Flowserve Fourth Quarter 2015 Earnings Conference Call

February 19, 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. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in global economic conditions and the potential for unexpected cancellations or delays of customer orders in our reported backlog; our dependence on our customers' ability to make required capital investment and maintenance expenditures; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; our ability to execute and realize the expected financial benefits from our strategic manufacturing optimization and realignment initiatives; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; increased aging and slower collection of receivables, particularly in Latin America and other emerging markets; our exposure to fluctuations in foreign currency exchange rates, including in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our ability to anticipate and manage cybersecurity risk, including the risk of potential business disruptions or financial losses; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; 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.

Current Conditions Overview

- Announced 2015 fourth quarter Adjusted EPS* of $0.89
  - Excludes $0.35 of adjusted items[(1)] and includes $0.06 of negative currency translation and $0.06 bad debt and inventory reserves related to an at-risk customer
- 2015 end-market downturn more severe and longer duration than originally anticipated - compounded by strong U.S. dollar
  - Upstream oil and gas challenges spread across the industrial complex
  - Planning for "lower-for-longer" market environment
- Remain confident in the long-term fundamental growth outlook of our end-markets
- Continuing to strategically invest in growth initiatives
- Accelerating previously planned, longer-term realignment actions in light of the current markets
  - Proven track record of delivering cost savings from realignment investments
  - Targeting $215 million annualized run-rate savings by 2018

***Calculated using Q4 fully diluted shares of 131.3 million**
(1) See pg. 13 for reconciliation

Serving Attractive Global Infrastructure Markets

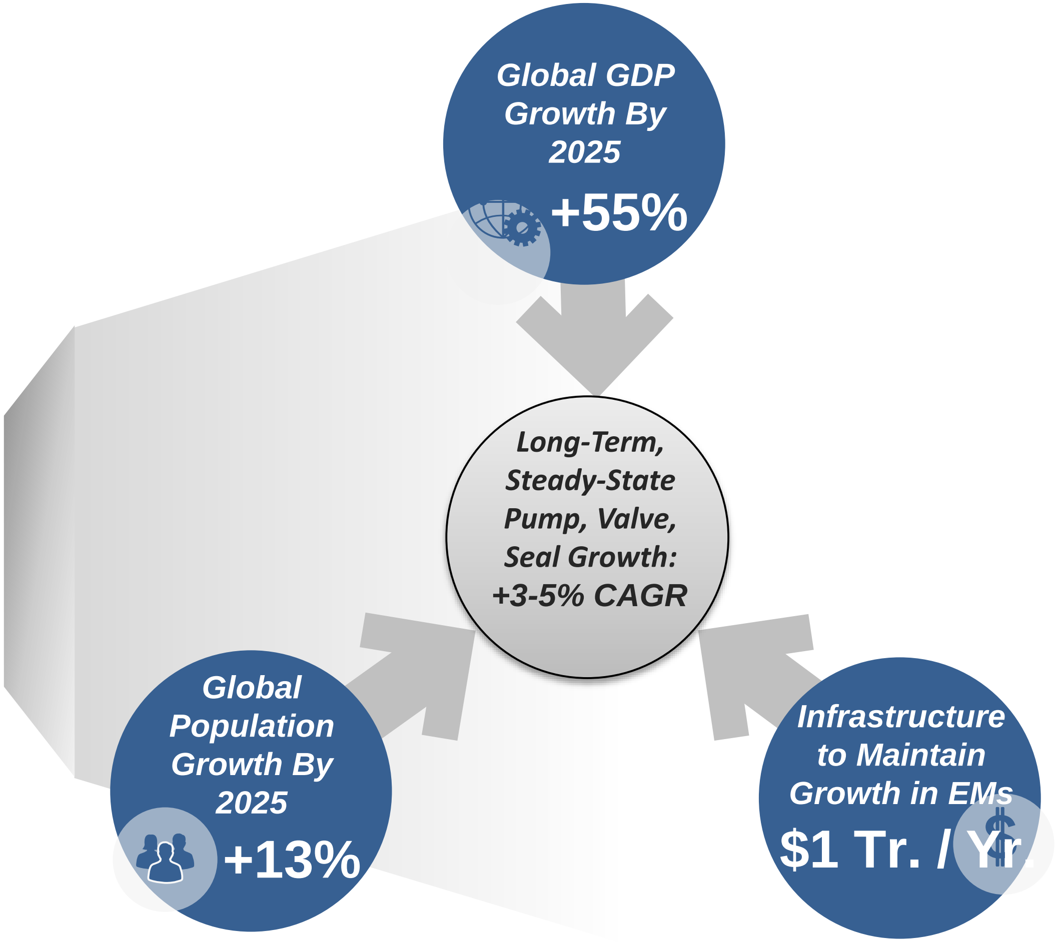
Long-term growth fueled by megatrends

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

Markets are cyclical, but the long-term positive drivers are still 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

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 platform 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

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

Align Cost to More Competitive Market Conditions

Q3 2015 Release

Targets

$125 Million
Cost Reduction Efforts

10 Percent
Workforce Reduction*

$125 Million
Annual Run-rate Savings

Excludes SIHI realignment

- **Accelerating deployment of manufacturing migration to emerging markets while factories have reduced backlog**
- **Incremental actions identified to respond to market conditions**
- **Lean, flat organization model to reduce cost & improve decision-making**

