Flowserve Fourth Quarter 2016 Earnings Conference Call

February 17, 2017

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 2016 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 fourth quarter EPS* of $0.50, Adjusted EPS of $0.72
  - Adjusted EPS excludes $0.22 of adjusted items[(1)] and includes $0.03 of negative currency translation
- Constant currency bookings decline of 4.2%, primarily due to 8.2% lower original equipment bookings
  - Aftermarket constant currency bookings remained stable, up 0.2% in the quarter, and up 0.3% for the full year
- Continued progress on transformational $400 million realignment program to produce $230 million of annualized savings by 2018 - actions initiated at over two-thirds of targeted facilities
  - Recognized $104 million expense and $93 million incremental savings in 2016
- Remain confident in the long-term fundamental growth outlook of our end-markets
- Continuing to pursue strategic growth opportunities

***Calculated using Q4 fully diluted shares of 131.2 million**
(1) See pg. 9 for reconciliation

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

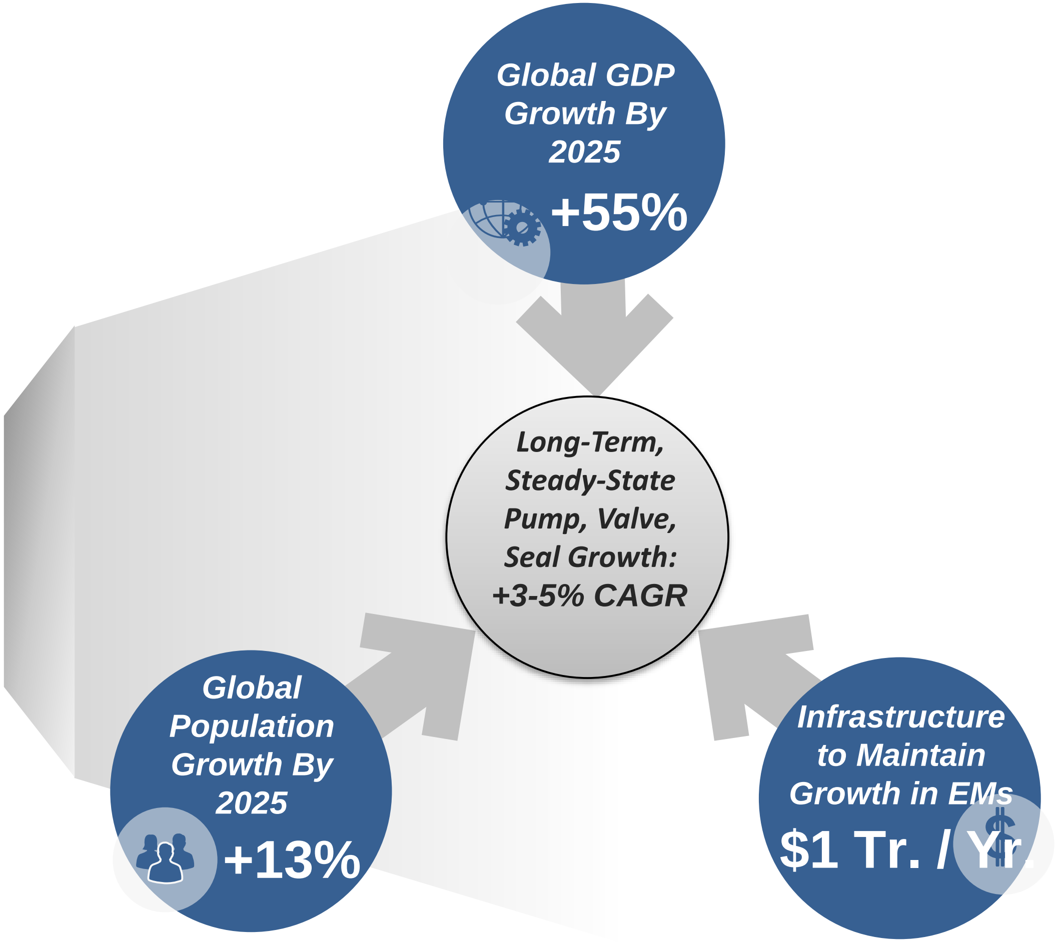
Long-term growth fueled by megatrends

- 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

$400M

~15-20%

Workforce Reduction*

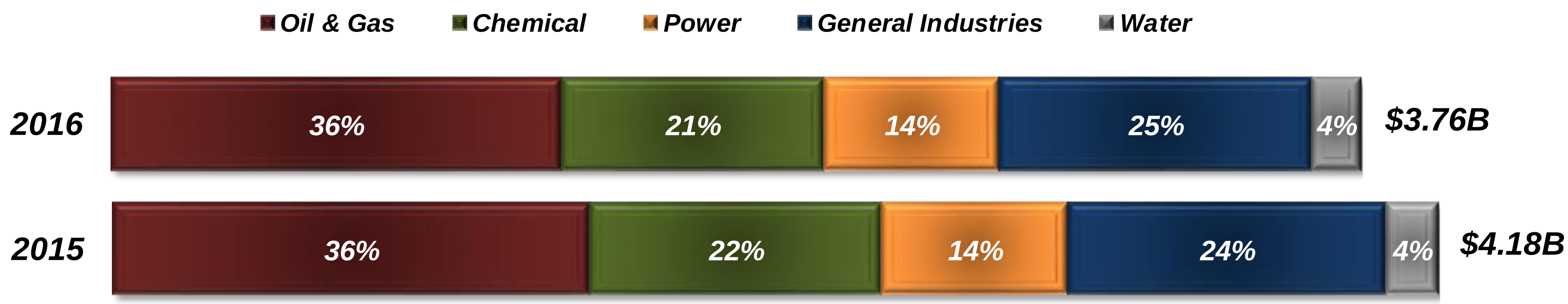
$230M

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.*

2016 Bookings & Industry Outlook



OIL & GAS

- *Rising but still low oil prices continue to impact global capital investment; OPEC deal promoting some market stabilization*
- *Challenges in key energy producing regions impacting upstream project & related MRO*
- *Customer research-based technology improvements are driving reduced operating costs*

CHEMICAL

- *Chemical market restrained as global capacity utilization remains below the long-term average*
