 million of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $29.3 million YTD 2015

1. Cost of sales includes $42.9 million of realignment charges, Brazil inventory write-down of $14.1 million and Venezuela inventory reserve of $1.8 million
2. SG&A includes $22.2 million of realignment charges, $63.2 million charge to fully reserve accounts receivable for Latin American customer and $6.0 million of SIHI PPA and integration expenses
3. Includes $3.5 million below-the-line FX gains
4. Includes tax impact of items above offset by $5.4 million of realignment expense recorded in provision for income taxes
5. Excludes $34.6 million of realignment charges, $18.1 million of PPA expense, $2.2 million of Venezuela remeasurement and $0.3 million of inventory write-down
6. Excludes $21.4 million of realignment charges, $8.7 million of acquisition related costs, $3.4 million of PPA expense and $1.5 million of other severance
7. Excludes $18.5 million Venezuela remeasurement impact and $5.8 million of other below the line FX impacts
8. Excludes tax impact of items above

Q3 2016 – Consolidated Bookings & Sales



Bookings

- Bookings decreased 9.2%, or 7.3% constant currency
  - Original equipment bookings decreased 13.1%, or 11.4% constant currency
  - Aftermarket bookings decreased 4.3%, or 2.1% constant currency

Sales

- Sales decreased 14.0%, or 12.1% constant currency
  - Original equipment sales decreased 16.9%, or 14.5% constant currency
  - Aftermarket sales decreased 10.4%, or 8.8% constant currency

Sources: Flowserve Internal Data

Executing on Realignment Initiative

Actions Taken: Q3 2016

- Initiated process to transfer capabilities from IPD's Australian facility and EPD's Lawrence, Massachusetts operation
  - Since early 2015 we have initiated action on more than two-thirds of facilities expected to be closed, repurposed or sold

	Q3 2016	YTD 2016	Program to Date	Est. FY 2016	Program Target Expected Completion: Late 2017
Cost Savings	$37 million	$80 million	$105 million	$100 million incremental / $125 million program-to-date	$195 million through 2017 ($230 million annualized run-rate savings by 2018)
Investment / Expenses	$37 million	$70 million	$189 million	$160 million	$400 million (includes $50 below-the-line)
Cash Expenditures	$30 million	$88 million	$109 million	$125-$150 million	$350 million

Q3 & Year-to-Date 2016 Cash Flows

	Q3	Q2	Q1	YTD	
($ millions)	**2016**	**2016**	**2016**	**2016**	**2015**
Net Income	$ (20)	$ 63	$ 38	$ 81	$ 201
Depreciation and amortization	29	29	29	87	100
Change in working capital	(34)	(107)	(84)	(225)	(256)
Other	80	26	9	115	86
Total Operating Activities	**55**	**11**	**(8)**	**58**	**131**
Capital expenditures	(28)	(17)	(20)	(65)	(139)
Acquisitions, dispositions and other	(1)	(3)	—	(4)	(349)
Total Investing Activities	**(29)**	**(20)**	**(20)**	**(69)**	**(488)**
(Payments) / proceeds of long-term debt, net	(15)	(15)	(15)	(45)	496
Dividends	(25)	(25)	(23)	(73)	(70)
Short-term financing and other, net	6	8	2	16	(4)
Repurchase of common shares	—	—	—	—	(250)
Total Financing Activities	**(34)**	**(32)**	**(36)**	**(102)**	**172**
Effect of exchange rates	2	(3)	8	7	(28)
Net Decrease in Cash	**$ (6)**	**$ (44)**	**$ (56)**	**$ (106)**	**$ (213)**

Elevated 2015 capital expenditures included investments to increase capabilities in Asia and strategic aftermarket license

2016 Guidance Assumptions

Revenue Guidance Assumptions	Previous 2016 Guidance	Current 2016 Guidance [(1)]
Revenue Guidance vs. 2015	-7% to -14%	-11% to -14%
EUR Rate	1.09 (yr-end 2015)	1.09 (yr-end 2015)
FX headwinds vs. 2015	~2%	~2%
Constant Currency Guidance	~-5% to ~-12%	~-9% to ~-12%