Current Program

Targets

$300 Million
(+$50M below-the-line)
Cost Reduction Efforts

~15-20 Percent
Workforce Reduction*

$215 Million
Annual Run-rate Savings

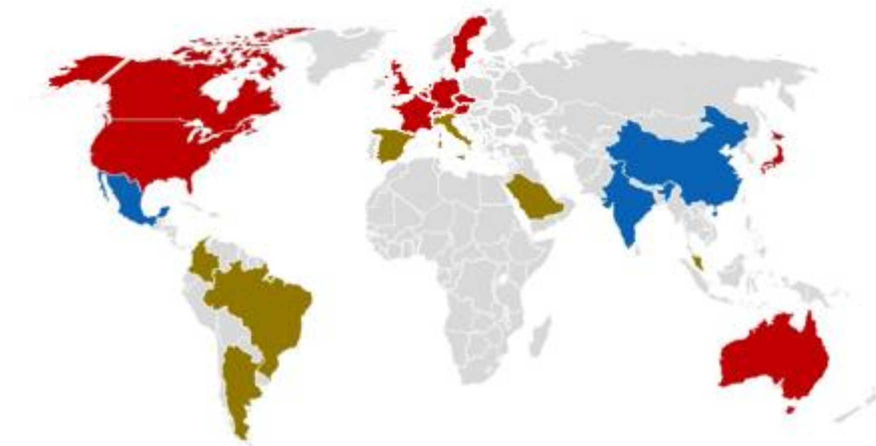
Excludes SIHI realignment

2015 Accomplishments

- ***Completed approximately $80 million of initially planned $125 million investment in cost efficiency initiatives, manufacturing optimization and other actions***
- ***2015-2017 planned realignment investment now $350 million, including prior program spend***
- ***Now expect to recognize cost savings of approximately $185 million in 2017 and $215 million when complete***

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

Positioning for Continued Industry Leadership



Regional Plan
- No Mfg Ops
- Reduce
- Maintain
- Grow

Today: 80
Manufacturing sites
(includes SIHI)

2018: 57
Manufacturing sites
(includes SIHI)

- Increased manufacturing focus
- Reduced complexity
- Increased scale at sites
- Retaining full capabilities

Shifting manufacturing capacity to Emerging Markets

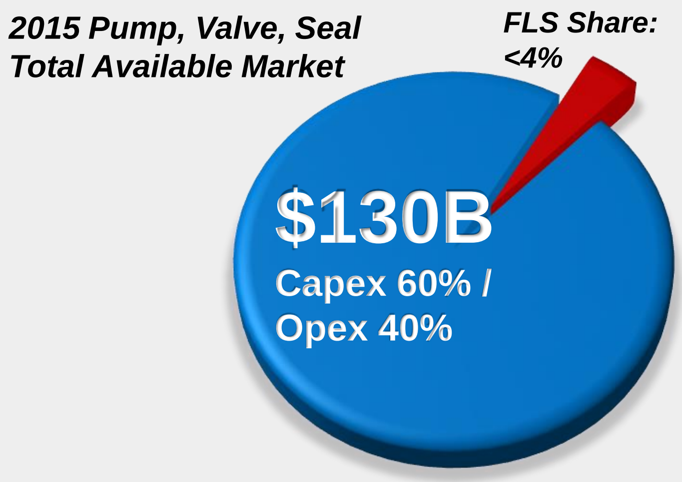
+25%
Increase in Emerging Market direct labor headcount by 2018

- Optimized cost structure
- Enhanced ability to serve growth in emerging markets

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

Focused on Disciplined, Profitable Growth

Large available market

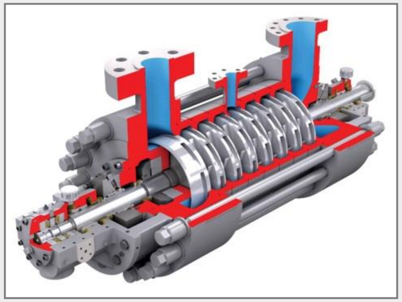


- FLS with <4% share, "room to run"
- Significant aftermarket opportunity within our own installed base

Focused on opportunities to drive above market profitability and growth

- Aftermarket-intensive products

- Original equipment with potential to earn attractive margins



Sources: EIF, Flowserve analysis

Cost competitive original equipment drives installed base growth and valuable aftermarket opportunities

Resiliency of Business

Traditional mix of sales		Recent years' mix of sales	Long-Term Drivers
~20%	OE large projects	Has trended lower: only 10-15%	• New capacity / greenfield • Highly engineered solutions • Infrastructure build out
~40%	Run-rate OE: short cycle, recurring	Has trended higher	• Replacing / adding equipment in existing infrastructure • Need for upgrades as facilities age • Typically customer direct and shorter lead-time
~40%	Aftermarket	Has trended higher	• MRO recovery and ongoing replacement business • Efficiency upgrades • Service and repairs require localized presence

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

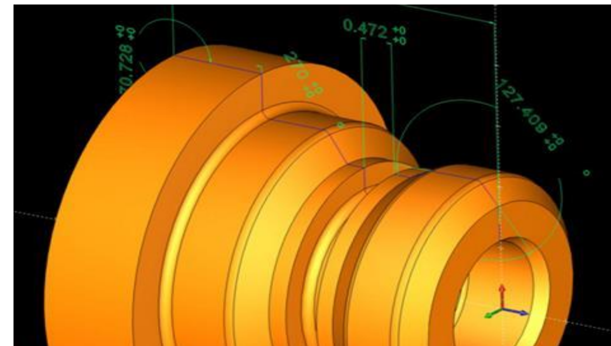
Strategy Based on Hard-to-Replicate Competitive Differentiators

Aftermarket Franchise

- Serves an installed base built over decades
- Deep customer relationships
- Access to proprietary designs
- Network of 191 QRCs