- *US investment in ethylene and derivatives steady through 2020; Chinese capital investments ongoing with mild slowing in 2017*

POWER

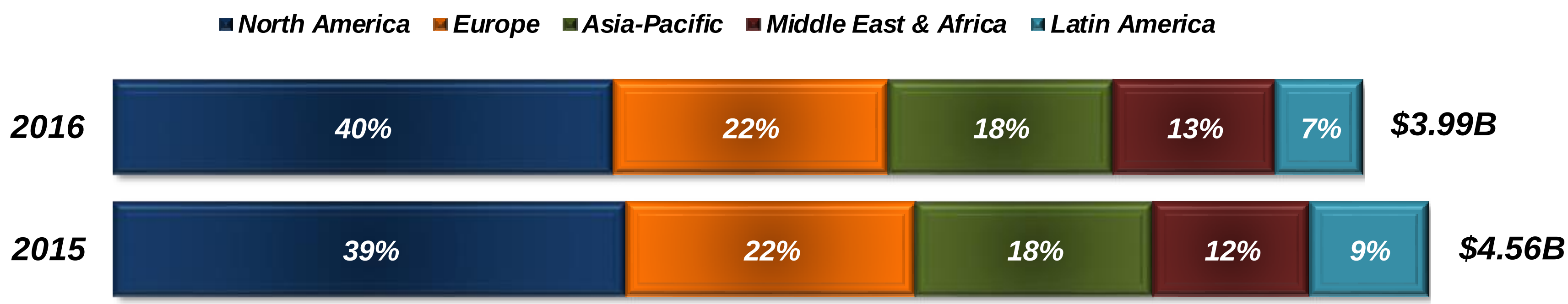
- *Combined cycle gas fired new build continues to be fairly strong; significant coal and nuclear retirements in North America expected*
- *Coal-fired opportunities in emerging markets uncertain; mix-shift to gas and renewables continues*

GENERAL INDUSTRIES

- *Slowing global growth hampers capex investment; bottom has likely passed but slow recovery expected*
- *Distribution mixed; plants focused on MRO; softness in some markets with areas of regional growth*

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

2016 Sales & Regional Outlook



NORTH AMERICA

- *Oil & Gas capital and maintenance spending remains low; investment in ethylene & derivatives continues, slowing through 2017*
- *Combined cycle gas fired new build continues to be fairly strong*

EUROPE

- *Refining & chemical market activity solidifies*
- *Fossil power market flat with a couple bright spots in Eastern Europe; some attractive nuclear opportunities*

MIDDLE EAST & AFRICA

- *Oil & Gas spending still down overall despite opportunities in refining*
- *Chinese EPCs ascendant in Sub-Saharan Africa power market & expanding north. Some significant coal fired capacity additions planned.*

ASIA-PACIFIC

- *Regional GDP-driven growth in Oil and Gas, with select refining opportunities*
- *Global mega-mergers with Chinese chemicals companies will increasingly require local manufacturing footprint*
- *China coal-fired construction expected to fall. Future of coal fired projects in India uncertain.*

LATIN AMERICA

- *Regional Oil and Gas challenges remain. Prospects improving for thermal solar.*
- *Mining bottomed with slow growth prospects; some improvement in other general industries markets*