Adjusted EPS Guidance Assumptions	Previous 2016 Guidance	Current 2016 Guidance [(1)]
Adjusted EPS Guidance	$2.40 - $2.60	$2.05 - $2.25
EUR Rate	1.09 (yr-end 2015)	1.09 (yr-end 2015)
FX Headwinds vs. prior year	~$0.10/share	~$0.10/share

(1) Updated 2016 Adjusted EPS guidance as of October 28, 2016 to $2.05 - $2.25 from $2.40 - $2.60 on revenue decline of 11% to 14%, including approximately 2% FX headwinds

* Adjusted EPS guidance includes SIHI's operational results, and will exclude the Company's realignment expenses, SIHI purchase price accounting/integration costs, below-the-line FX impact and other specific discrete items.

2016 Cash Use Priorities

- Strategic investment of approximately $125 to $150 million in cost efficiency and manufacturing optimization initiatives
- Estimate capital expenditures to be $105 – $115 million
- Capital allocation policy of annually returning 40 – 50% of running 2-year average net earnings to shareholders
- Scheduled full year debt principal reduction of $60 million - $15 million in 2016 Q4
- Estimate U.S. and non-U.S. pension fund pre-tax contributions to be approximately $30 – $35 million
- Other strategic opportunities, after disciplined analysis

Questions and Answers

Appendix

Engineered Product Division
Q3 & Year-to-Date 2016 Segment Results

($ millions)	3rd Quarter					Year to Date				
	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 497.5	$ 537.5	$ (40.0)	(7.4)%	(4.6)%	$ 1,387.5	$ 1,608.0	$ (220.5)	(13.7)%	(9.8)%
Sales	$ 455.8	$ 514.5	$ (58.7)	(11.4)%	(8.5)%	$ 1,441.5	$ 1,569.4	$ (127.9)	(8.1)%	(3.9)%
Gross Profit	$ 126.9	$ 180.4	$ (53.5)	(29.7)%		$ 449.8	$ 535.9	$ (86.1)	(16.1)%	
Gross Margin (%)	27.8%	35.1%		(730) bps		31.2%	34.1%		(290) bps	
SG&A	$ 155.1	$ 104.8	$ 50.3	48.0%	50.0%	$ 359.4	$ 309.2	$ 50.2	16.2%	19.5%
SG&A (%)	34.0%	20.4%		1360 bps		24.9%	19.7%		520 bps	
Income from Affiliates	$ 3.1	$ 2.1	$ 1.0	47.6%		$ 8.1	$ 6.1	$ 2.0	32.8%	
Operating (loss) Income	$ (25.2)	$ 77.7	$ (102.9)	(132.4)%	(127.4)%	$ 98.5	$ 232.8	$ (134.3)	(57.7)%	(53.4)%
Operating Margin (%)	(5.5)%	15.1%		(2060) bps		6.8%	14.8%		(800) bps	
Adjusted Operating Income **	$ 60.8	$ 79.4	$ (18.6)	(23.4)%	(18.5)%	$ 200.3	$ 245.1	$ (44.8)	(18.3)%	(14.2)%
Adjusted Operating Margin % **	13.3%	15.4%		(210) bps		13.9%	15.6%		(170) bps	

Book-to-Bill of 1.09, highest since Q3 2015

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Adjusted Operating Income excludes realignment charges of $9.8 million and $25.6 million for Q3 2016 and YTD 2016, respectively, and $1.7 million and $12.3 million for Q3 2015 and YTD 2015, respectively; and excludes Venezuela accounts receivable reserve of $60.9 million, $13.6 million of Brazil inventory write-down and $1.7 million of Venezuela inventory reserve for Q3 2016 and YTD 2016, respectively

Engineered Product Division
Q3 & Year-to-Date 2016 Bookings and Sales

($ millions)		3rd Quarter 2016	3rd Quarter 2015	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	160	186	(14)%	(11)%	400	575	(30)%	(26)%
		32%	35%	(300) bps		29%	36%	(700) bps	
	AM	338	352	(4)%	(1)%	988	1,033	(4)%	(1)%
		68%	65%	300 bps		71%	64%	700 bps	
Sales Mix **	OE	158	185	(15)%	(10)%	509	557	(9)%	(3)%
		35%	36%	(100) bps		35%	35%	- bps	
	AM	298	329	(9)%	(8)%	932	1,013	(8)%	(5)%
		65%	64%	100 bps		65%	65%	- bps	