Operational Excellence

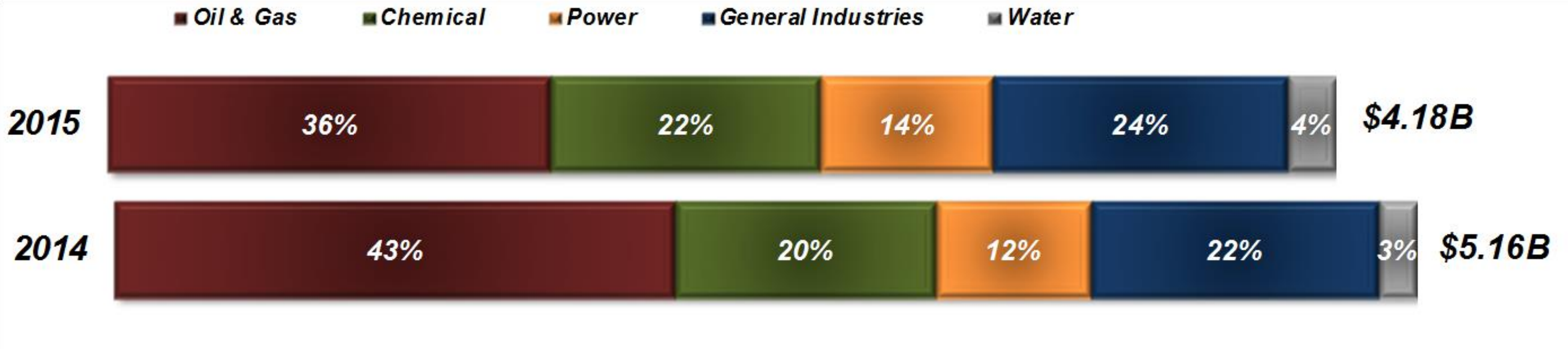
- Global, flexible manufacturing network (LPO/SPO)
- Significant low cost manufacturing presence
- Global sourcing and procurement expertise and partnerships
- Proven global processes and competencies



Product and Technology Leadership

- Industry-leading products, respected brands
- Diversified product portfolio
- Patented designs
- Industry certifications
- Accepted and proven in mission-critical applications

2015 Bookings & Industry Outlook



OIL & GAS

- *Reduced investment resulting in project delays and cancellations due to low oil prices*
- *Lower operating spend and downstream maintenance delayed; with a late-year spend uptick by refiners*
- *Challenges in key energy producing regions further impact project & MRO opportunities*

CHEMICAL

- *Chemical market transitioning to lower growth phase as new capacity from large projects comes online*
- *Investment opportunities remain in the Middle East and North America due to feedstock cost advantages*

POWER

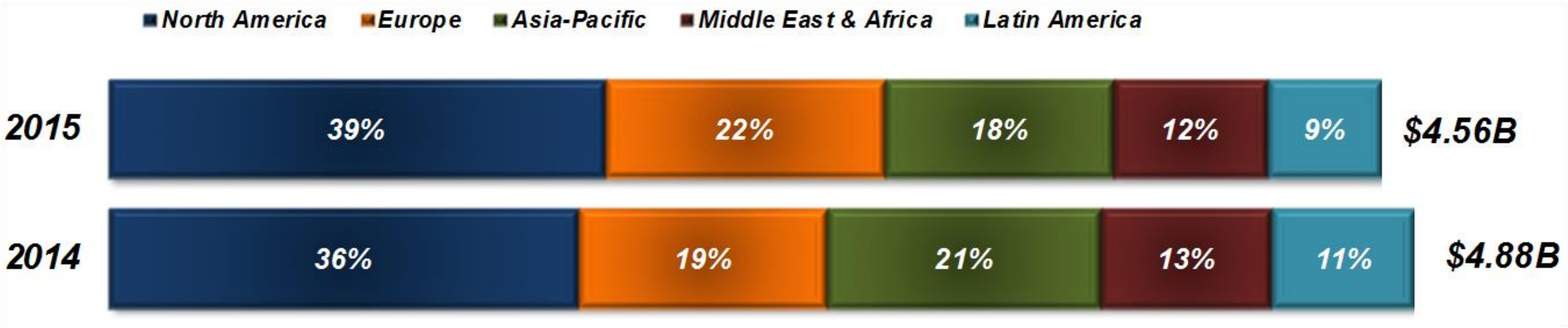
- *Fossil-fired power market growth opportunities in emerging market and US infrastructure renewal*
- *Nuclear soft but prospects promising given planned capacity additions, particularly in Asia Pacific*
- *Concentrated solar thermal power & desalination market activity on the rise*

GENERAL INDUSTRIES

- *Pulp & paper market opportunities; mining continues to be challenged*
- *Much of the global industrial picture remains sensitive to weaker demand from China*

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

2015 Sales & Regional Outlook



NORTH AMERICA

- *Oil & gas investment down due to low oil prices, project delays and cancellations; some late-year spend uptick by North American refiners*
- *Mixed opportunities: Chemical lower versus robust prior year, growth in combined-cycle power and select general industries*

EUROPE

- *Improvements in the domestic economy offset by export challenges; FX headwinds to FLS*
- *Recent growth in combined-cycle power; further prospects in renewables and nuclear but overall investment remains restrained*

ASIA PACIFIC

- *Growth slowing but opportunities in targeted oil & gas and chemical markets*
- *Planned coal-fired power plants coming under pressure; environmental and diversification factors support growth in other power technologies*