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

Q4 2016 - Consolidated Financial Results

	4th Quarter					4th Quarter Adjusted							
($ millions)	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016 Adjusted Items		2016 Adjusted Results	2015 Comparable Results		Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 907.6	$ 969.0	$ (61.4)	(6.3)%	(4.2)%	$ —		$ 907.6	$ 969.0		$ (61.4)	(6.3)%	(4.2)%
Sales	$ 1,074.6	$ 1,287.7	$ (213.1)	(16.5)%	(14.7)%	$ —		$ 1,074.6	$ 1,287.7		$ (213.1)	(16.5)%	(14.7)%
Gross Profit	$ 333.4	$ 397.7	$ (64.3)	(16.2)%		$ (23.4)	(1)	$ 356.8	$ 430.2	(5)	$ (73.4)	(17.1)%	
Gross Margin (%)	31.0%	30.9%		10 bps				33.2%	33.4%			(20) bps	
SG&A	$ 228.2	$ 264.6	$ (36.4)	(13.8)%	(10.0)%	$ 11.1	(2)	$ 217.1	$ 247.0	(6)	$ (29.9)	(12.1)%	(8.1)%
SG&A (%)	21.2%	20.5%		70 bps				20.2%	19.2%			100 bps	
Income from Affiliates	$ 2.7	$ 3.6	$ (0.9)	(25.0)%		$ —		$ 2.7	$ 3.5		$ (0.8)	(22.9)%	
Operating Income	$ 107.8	$ 136.8	$ (29.0)	(21.2)%	(17.5)%	$ (34.5)		$ 142.3	$ 186.7		$ (44.4)	(23.8)%	(21.1)%
Operating Margin (%)	10.0%	10.6%		(60) bps				13.2%	14.5%			(130) bps	
Other Income / (Expense), net **	$ 1.2	$ (9.9)	$ 11.1	(112.1)%		$ 0.3	(3)	$ 0.9	$ (0.5)	(7)	$ 1.4	(280.0)%	
Tax (Expense)/Benefit	$ (27.5)	$ (37.4)	$ 9.9	(26.5)%		$ 5.0	(4)	$ (32.5)	$ (48.5)	(8)	$ 16.0	(33.0)%	
Net Earnings	$ 65.1	$ 71.4	$ (6.3)	(8.8)%		$ (29.2)		$ 94.3	$ 119.7		$ (25.4)	(21.2)%	
Diluted EPS	$ 0.50	$ 0.54	$ (0.04)	(7.4)%		$ (0.22)		$ 0.72	$ 0.91		$ (0.19)	(20.9)%	

- Diluted EPS calculated using fully diluted shares of 131.2 million and 131.3 million shares in Q4 2016 and Q4 2015, respectively
- Flowserve repurchased 0 and 1,214,693 shares in Q4 2016 and Q4 2015 respectively

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

** Fourth Quarter 2016 includes $0.4 million of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $9.4 million in Q4 2015

1. Cost of sales includes $22.0 million of realignment charges and $1.4 million of Brazil inventory write-down
2. SG&A includes $7.8 million of realignment charges and $3.3 million of PPA and integration expenses
3. Includes $0.4 million below-the-line FX gains
4. Includes tax impact of items above offset by $4.0 million of realignment expense recorded in provision for income taxes
5. Excludes $32.5 million of realignment charges
6. Excludes $20.0 million of realignment charges and $6.8 million gain from the reversal of contingent consideration related to our purchase of Innomag, $1.5 million of SIHI PPA expenses and $2.9 million acquisition related costs
7. Excludes $9.4 million of other below the line FX impacts
8. Excludes tax impact of items above and a $3.0 million tax charge related to a valuation allowance for Brazilian deferred tax asset and $3.4 million realignment exit tax & nondeductible costs