Flat Year-to-Date constant currency aftermarket bookings reflects stabilization of core aftermarket

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Gross bookings and sales do not include interdivision eliminations

Engineered Product Division Q3 Overview

- Bookings decreased 7.4%, or 4.6% on a constant currency basis
  - Decrease driven primarily by chemical and power, partially offset by increased oil and gas bookings
  - Bookings decreases into Asia Pacific and North America, partially offset by increased bookings into Europe
- Sales decreased 11.4%, or 8.5% on a constant currency basis
  - Sales decline driven primary by decreased sales into Latin America and Asia Pacific
- Gross margin decreased 730 basis points to 27.8%
  - Excluding realignment and Latin American charges, adjusted gross margin declined 210 basis points to 33.0%, primarily due to under-absorption of fixed manufacturing costs
- Operating margin decreased 2,060 basis points to -5.5%
  - Excluding realignment and Latin American charges, adjusted operating margin declined 210 basis points to 13.3%

Industrial Product Division
Q3 2016 Segment Results

($ millions)	3rd Quarter					3rd Quarter Adjusted							
	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016 Adjusted Items		2016 Adjusted Results	2015 Comparable Results		Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 189.6	$ 236.5	$ (46.9)	(19.8)%	(19.3)%	$ —		$ 189.6	$ 236.5		$ (46.9)	(19.8)%	(19.3)%
Sales	$ 203.3	$ 241.6	$ (38.3)	(15.9)%	(14.8)%	$ —		$ 203.3	$ 241.6		$ (38.3)	(15.9)%	(14.8)%
Gross Profit	$ 32.1	$ 69.0	$ (36.9)	(53.5)%		$ (16.2)	**(1)**	$ 48.3	$ 72.6	**(3)**	$ (24.3)	(33.5)%	
Gross Margin (%)	15.8%	28.6%		(1280) bps				23.8%	30.0%			(620) bps	
SG&A	$ 48.0	$ 44.0	$ 4.0	9.1%	10.0%	$ 6.8	**(2)**	$ 41.2	$ 41.5	**(4)**	$ (0.3)	(0.7)%	0.2%
SG&A (%)	23.6%	18.2%		540 bps				20.3%	17.2%			310 bps	
Income from Affiliates	$ 0.3	$ —	$ 0.3	—%		$ —		$ 0.3	$ —		$ 0.3	—%	
Operating (loss) Income	$ (15.7)	$ 25.0	$ (40.7)	(162.8)%	(161.6)%	$ 23.0		$ 7.3	$ 31.1		$ (23.8)	(76.5)%	(75.6)%
Operating Margin (%)	(7.7)%	10.3%		(1800) bps				3.6%	12.9%			(930) bps	

Realignment progress continued, which will drive leaner, more efficient operating platform

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
(1) Includes $16.0 million of realignment and $0.2 million of Venezuela inventory reserve
(2) Includes $3.6 million of realignment, $2.6 million of PPA expenses and $0.6 million of Venezuela accounts receivables reserve
(3) Excludes $0.2 million of realignment charges and $3.4 million SIHI PPA expense
(4) Excludes $1.1 million SIHI PPA expense and $1.4 million of acquisition related costs