MIDDLE EAST & AFRICA

- *Chemical investment-stable-to increasing in the Middle East due to feedstock cost advantages & downstream diversification ambitions*
- *Activity in fossil-fired & renewable power generation, as well as water desalination, to support economic development in the region*

LATIN AMERICA

- *Difficult oil & gas and chemical business conditions with severe challenges in Brazil and Venezuela; early optimism for Mexico*
- *Power and desalination market opportunities; mining continues to be challenged*

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

Q4 2015 - Consolidated Financial Results

	4th Quarter					4th Quarter Adjusted							
($ millions)	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*	SIHI		Adjusted Items		Adjusted Results	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 969.0	$ 1,322.3	$ (353.3)	(26.7)%	(20.7)%	$ 53.5				$ 915.5	$ (406.8)	(30.8)%	(24.8)%
Sales	$ 1,287.7	$ 1,381.4	$ (93.7)	(6.8)%	1.2%	$ 76.4				$ 1,211.3	$ (170.1)	(12.3)%	(4.3)%
Gross Profit	$ 397.7	$ 485.7	$ (88.0)	(18.1)%		$ 24.6	(1)	$ (33.0)	(5)	$ 406.1	$ (79.6)	(16.4)%	
Gross Margin (%)	30.9%	35.2%		(430) bps						33.5%		(170) bps	
SG&A	$ 264.6	$ 251.6	$ 13.0	5.2%	11.9%	$ 24.5	(2)	$ 11.4	(6)	$ 228.7	$ (22.9)	(9.1)%	(2.3)%
SG&A (%)	20.5%	18.2%		230 bps						18.9%		70 bps	
Income from Affiliates	$ 3.6	$ 4.7	$ (1.1)	(23.4)%		$ 1.1		$ —		$ 2.5	$ (2.2)	(46.8)%	
Operating Income	$ 136.8	$ 238.7	$ (101.9)	(42.7)%	(38.0)%	$ 1.2		$ (44.4)	(7)	$ 180.0	$ (58.7)	(24.6)%	(19.9)%
Operating Margin (%)	10.6%	17.3%		(670) bps						14.9%		(240) bps	
Other (Expense) / Income, net **	$ (9.9)	$ 3.1	$ (13.0)	419.4%		$ (3.5)	(3)	$ (9.9)	(8)	$ 3.5	$ 0.4	12.9%	
Tax Expense / (Benefit)	$ 37.4	$ 66.8	$ (29.4)	(44.0)%		$ (0.7)	(4)	$ (10.6)	(9)	$ 48.7	$ (18.1)	(27.1)%	
Net Earnings	$ 71.4	$ 159.0	$ (87.6)	(55.1)%		$ (1.6)		$ (43.7)		$ 116.7	$ (42.3)	(26.6)%	
Diluted EPS	$ 0.54	$ 1.16	$ (0.62)	(53.4)%		$ (0.01)		$ (0.34)		$ 0.89	$ (0.27)	(23.3)%	

- Diluted EPS calculated using fully diluted shares of 131.3 million and 137.0 million shares in Q4 2015 and Q4 2014, respectively
- Flowserve repurchased 1,214,693 and 935,175 shares in Q4 2015 and Q4 2014, respectively

* Constant FX represents the year-over-year variance assuming 2015 results at 2014 FX rates

** Fourth Quarter 2015 includes $9.4 million impact of losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a gain of $3.1 million in Q4 2014

1. Cost of sales includes $0.5 million of realignment charges
2. SG&A includes $1.5 million of PPA expense, $1.8 million of realignment charges and $2.9 million of acquisition-related costs
3. Includes $3.5 million below-the-line FX impacts
4. Includes tax impact of items above
5. Realignment expense of $33.0 million
6. Includes $18.2 million realignment and $6.8 million gain from reversal of contingent consideration related to Innomag acquisition
7. Adjustments do not include $10.6 million reserves related to an at-risk customer
8. Includes $9.9 million below-the-line FX impacts
9. Includes tax impact of items above and a $3 million tax charge related to a valuation allowance for Brazilian deferred tax asset

Year to Date 2015 - Consolidated Financial Results

	Year to Date					Year to Date Adjusted							
($ millions)	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*	SIHI		Adjusted Items		Adjusted Results	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 4,176.8	$ 5,161.0	$ (984.2)	(19.1)%	(11.8)%	$ 270.1				$ 3,906.7	$ (1,254.3)	(24.3)%	(17.0)%
Sales	$ 4,561.0	$ 4,877.9	$ (316.9)	(6.5)%	2.4%	$ 294.2				$ 4,266.8	$ (611.1)	(12.5)%	(3.7)%
Gross Profit	$ 1,487.3	$ 1,714.6	$ (227.3)	(13.3)%		$ 53.8	(1)	$ (51.5)	(5)	$ 1,485.0	$ (229.6)	(13.4)%	
Gross Margin (%)	32.6%	35.2%		(260) bps						34.8%		(40) bps	
SG&A	$ 971.6	$ 936.9	$ 34.7	3.7%	12.3%	$ 102.5	(2)	$ 24.0	(6)	$ 845.1	$ (91.8)	(9.8)%	(1.2)%
SG&A (%)	21.3%	19.2%		210 bps						19.8%		60 bps	
Income from Affiliates	$ 9.9	$ 12.1	$ (2.2)	(18.2)%		$ 1.1		$ —		$ 8.8	$ (3.3)	(27.3)%	
Operating Income **	$ 525.6	$ 789.8	$ (264.2)	(33.5)%	(27.6)%	$ (47.6)		$ (75.5)	(7)	$ 648.7	$ (141.1)	(17.9)%	(12.0)%
Operating Margin (%)	11.5%	16.2%		(470) bps						15.2%		(100) bps	
Other (Expense) / Income, net ***	$ (40.2)	$ 2.0	$ (42.2)	2,110.0%		$ (0.3)	(3)	$ (42.3)	(8)	$ 2.4	$ 0.4	(20.0)%	
Tax Expense / (Benefit)	$ 148.9	$ 208.3	$ (59.4)	28.5%		$ (8.4)	(4)	$ (13.7)	(9)	$ 171.0	$ (37.3)	17.9%	
Net Earnings	$ 267.7	$ 518.8	$ (251.1)	(48.4)%		$ (39.5)		$ (104.1)		$ 411.3	$ (107.5)	(20.7)%	
Diluted EPS	$ 2.00	$ 3.76	$ (1.76)	(46.8)%		$ (0.30)		$ (0.77)		$ 3.07	$ (0.69)	(18.4)%	