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	$ 3,760.4	$ 4,176.8	$ (416.4)	(10.0)%	(7.4)%	$ —		$ 3,760.4	$ 4,176.8		$ (416.4)	(10.0)%	(7.4)%
Sales	$ 3,991.5	$ 4,561.0	$ (569.5)	(12.5)%	(10.0)%	$ —		$ 3,991.5	$ 4,561.0		$ (569.5)	(12.5)%	(10.0)%
Gross Profit	$ 1,231.6	$ 1,487.3	$ (255.7)	(17.2)%		$ (82.2)	(1)	$ 1,313.8	$ 1,574.9	(5)	$ (261.1)	(16.6)%	
Gross Margin (%)	30.9%	32.6%		(170) bps				32.9%	34.5%			(160) bps	
SG&A	$ 965.3	$ 971.6	$ (6.3)	(0.6)%	1.9%	$ 102.5	(2)	$ 862.8	$ 919.2	(6)	$ (56.4)	(6.1)%	(3.5)%
SG&A (%)	24.2%	21.3%		290 bps				21.6%	20.2%			140 bps	
Income from Affiliates	$ 11.2	$ 9.9	$ 1.3	13.1%		$ —		$ 11.2	$ 9.9		$ 1.3	13.1%	
Operating Income	$ 277.5	$ 525.6	$ (248.1)	(47.2)%	(43.8)%	$ (184.7)		$ 462.2	$ 665.5		$ (203.3)	(30.5)%	(27.9)%
Operating Margin (%)	7.0%	11.5%		(450) bps				11.6%	14.6%			(300) bps	
Other Income / (Expense), net **	$ 3.3	$ (40.2)	$ 43.5	(108.2)%		$ 3.8	(3)	$ (0.5)	$ (1.4)	(7)	$ 0.9	(64.3)%	
Tax (Expense) / Benefit	$ (75.3)	$ (148.9)	$ 73.6	(49.4)%		$ 39.1	(4)	$ (114.4)	$ (173.8)	(8)	$ 59.4	(34.2)%	
Net Earnings	$ 145.1	$ 267.7	$ (122.6)	(45.8)%		$ (141.8)		$ 286.9	$ 421.5		$ (134.6)	(31.9)%	
Diluted EPS	$ 1.11	$ 2.00	$ (0.89)	(44.5)%		$ (1.08)		$ 2.19	$ 3.15		$ (0.96)	(30.5)%	

- Diluted EPS calculated using fully diluted shares of 131.0 million and 133.8 million shares in YTD 2016 and YTD 2015, respectively
- Flowserve repurchased 0 and 6,047,839 shares in YTD 2016 and YTD 2015 respectively

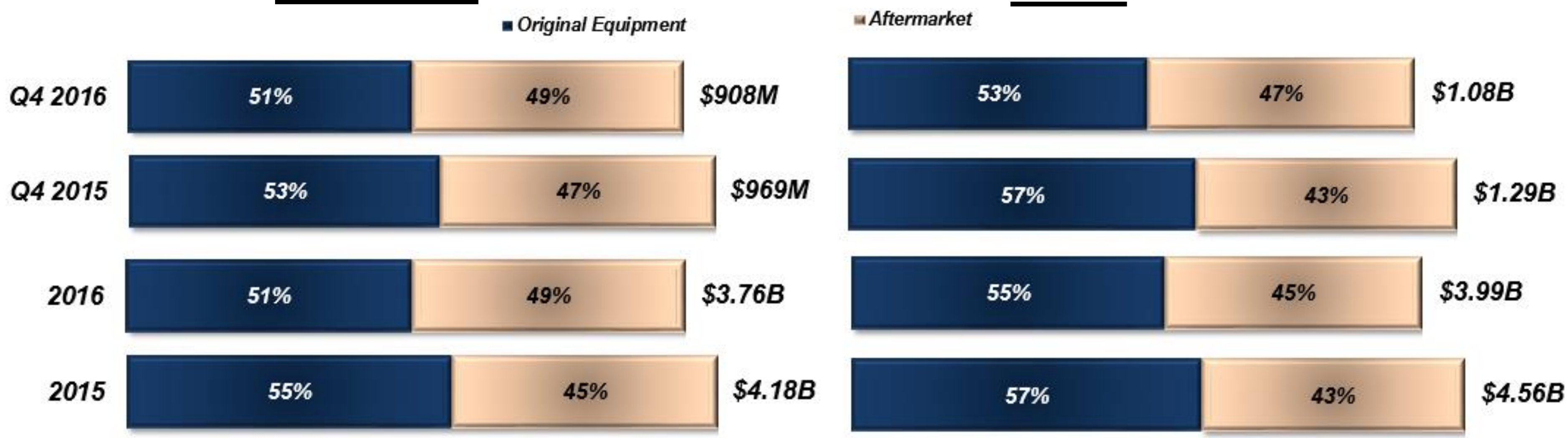
* Constant FX represents the year-over-year variance assuming 2016 results at 2015 FX rates

** YTD 2016 includes $3.9 million of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $38.7 million YTD 2015

1. Cost of sales includes $64.9 million of realignment charges, Brazil inventory write-down of $15.5 million and Venezuela inventory reserve of $1.9 million
2. SG&A includes $30.0 million of realignment charges, $63.2 million charge to fully reserve accounts receivable for Latin American customer and $9.3 million of SIHI PPA and integration expenses
3. Includes $3.9 million below-the-line FX gains
4. Includes tax impact of items above offset by $9.4 million of realignment expense recorded in provision for income taxes
5. Excludes $66.9 million of realignment charges, $18.1 million of PPA expenses, $2.2 million of Venezuela remeasurement and $0.4 million of inventory write-down
6. Excludes $41.2 million of realignment charges, $11.6 million of acquisition related costs, $4.9 million of PPA expense, $6.8 million gain from the reversal of contingent consideration related Innomag and $1.5 million of other severance
7. Excludes $18.5 million Venezuela remeasurement impact and $20.2 million of other below the line FX impacts
8. Tax impact of items above partially offset by $11.1 million of realignment recorded in provision for income taxes and a $13.0 million tax charge related to a valuation allowance for Brazilian deferred tax assets.