Industrial Product Division
Year-to-Date 2016 Segment Results

	Year to Date					Year to Date Adjusted							
($ millions)	**2016**	**2015**	**Delta ($)**	**Delta (%)**	**Constant FX (%)***	**2016 Adjusted Items**		**2016 Adjusted Results**	**2015 Comparable Results**		**Delta ($)**	**Delta (%)**	**Constant FX (%)***
Bookings	$ 609.5	$ 689.9	$ (80.4)	(11.7)%	(10.6)%	$ —		$ 609.5	$ 689.9		$ (80.4)	(11.7)%	(10.6)%
Sales	$ 615.8	$ 725.8	$ (110.0)	(15.2)%	(13.7)%	$ —		$ 615.8	$ 725.8		$ (110.0)	(15.2)%	(13.7)%
Gross Profit	$ 132.8	$ 170.7	$ (37.9)	(22.2)%		$ (22.7)	(1)	$ 155.5	$ 208.7	(3)	$ (53.2)	(25.5)%	
Gross Margin (%)	21.6%	23.5%		(190) bps				25.3%	28.8%			(350) bps	
SG&A	$ 139.8	$ 151.9	$ (12.1)	(8.0)%	(6.5)%	$ 12.4	(2)	$ 127.4	$ 128.2	(4)	$ (0.8)	(0.6)%	1.1%
SG&A (%)	22.7%	20.9%		180 bps				20.7%	17.7%			300 bps	
Income from Affiliates	$ 0.8	$ —	$ 0.8	-%		$ —		$ 0.8	$ —		$ 0.8	-%	
Operating (Loss) Income	$ (6.2)	$ 18.7	$ (24.9)	(133.2)%	(125.7)%	$ 35.1		$ 28.9	$ 80.5		$ (51.6)	(64.1)%	(62.4)%
Operating Margin (%)	(1.0)%	2.6%		(360) bps				4.7%	11.1%			(640) bps	

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
(1) Includes $22.5 million of realignment and $0.2 million of Venezuela inventory reserve
(2) Includes $5.8 million of realignment, $6.0 million of PPA expenses and $0.6 million of Venezuela accounts receivable reserve
(3) Excludes $19.6 million of realignment charges, $18.1 million SIHI PPA expenses and $0.3 write-down
(4) Excludes $11.6 million of realignment charges, $3.4 million SIHI PPA expense and $8.7 million of acquisition related costs

Industrial Product Division
Q3 & Year-to-Date 2016 Bookings and Sales

($ millions)		3rd Quarter 2016	3rd Quarter 2015	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	116	155	(25)%	(25)%	378	464	(19)%	(18)%
		61%	66%	(500) bps		62%	67%	(500) bps	
	AM	74	81	(9)%	(8)%	232	226	3%	4%
		39%	34%	500 bps		38%	33%	500 bps	
Sales Mix **	OE	142	166	(14)%	(13)%	419	506	(17)%	(16)%
		70%	69%	100 bps		68%	70%	(200) bps	
	AM	61	75	(19)%	(18)%	197	219	(10)%	(9)%
		30%	31%	(100) bps		32%	30%	200 bps	

Year-to-Date Aftermarket bookings growth reflects stabilization of core aftermarket spend

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Gross bookings and sales do not include interdivision eliminations

Industrial Product Division Q3 Overview

- Bookings decreased 19.8%, or 19.3% on a constant currency basis
  - Decrease driven primarily by chemical, and to a lesser extent, power and oil and gas
- Sales decreased 15.9%, or 14.8% on a constant currency basis
  - Decrease driven primarily by original equipment sales
  - Decreased into all regions with the exception of Asia Pacific
- Gross margin decreased 1,280 basis points to 15.8%
  - Excluding realignment, SIHI PPA and Latin American charges, adjusted gross margin declined 620 basis points to 23.8%, primarily due to increased under-absorption of fixed manufacturing costs and impact of short-term operational inefficiencies related to realignment activities
- Operating margin decreased 1,800 basis points to -7.7%
  - Excluding realignment, SIHI PPA and Latin American charges, adjusted operating margin declined 930 basis points to 3.6%