- Diluted EPS calculated using fully diluted shares of 133.8 million and 137.8 million shares in YTD 2015 and YTD 2014, respectively
- Flowserve repurchased 6,047,839 and 3,420,656 shares YTD 2015 and YTD 2014, respectively

* Constant FX represents the year-over-year variance assuming 2015 results at 2014 FX rates

** YTD 2014 includes $12.6 million net gain from the sale of the Naval business

*** YTD 2015 includes a loss of $38.7 million including Venezuela remeasurement, losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a gain of $2.8 YTD 2014

1. Gross profit impacted by $18.1 million of purchase price accounting expense (PPA) and $18.0 million of realignment charges
2. SG&A includes $4.9 million of PPA expense, $11.9 million of realignment charges and $11.6 million of acquisition-related costs
3. Includes $0.3 million below-the-line FX impacts
4. Tax benefit partially offset by $5.5 million of site exit taxes from realignment
5. Includes $48.9 million of realignment charges, $2.2 million of Venezuela remeasurement impact and $0.4 million inventory write-down
6. Includes $29.3 million of realignment charges, $6.8 million gain from reversal of contingent consideration related to Innomag acquisition and $1.5 million of other severance
7. Adjustments do not include $15.5 million reserves for an at-risk customer and doubtful accounts
8. Includes $18.5 million of Venezuela remeasurement impact and $23.8 million of other below-the-line FX impacts
9. Includes tax impact of items above, $13.0 million tax charge related to a valuation allowance for Brazilian deferred tax asset and $3.4 million of site exit costs from realignment (there is no tax benefit on the $18.5 Venezuela remeasurement loss)

Quarterly & Full Year 2015 Cash Flows

	Q4	Q3	Q2	Q1	YTD	
($ millions)	**2015**	**2015**	**2015**	**2015**	**2015**	**2014**
Net Income	$ 72	$ 95	$ 76	$ 30	$ 273	$ 525
Depreciation and amortization	27	33	33	34	127	110
Change in working capital	186	(38)	(8)	(210)	(70)	(96)
Other	1	23	10	53	87	32
Total Operating Activities	**286**	**113**	**111**	**(93)**	**417**	**571**
Capital expenditures	(43)	(25)	(30)	(84)	(182)	(133)
Acquisitions, dispositions and other	6	(10)	1	(340)	(343)	49
Total Investing Activities	**(37)**	**(35)**	**(29)**	**(424)**	**(525)**	**(84)**
(Payments) / proceeds of long-term debt, net	(15)	(5)	(12)	513	481	(40)
Dividends	(24)	(24)	(24)	(22)	(94)	(85)
Short-term financing and other, net	(19)	(6)	(6)	8	(23)	4
Repurchase of common shares	(54)	(110)	(60)	(80)	(304)	(247)
Total Financing Activities	**(112)**	**(145)**	**(102)**	**419**	**60**	**(368)**
Effect of exchange rates	**(9)**	**(11)**	**1**	**(18)**	**(37)**	**(32)**
Net Increase / (Decrease) in Cash	**$ 128**	**$ (78)**	**$ (19)**	**$ (116)**	**$ (85)**	**$ 87**

Full Year 2015 capital expenditures include investments to increase capabilities in Asia and strategic aftermarket license

Cash Flow Usage & Capital Allocation Priorities

Cash Flow Usage

	Since Q4 '11 *	2015
Returned to shareholders[1]	**$ 2.2 billion**	**$397 million**
# shares repurchased	*39.6 million*	*6.0 million*
Avg. repurchase price / share	*<$48*	*<$51*
% of FCF	*129%*	*169%*
Acquisition spend	**$516 million**	**$344 million**
Capex	**$614 million**	**$182 million**

* Includes YTD 2015 amounts

Capital Allocation Priorities

Capital Expenditures

- Growth investments including manufacturing capacity in China, India and Latin America
- Investments aligned with forecasted market growth

Debt Management

- Long-term gross leverage ratio of 1-2x total debt / EBITDA; currently 2.5x[2] (1.9x net of cash)
- Raised €500 million 7-year Senior Notes at coupon of 1.25%
- Amended revolving credit facility extending maturity date 2 years to Oct. 2020

Dividends

- Dividend increased for 9 consecutive years
- 5 of last 6 years provided double-digit percentage increase

Share Repurchases & Acquisitions

- Total shareholder payout ratio target at 40-50% of 2 year average net income
- Completed $1 billion stock repurchase program in 2013
- ~$160 million available under current program[3] as of 12/31/15
- Strict acquisition criteria includes EPS accretion & achievement of ROIC hurdles
- Discipline in evaluating inorganic vs. organic investment and returning capital to shareholders