Q4 & Full Year 2016 – Consolidated Bookings & Sales

Bookings **Sales**



Q4 Bookings

- Bookings decreased 6.3%, or 4.2% constant currency
    - Original equipment bookings decreased 10.2%, or 8.2% constant currency
    - Aftermarket bookings decreased 2.0%, increased 0.2% constant currency

Q4 Sales

- Sales decreased 16.5%, or 14.7% constant currency
    - Original equipment sales decreased 21.7%, or 19.7% constant currency
    - Aftermarket sales decreased 10.8%, or 8.7% constant currency

Sources: Flowserve Internal Data

Executing on Realignment Initiative

Actions Taken:
Q4 2016

- Initiated process to close German facility and transfer certain product lines from higher cost facilities to Latin America
  - Since early 2015 we have initiated action on more than two-thirds of facilities expected to be closed, repurposed or sold

	Q4 2016	FY 2016	Program to Date	Est. FY 2017	Program Target Expected Completion: Late 2017
Cost Savings	$12 million incremental	$93 million incremental	$117 million run-rate	$70 million incremental / $187 million run-rate	$230 million annualized run-rate savings by 2018
Investment / Expenses *	$34 million	$104 million	$223 million	$155 million	$400 million
Cash Expenditures	$40 million	$128 million	$149 million	$140 million	$350 million

* Site exit taxes of $4.0 million, $9.4 million and $20.5 million for Q4 2016, Full Year 2016 and program to date, respectively

Q4 & Year-to-Date 2016 Cash Flows

	Q4	Q3	Q2	Q1	YTD	
($ millions)	**2016**	**2016**	**2016**	**2016**	**2016**	**2015**
Net Income	$ 67	$ (20)	$ 63	$ 38	$ 148	$ 273
Depreciation and amortization	30	29	29	29	117	127
Change in working capital	100	(34)	(107)	(84)	(125)	(70)
Other	(27)	80	26	9	88	87
Total Operating Activities	**170**	**55**	**11**	**(8)**	**228**	**417**
Capital expenditures	(25)	(28)	(17)	(20)	(90)	(182)
Acquisitions, dispositions and other	3	(1)	(3)	—	(1)	(343)
Total Investing Activities	**(22)**	**(29)**	**(20)**	**(20)**	**(91)**	**(525)**
(Payments) / proceeds of long-term debt, net	(15)	(15)	(15)	(15)	(60)	481
Dividends	(25)	(25)	(25)	(23)	(98)	(94)
Short-term financing and other, net	11	6	8	2	27	(23)
Repurchase of common shares	—	—	—	—	—	(304)
Total Financing Activities	**(29)**	**(34)**	**(32)**	**(36)**	**(131)**	**60**
Effect of exchange rates	(12)	2	(3)	8	(5)	(37)
Net Decrease in Cash	**$ 107**	**$ (6)**	**$ (44)**	**$ (56)**	**$ 1**	**$ (85)**

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

2017 Guidance Assumptions

Revenue Guidance Assumptions	2017 Guidance [(1)]
Revenue Guidance vs. 2016	-6% to -11%
EUR Rate	1.05 (yr-end 2016)
FX headwinds vs. 2016	~2.5%
Constant Currency Guidance	~-3.5% to ~-8.5%

EPS Guidance Assumptions	2017 Guidance [(1)]
Reported EPS Guidance	$0.72 - $1.02
Adjusted EPS Guidance	$1.55 - $1.85
EUR Rate	1.05 (yr-end 2016)
FX Headwinds vs. prior year	~$0.10/share

(1) 2017 Reported and Adjusted EPS guidance as of February 17, 2017

* Adjusted EPS guidance excludes expected realignment expenses of $155 million, below-the-line FX impact and other potential specific discrete items.