Flow Control Division
Q3 & Year-to-Date 2016 Segment Results

	3rd Quarter					Year to Date				
($ millions)	**2016**	**2015**	**Delta ($)**	**Delta (%)**	**Constant FX (%)***	**2016**	**2015**	**Delta ($)**	**Delta (%)**	**Constant FX (%)***
Bookings	$ 291.9	$ 311.1	$ (19.2)	(6.2)%	(4.9)%	$ 913.8	$ 988.6	$ (74.8)	(7.6)%	(5.8)%
Sales	$ 299.3	$ 367.9	$ (68.6)	(18.6)%	(17.9)%	$ 915.5	$ 1,051.5	$ (136.0)	(12.9)%	(11.8)%
Gross Profit	$ 107.3	$ 136.6	$ (29.3)	(21.4)%		$ 314.7	$ 379.2	$ (64.5)	(17.0)%	
Gross Margin (%)	35.9%	37.1%		(120) bps		34.4%	36.1%		(170) bps	
SG&A	$ 54.5	$ 59.4	$ (4.9)	(8.2)%	(7.4)%	$ 174.2	$ 192.7	$ (18.5)	(9.6)%	(8.6)%
SG&A (%)	18.2%	16.1%		210 bps		19.0%	18.3%		70 bps	
Income from Affiliates	$ —	$ (0.1)	$ 0.1	-%		$ (0.3)	$ (0.2)	$ (0.1)	50.0%	
Operating Income	$ 52.8	$ 77.1	$ (24.3)	(31.5)%	(31.3)%	$ 140.1	$ 186.3	$ (46.2)	(24.8)%	(23.9)%
Operating Margin (%)	17.6%	21.0%		(340) bps		15.3%	17.7%		(240) bps	
Adjusted Operating Income **	$ 55.7	$ 77.1	$ (21.4)	(27.8)%	(27.5)%	$ 150.9	$ 198.6	$ (47.7)	(24.0)%	(23.2)%
Adjusted Operating Margin % **	18.6%	21.0%		(240) bps		16.5%	18.9%		(240) bps	

Realignment progress continued, which will drive leaner, more efficient operating platform

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Adjusted Operating Income excludes realignment charges of $0.7 million and $8.6 million for Q3 2016 and YTD 2016, respectively, and $12.3 for YTD 2015; and Brazil inventory write-down of $0.5 million and Venezuela accounts receivable reserve of $1.7 million for Q3 and YTD 2016, respectively

Flow Control Division
Q3 & Year-to-Date 2016 Bookings and Sales

($ millions)		3rd Quarter 2016	3rd Quarter 2015	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	241	249	(3)%	(2)%	725	786	(8)%	(6)%
		83%	80%	300 bps		79%	80%	(100) bps	
	AM	50	62	(19)%	(19)%	188	202	(7)%	(6)%
		17%	20%	(300) bps		21%	20%	100 bps	
Sales Mix **	OE	240	302	(21)%	(20)%	730	854	(15)%	(14)%
		80%	82%	(200) bps		80%	81%	(100) bps	
	AM	59	67	(12)%	(12)%	185	197	(6)%	(5)%
		20%	18%	200 bps		20%	19%	100 bps	

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Gross bookings and sales do not include interdivision eliminations

Flow Control Division Q3 Overview

- Bookings decreased 6.2%, or 4.9% on a constant currency basis
  - Decreased bookings driven primarily by general industries, partially offset by oil and gas and chemical
  - Decreased bookings into the Middle East and Africa, North America and Latin America, partially offset by increased bookings into Asia Pacific and Europe
- Sales decreased 18.6%, or 17.9% on a constant currency basis
  - Driven primarily by decreased original equipment sales
  - Sales decreased into all regions
- Gross margin decreased 120 basis points to 35.9%, primarily due to under-absorption of fixed manufacturing costs and lower margin projects shipped from backlog, partially offset by realignment savings
- Operating margin decreased 340 basis points to 17.6%
  - Excluding realignment and Latin American charges, adjusted operating margin declined 240 basis points to 18.6%

Primary Working Capital

Balances for All Periods as a % of Trailing Twelve Months Sales

	Q3 2016		Q3 2015	
($ millions)	**$**	**%**	**$**	**%**
Receivables	897	21.3%	1,000	21.5%
Inventory	1,039	24.7%	1,116	24.0%
Payables	(395)	(9.4)%	(459)	(9.9)%
Primary Working Capital	1,541	36.6%	1,657	35.6%
Advance Cash*	(306)	(7.3)%	(376)	(8.1)%
Total	**1,235**	29.3%	**1,281**	**27.5%**
Backlog	**2,138**		**2,560**	

Accounts Receivable

Accounts Receivable DSO at 86 days for both Q3 2016 and 2015

Inventory

Inventory turns were 2.6 times in Q3 2016, versus 2.5 times in 2015

*** Advance cash commitments from customers to fund working capital**