Capital spending focuses on most accretive, long-term investment in both the operating platform and returning capital to shareholders

[1] Includes dividends and share repurchases; [2] Including all discrete items; [3] Current authorization of $500 million as of 12/31/15

2016 Guidance Assumptions

Revenue Guidance Assumptions	2016 Guidance [(1)]
Revenue Guidance vs. total 2015	-7% to -14%
EUR Rate (actual/assumed)	1.09 (yr-end 2015)
FX headwinds vs. 2015	~2%
Constant Currency Guidance	~-5% to ~-12%
Adjusted EPS Guidance Assumptions	**2016 Guidance**
Adjusted EPS Guidance	$2.40 - $2.75
EUR Rate (actual/assumed)	1.09 (yr-end 2015)
FX Headwinds vs. prior year	~$0.10/share

(1) Provided February 1, 2016, reaffirmed February 19, 2016.

* 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 $150 million in enhanced realignment programs
- Estimate capital expenditures to be $105 – $115 million
- Continue to pursue capital allocation policy of annually returning 40 – 50% of running 2-year average net earnings to shareholders
- Scheduled debt principal reduction of $60 million
- Estimate U.S. and non-U.S. pension fund pre-tax contributions to be approximately $30 – $35 million
- Other strategic opportunities, after disciplined analysis

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 this
- Structurally reduce SG&A through lean structure and platform 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

Pricing and margin discipline

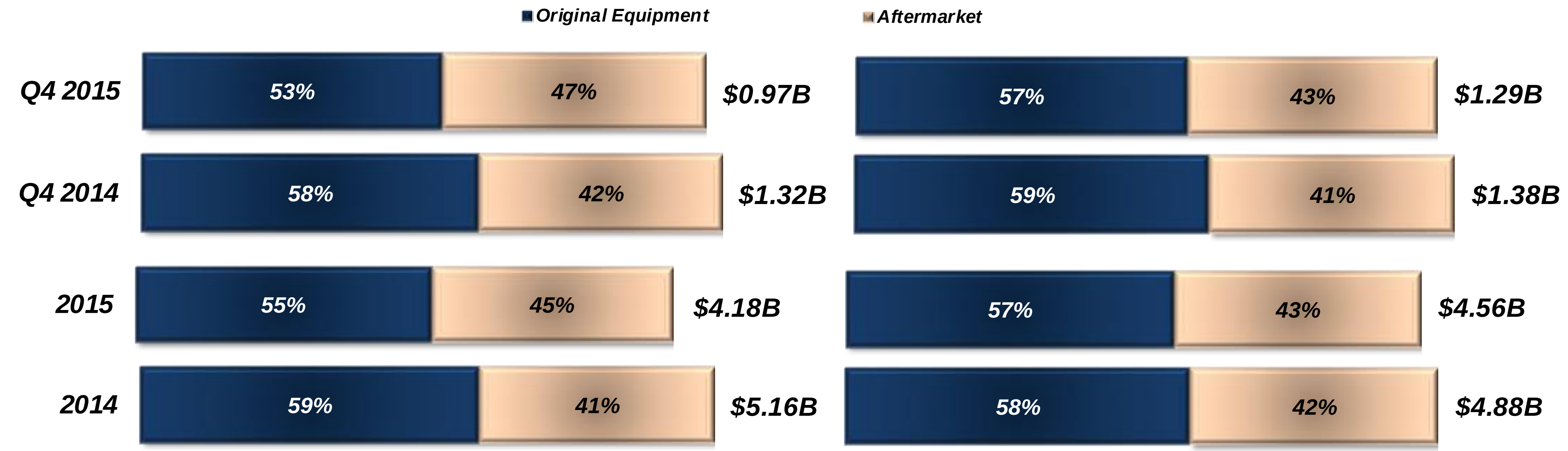
- Maintain focus on products that provide an aftermarket tail
- Maintain original equipment margins in products with limited aftermarket
- Enhanced coordination between sales and operations as well as increased analytics and pricing capabilities to support growth efforts

Driving structural cost reductions while focusing on profitable growth

Questions and Answers

Appendix

Q4 & Full Year 2015 – Consolidated Bookings & Sales



Bookings

- Full year bookings decreased 19.1%, or 11.8% on a constant currency basis, including SIHI bookings of $270 million
  - Original equipment bookings decreased 24.3%, or 17.3% constant currency
  - Aftermarket bookings decreased 11.7%, or 3.9% constant currency

Sales

- Full year Sales decreased 6.5%, or increased 2.4% on a constant currency basis, including SIHI sales of $294 million
  - Original equipment sales decreased 7.9%, or increased 1.2% constant currency
  - Aftermarket sales decreased 3.6%, or increased 4.4% constant currency