2017 Cash Use Priorities

- Strategic investment of approximately $140 million in cost efficiency and manufacturing optimization initiatives
- Estimate capital expenditures to be $80 – $90 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
- Estimate U.S. and non-U.S. pension fund pre-tax contributions to be approximately $26 million
- Other strategic opportunities, after disciplined analysis

Questions and Answers

Appendix

Engineered Product Division
Q4 & Year-to-Date 2016 Segment Results

($ millions)	4th Quarter 2016	4th Quarter 2015	4th Quarter Delta ($)	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 437.0	$ 460.0	$ (23.0)	(5.0)%	(2.0)%	$ 1,823.8	$ 2,065.6	$ (241.8)	(11.7)%	(8.0)%
Sales	$ 553.4	$ 690.6	$ (137.2)	(19.9)%	(17.1)%	$ 1,994.8	$ 2,260.0	$ (265.2)	(11.7)%	(7.9)%
Gross Profit	$ 165.3	$ 210.5	$ (45.2)	(21.5)%		$ 615.1	$ 746.4	$ (131.3)	(17.6)%	
Gross Margin (%)	29.9%	30.5%		(60) bps		30.8%	33.0%		(220) bps	
SG&A	$ 96.3	$ 117.5	$ (21.2)	(18.0)%	(8.5)%	$ 455.7	$ 426.7	$ 29.0	6.8%	11.8%
SG&A (%)	17.4%	17.0%		40 bps		22.8%	18.9%		390 bps	
Income from Affiliates	$ 2.6	$ 3.2	$ (0.6)	(18.8)%		$ 10.7	$ 9.3	$ 1.4	15.1%	
Operating Income	$ 71.6	$ 96.2	$ (24.6)	(25.6)%	(21.2)%	$ 170.1	$ 329.0	$ (158.9)	(48.3)%	(44.0)%
Operating Margin (%)	12.9%	13.9%		(100) bps		8.5%	14.6%		(610) bps	
Adjusted Operating Income **	$ 91.8	$ 117.6	$ (25.8)	(21.9)%	(18.4)%	$ 292.1	$ 365.3	$ (73.2)	(20.0)%	(16.2)%
Adjusted Operating Margin % **	16.6%	17.0%		(40) bps		14.6%	16.2%		(160) bps	

Q4 adjusted operating margin resiliency reflects realignment savings and 600 basis point mix shift towards higher margin aftermarket

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Adjusted Operating Income excludes realignment charges of $18.8 million and $44.4 million for Q4 2016 and YTD 2016, respectively, and $21.4 million and $33.7 million for Q4 2015 and YTD 2015, respectively; $1.4 million and $15.0 million of Brazil inventory write-down for Q4 and YTD 2016, respectively; Venezuela accounts receivable reserve of $60.9 million and $1.7 million of Venezuela inventory reserve for YTD 2016 and $2.2 million Venezuela remeasurement and $0.4 million inventory write down for YTD 2015

Engineered Product Division
Q4 & Year-to-Date 2016 Bookings and Sales

($ millions)		4th Quarter 2016	4th Quarter 2015	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	125	131	(5)%	—%	524	714	(27)%	(22)%
		29%	28%	100 bps		29%	35%	(600) bps	
	AM	312	329	(5)%	(3)%	1,300	1,352	(4)%	(1)%
		71%	72%	(100) bps		71%	65%	600 bps	
Sales Mix **	OE	191	283	(33)%	(29)%	700	840	(17)%	(12)%
		35%	41%	(600) bps		35%	37%	(200) bps	
	AM	362	408	(11)%	(9)%	1,294	1,420	(9)%	(6)%
		65%	59%	600 bps		65%	63%	200 bps	

Stable full year constant currency aftermarket bookings

* 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 Q4 Overview

- Bookings decreased 5.0%, or 2.0% on a constant currency basis
  - Decrease driven primarily by general industries and regional declines in Europe and Latin America
- Sales decreased 19.9%, or 17.1% on a constant currency basis
  - Sales decline driven primary by decreased sales North America, Latin America and Europe
- Gross margin decreased 60 basis points to 29.9%
  - Excluding realignment and Latin American charges, adjusted gross margin increased 80 basis points to 33.1%, primarily due to under-absorption of fixed manufacturing costs
- Operating margin decreased 100 basis points to 12.9%
  - Excluding realignment and Latin American charges, adjusted operating margin declined 40 basis points to 16.6%

Industrial Product Division
Q4 2016 Segment Results

	4th Quarter					4th Quarter Adjusted							
($ millions)	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016 Adjusted Items		2016 Adjusted Results	2015 Comparable Results		Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 188.5	$ 197.7	$ (9.2)	(4.7)%	(3.5)%	$ —		$ 188.5	$ 197.7		$ (9.2)	(4.7)%	(3.5)%
Sales	$ 221.4	$ 256.1	$ (34.7)	(13.5)%	(12.6)%	$ —		$ 221.4	$ 256.1		$ (34.7)	(13.5)%	(12.6)%
Gross Profit	$ 56.7	$ 69.0	$ (12.3)	(17.8)%		$ (3.8)	(1)	$ 60.5	$ 78.3	(3)	$ (17.8)	(22.7)%	
Gross Margin (%)	25.6%	26.9%		(130) bps				27.3%	30.6%			(330) bps	
SG&A	$ 49.8	$ 58.6	$ (8.8)	(15.0)%	(17.7)%	$ 5.9	(2)	$ 43.9	$ 49.0	(4)	$ (5.1)	(10.4)%	(13.7)%
SG&A (%)	22.5%	22.9%		(40) bps				19.8%	19.1%			70 bps	
Income from Affiliates	$ 0.2	$ 1.1	$ (0.9)	(81.8)%		$ —		$ 0.2	$ 1.0		$ (0.8)	(80.0)%	
Operating Income	$ 7.2	$ 11.5	$ (4.3)	(37.4)%	(29.6)%	$ (9.7)		$ 16.9	$ 30.3		$ (13.4)	(44.2)%	(41.3)%
Operating Margin (%)	3.3%	4.5%		(120) bps				7.6%	11.8%			(420) bps	