Sources: Flowserve Internal Data

Engineered Product Division
Q4 & Full Year 2015 Segment Results

($ millions)	4th Quarter					Year to Date				
	2015	2014 (1)	Delta ($)	Delta (%)	Constant FX (%)*	2015	2014 (1)	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 460.0	$ 710.9	$ (250.9)	(35.3)%	(28.7)%	$ 2,065.6	$ 2,832.8	$ (767.2)	(27.1)%	(19.0)%
Sales	$ 690.6	$ 758.9	$ (68.3)	(9.0)%	1.1%	$ 2,260.0	$ 2,564.6	$ (304.6)	(11.9)%	(1.8)%
Gross Profit	$ 210.5	$ 266.0	$ (55.5)	(20.9)%		$ 746.4	$ 892.5	$ (146.1)	(16.4)%	
Gross Margin (%)	30.5%	35.1%		(460) bps		33.0%	34.8%		(180) bps	
SG&A	$ 117.5	$ 123.9	$ (6.4)	(5.2)%	3.6%	$ 426.7	$ 457.7	$ (31.0)	(6.8)%	3.9%
SG&A (%)	17.0%	16.3%		70 bps		18.9%	17.8%		110 bps	
Income from Affiliates	$ 3.2	$ 4.6	$ (1.4)	(30.4)%		$ 9.3	$ 12.4	$ (3.1)	(25.0)%	
Operating Income	$ 96.2	$ 146.7	$ (50.5)	(34.4)%	(28.4)%	$ 329.0	$ 447.2	$ (118.2)	(26.4)%	(20.1)%
Operating Margin (%)	13.9%	19.3%		(540) bps		14.6%	17.4%		(280) bps	
Adjusted Operating Income **	$ 117.6	$ 146.7	$ (29.1)	(19.8)%	(13.8)%	$ 362.7	$ 447.2	$ (84.5)	(18.9)%	(12.6)%
Adjusted Operating Margin % **	17.0%	19.3%		(230) bps		16.0%	17.4%		(140) bps	

Quality backlog, disciplined cost control and execution drove relative full-year adjusted margin stability

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $21.4 million and $33.7 million for Q4 2015 and YTD 2015, respectively
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Engineered Product Division
Q4 & Full Year 2015 Bookings and Sales

($ millions)		4th Quarter				Year to Date			
		2015	2014 (1)	Delta (%)	Constant FX (%)*	2015	2014 (1)	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	131	291	(55)%	(50)%	714	1,182	(40)%	(31)%
		28%	41%	(1300) bps		35%	42%	(700) bps	
	AM	329	420	(22)%	(14)%	1,352	1,651	(18)%	(10)%
		72%	59%	1300 bps		65%	58%	700 bps	
Sales Mix **	OE	283	321	(12)%	3%	840	1,009	(17)%	(4)%
		41%	42%	(100) bps		37%	39%	(200) bps	
	AM	408	438	(7)%	2%	1,420	1,556	(9)%	—%
		59%	58%	100 bps		63%	61%	200 bps	

Full year constant currency aftermarket sales demonstrates resiliency in challenging market conditions

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Gross bookings and sales do not include interdivision eliminations
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Engineered Product Division Q4 Overview

- Bookings decreased 35.3%, or 28.7% on a constant currency basis
  - Decrease driven primarily by oil and gas and general industries
  - Bookings decreased in all regions with the exception of Asia Pacific
- Sales decreased 9.0%, or increased 1.1% on a constant currency basis
  - The decrease was more heavily weighted towards original equipment, and included declines in all regions
- Gross margin decreased 460 basis points to 30.5%
- Operating margin decreased 540 basis points to 13.9%, or decreased 230 basis points to 17.0%, excluding realignment
  - Excluding $3.5 million reserve for an at-risk customer and realignment, operating margin decreased 180 basis points to 17.5%
- Backlog decreased 26.4% to $1.2 billion vs. 2014 year-end, or 21.4% on constant currency basis

Industrial Product Division
Q4 2015 Segment Results

($ millions)	4th Quarter					4th Quarter Adjusted				
	2015	2014 (1)	Delta ($)	Delta (%)	Constant FX (%)*	SIHI (2)	IPD Ex-SIHI	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 197.7	$ 193.1	$ 4.6	2.4%	7.3%	$ 53.5	$ 144.2	$ (48.9)	(25.3)%	(20.5)%
Sales	$ 256.1	$ 212.7	$ 43.4	20.4%	25.1%	$ 76.4	$ 179.7	$ (33.0)	(15.5)%	(10.8)%
Gross Profit (Loss)	$ 69.0	$ 60.9	$ 8.1	13.3%		$ 24.6	$ 44.4	$ (16.5)	(27.1)%	
Gross Margin (%)	26.9%	28.6%		(170) bps		32.2%	24.7%		(390) bps	
SG&A	$ 58.6	$ 29.8	$ 28.8	96.6%	102.7%	$ 24.5	$ 34.1	$ 4.3	14.4%	20.5%
SG&A (%)	22.9%	14.0%		890 bps		32.1%	19.0%		500 bps	
Income from Affiliates	$ 1.1	$ —	$ 1.1	100.0%		$ 1.1	$ —	$ —	—%	
Operating (Loss) Income	$ 11.5	$ 31.1	$ (19.6)	(63.0)%	(60.8)%	$ 1.2	$ 10.3	$ (20.8)	(66.9)%	(64.6)%
Operating Margin (%)	4.5%	14.6%		(1010) bps		1.6%	5.7%		(890) bps	
Adjusted Operating Income **	$ 24.8	$ 31.1	$ (6.3)	(20.3)%	(18.0)%	$ 1.2	$ 23.6	$ (7.5)	(24.1)%	(21.9)%
Adjusted Operating Margin % **	9.7%	14.6%		(490) bps		1.6%	13.1%		(150) bps	

SIHI continued to execute well delivering strong gross margin performance

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $13.3 million for Q4 2015
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.
(2) SIHI results include the impact of purchase price accounting, realignment and acquisition costs