Aggressively realigning business to current volume levels

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
(1) Includes $3.8 million of realignment
(2) Includes $2.6 million of realignment and $3.3 million of PPA expenses
(3) Excludes $9.3 million of realignment charges
(4) Excludes $5.2 million of realignment charges, $2.9 million of acquisition costs and $1.5 million PPA expenses

Industrial Product Division
Year-to-Date 2016 Segment Results

($ millions)	Year to Date					Year to Date Adjusted							
	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016 Adjusted Items		2016 Adjusted Results	2015 Comparable Results		Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 797.7	$ 887.2	$ (89.5)	(10.1)%	(9.0)%	$ —		$ 797.7	$ 887.2		$ (89.5)	(10.1)%	(9.0)%
Sales	$ 837.2	$ 981.9	$ (144.7)	(14.7)%	(13.4)%	$ —		$ 837.2	$ 981.9		$ (144.7)	(14.7)%	(13.4)%
Gross Profit	$ 189.6	$ 239.7	$ (50.1)	(20.9)%		$ (26.4)	(1)	$ 216.0	$ 286.6	(3)	$ (70.6)	(24.6)%	
Gross Margin (%)	22.6%	24.4%		(180) bps				25.8%	29.2%			(340) bps	
SG&A	$ 189.5	$ 210.6	$ (21.1)	(10.0)%	(9.7)%	$ 18.3	(2)	$ 171.2	$ 177.4	(4)	$ (6.2)	(3.5)%	(3.2)%
SG&A (%)	22.6%	21.4%		120 bps				20.4%	18.1%			230 bps	
Income from Affiliates	$ 0.9	$ 1.1	$ (0.2)	(18.2)%		$ —		$ 0.9	$ 1.1		$ (0.2)	(18.2)%	
Operating Income	$ 1.0	$ 30.2	$ (29.2)	(96.7)%	(89.1)%	$ (44.7)		$ 45.7	$ 110.3		$ (64.6)	(58.6)%	(56.5)%
Operating Margin (%)	0.1%	3.1%		(300) bps				5.5%	11.2%			(570) bps	

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
(1) Includes $26.2 million of realignment and $0.2 million of Venezuela inventory reserve
(2) Includes $8.4 million of realignment, $9.3 million of PPA expenses and $0.6 million of Venezuela accounts receivable reserve
(3) Excludes $28.8 million of realignment charges and $18.1 million SIHI PPA expenses
(4) Excludes $16.7 million of realignment charges, $11.6 million of acquisition costs and $4.9 million SIHI PPA expense

Industrial Product Division
Q4 & Year-to-Date 2016 Bookings and Sales

($ millions)		4th Quarter 2016	4th Quarter 2015	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	106	131	(19)%	(18)%	483	595	(19)%	(18)%
		56%	66%	(1000) bps		61%	67%	(600) bps	
	AM	83	66	26%	28%	315	293	8%	9%
		44%	34%	1000 bps		39%	33%	600 bps	
Sales Mix **	OE	142	173	(18)%	(17)%	561	679	(17)%	(16)%
		64%	68%	(400) bps		67%	69%	(200) bps	
	AM	80	83	(4)%	(2)%	276	303	(9)%	(8)%
		36%	32%	400 bps		33%	31%	200 bps	

IPD aftermarket bookings strength continued - YOY constant currency growth in 3 of last 4 quarters

* 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 Q4 Overview

- Bookings decreased 4.7%, or 3.5% on a constant currency basis
  - Decrease driven primarily by oil and gas and power
  - Regionally, decline driven primarily by Asia Pacific
- Sales decreased 13.5%, or 12.6% on a constant currency basis
  - Decrease driven primarily by original equipment sales
  - Decreased into all regions, primarily in Asia Pacific, Europe and the Middle East and Africa
- Gross margin decreased 130 basis points to 25.6%
  - Excluding realignment and SIHI PPA charges, adjusted gross margin declined 330 basis points to 27.3%, primarily due to increased under-absorption of fixed manufacturing costs
- Operating margin decreased 120 basis points to 3.3%
  - Excluding realignment, acquisition costs and SIHI PPA expenses, adjusted operating margin declined 420 basis points to 7.6%

Flow Control Division
Q4 & Year-to-Date 2016 Segment Results

	4th Quarter					Year to Date				
($ millions)	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 304.1	$ 332.4	$ (28.3)	(8.5)%	(7.2)%	$ 1,216.8	$ 1,318.5	$ (101.7)	(7.7)%	(6.0)%
Sales	$ 318.2	$ 364.0	$ (45.8)	(12.6)%	(11.9)%	$ 1,233.7	$ 1,415.5	$ (181.8)	(12.8)%	(11.8)%
Gross Profit	$ 112.4	$ 118.2	$ (5.8)	(4.9)%		$ 427.1	$ 497.5	$ (70.4)	(14.2)%	
Gross Margin (%)	35.3%	32.5%		280 bps		34.6%	35.1%		(50) bps	
SG&A	$ 54.2	$ 69.9	$ (15.7)	(22.5)%	(21.6)%	$ 228.4	$ 262.6	$ (34.2)	(13.0)%	(12.0)%
SG&A (%)	17.0%	19.2%		(220) bps		18.5%	18.6%		(10) bps	
Income from Affiliates	$ (0.1)	$ (0.2)	$ 0.1	(50.0)%		$ (0.4)	$ (0.5)	$ 0.1	(20.0)%	
Operating Income	$ 58.1	$ 48.1	$ 10.0	20.8%	20.6%	$ 198.2	$ 234.4	$ (36.2)	(15.4)%	(14.8)%
Operating Margin (%)	18.3%	13.2%		510 bps		16.1%	16.6%		(50) bps	
Adjusted Operating Income **	$ 60.9	$ 64.7	$ (3.8)	(5.9)%	(6.0)%	$ 211.8	$ 263.3	$ (51.5)	(19.6)%	(19.0)%
Adjusted Operating Margin % **	19.1%	17.8%		130 bps		17.2%	18.6%		(140) bps	

Realignment progress continued, driving Q4 adjusted margin increase of 130 basis points

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Adjusted Operating Income excludes realignment charges of $2.8 million and $11.4 million for Q4 2016 and YTD 2016, respectively, and $16.6 million and $28.9 million for Q4 2015 and YTD 2015, respectively; and Brazil inventory write-down of $0.5 million and Venezuela accounts receivable reserve of $1.7 million YTD 2016

Flow Control Division
Q4 & Year-to-Date 2016 Bookings and Sales

($ millions)		4th Quarter 2016	4th Quarter 2015	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	242	262	(8)%	(6)%	966	1,046	(8)%	(6)%
		80%	79%	100 bps		79%	79%	- bps	
	AM	62	70	(11)%	(11)%	251	273	(8)%	(7)%
		20%	21%	(100) bps		21%	21%	- bps	
Sales Mix **	OE	251	286	(12)%	(12)%	981	1,141	(14)%	(13)%
		79%	79%	- bps		79%	81%	(200) bps	
	AM	68	78	(13)%	(12)%	253	275	(8)%	(7)%
		21%	21%	- bps		21%	19%	200 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 Q4 Overview

- Bookings decreased 8.5%, or 7.2% on a constant currency basis
  - Decreased bookings driven primarily by oil and gas and general industries, partially offset by power
  - Decreased bookings into the Middle East and Africa, North America and Latin America, partially offset by increased bookings into Europe
- Sales decreased 12.6%, or 11.9% on a constant currency basis
  - Driven primarily by decreased original equipment sales
  - Sales decreases into Asia Pacific, Europe and North America, partially offset by sales into Latin America
- Gross margin increased 280 basis points to 35.3%, primarily due to lower realignment costs
  - Excluding realignment costs, gross margins increased 60 basis points to 36.0%
- Operating margin increased 510 basis points to 18.3%
  - Excluding realignment and Latin American charges, adjusted operating margin increased 130 basis points to 19.1%

Primary Working Capital

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

	Q4 2016		Q4 2015	
($ millions)	**$**	**%**	**$**	**%**
Receivables	895	22.4%	988	21.7%
Inventory	919	23.0%	996	21.8%
Payables	(412)	(10.3)%	(491)	(10.8)%
Primary Working Capital	1,402	35.1%	1,493	32.7%
Advance Cash*	(262)	(6.6)%	(324)	(7.1)%
Total	**1,140**	28.5%	**1,169**	**25.6%**
Backlog	**1,898**		**2,173**	

Accounts Receivable

Accounts Receivable DSO at 75 days for Q4 2016 versus 72 days prior year Q4

Inventory

Inventory turns were 3.2 times in Q4 2016, versus 3.6 times prior year Q4

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