Industrial Product Division
Full Year 2015 Segment Results

($ millions)	Year to Date					Year to Date Adjusted				
	2015	2014 (1)	Delta ($)	Delta (%)	Constant FX (%)*	SIHI (2)	IPD Ex-SIHI	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 887.2	$ 781.0	$ 106.2	13.6%	19.0%	$ 270.1	$ 617.1	$ (163.9)	(21.0)%	(15.6)%
Sales	$ 981.9	$ 805.9	$ 176.0	21.8%	28.0%	294.2	687.7	$ (118.2)	(14.7)%	(8.5)%
Gross Profit (Loss)	$ 239.7	$ 221.0	$ 18.7	8.5%		53.8	185.9	$ (35.1)	(15.9)%	
Gross Margin (%)	24.4%	27.4%		(300) bps		18.3%	27.0%		(40) bps	
SG&A	$ 210.6	$ 114.0	$ 96.6	84.7%	92.5%	102.5	108.1	$ (5.9)	(5.2)%	2.5%
SG&A (%)	21.4%	14.1%		730 bps		34.8%	15.7%		160 bps	
Income from Affiliates	$ 1.1	$ —	$ 1.1	100.0%		1.1	$ —	$ —	—%	
Operating Income (Loss)	$ 30.2	$ 107.0	$ (76.8)	(71.8)%	(67.5)%	(47.6)	77.8	$ (29.2)	(27.3)%	(23.0)%
Operating Margin (%)	3.1%	13.3%		(1020) bps		(16.2)%	11.3%		(200) bps	
Adjusted Operating Income **	$ 45.8	$ 107.0	$ (61.2)	(57.2)%	(52.9)%	(47.6)	93.4	$ (13.6)	(12.7)%	(8.4)%
Adjusted Operating Margin % **	4.7%	13.3%		(860) bps		(16.2)%	13.6%		30 bps	

Adjusted operating margin improved to 13.6% on disciplined cost control and operational excellence

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $15.6 million YTD 2015
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.
(2) SIHI results include the impact of purchase price accounting, realignment and acquisition costs

Industrial Product Division
Q4 2015 Bookings and Sales

($ millions)		4th Quarter				4th Quarter Adjusted			
		2015	2014 [1]	Delta (%)	Constant FX (%)*	SIHI	IPD Ex-SIHI	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	131	129	2%	6%	37	94	(27)%	(22)%
		66%	67%	(100) bps		70%	65%	(200) bps	
	AM	66	64	3%	8%	16	50	(22)%	(17)%
		34%	33%	100 bps		30%	35%	200 bps	
Sales Mix **	OE	173	142	22%	26%	58	115	(19)%	(15)%
		68%	67%	100 bps		76%	64%	(300) bps	
	AM	83	71	17%	24%	18	65	(8)%	(2)%
		32%	33%	(100) bps		24%	36%	300 bps	

The acquisition of SIHI provides scale and synergies to IPD, positioning the segment for enhanced growth while executing on cost reduction opportunities

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Gross bookings and sales do not include interdivision eliminations
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Industrial Product Division Q4 Overview

- Bookings increased 2.4%, or 7.3% on a constant currency basis
  - Includes SIHI bookings of $53.5 million
  - Excluding SIHI, constant currency bookings decreased 20.5%, primarily due to decreased bookings in general industries, chemical and power, partially offset by increased bookings in oil and gas
- Sales increased 20.4%, or 25.1% on a constant currency basis
  - Includes SIHI sales of $76.4 million
  - Excluding SIHI, constant currency sales decreased 10.8%, due to decreased sales into all regions except North America
- Gross margin decreased 170 basis points to 26.9%
- Excluding SIHI and realignment, operating margin decreased 150 basis points to 13.1%
  - Excluding $5.6 million reserve for an at-risk customer, SIHI and realignment, operating margin increased 160 basis points to 16.2%

Flow Control Division
Q4 & Full Year 2015 Segment Results

	4th Quarter					Year to Date				
($ millions)	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 332.4	$ 448.3	$ (115.9)	(25.9)%	(20.8)%	$ 1,318.5	$ 1,665.2	$ (346.7)	(20.8)%	(14.4)%
Sales	$ 364.0	$ 439.4	$ (75.4)	(17.2)%	(11.8)%	$ 1,415.5	$ 1,615.7	$ (200.2)	(12.4)%	(4.7)%
Gross Profit	$ 118.2	$ 162.6	$ (44.4)	(27.3)%		$ 497.5	$ 603.0	$ (105.5)	(17.5)%	
Gross Margin (%)	32.5%	37.0%		(450) bps		35.1%	37.3%		(220) bps	
SG&A (1)	$ 69.9	$ 74.4	$ (4.5)	(6.0)%	(0.3)%	$ 262.6	$ 279.8	$ (17.2)	(6.1)%	2.0%
SG&A (%)	19.2%	16.9%		230 bps		18.6%	17.3%		130 bps	
(Loss) / Income from Affiliates	$ (0.2)	$ 0.1	$ (0.3)	(300.0)%		$ (0.5)	$ (0.4)	$ (0.1)	25.0%	
Operating Income (1)	$ 48.1	$ 88.3	$ (40.2)	(45.5)%	(43.6)%	$ 234.4	$ 322.8	$ (88.4)	(27.4)%	(23.1)%
Operating Margin (%)	13.2%	20.1%		(690) bps		16.6%	20.0%		(340) bps	
Adjusted Operating Income **	$ 64.7	$ 88.3	$ (23.6)	(26.7)%	(24.8)%	$ 263.3	$ 322.8	$ (59.5)	(18.4)%	(14.2)%
Adjusted Operating Margin % **	17.8%	20.1%		(230) bps		18.6%	20.0%		(140) bps	

FCD's reported Full Year 2014 results include a one-time, $12.6 million gain on the sale of assets in Q1

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $16.6 million and $28.9 million for Q4 2015 and YTD 2015, respectively
(1) YTD 2014 includes $12.6 million impact of net gain from sale of the Naval business in Q1 2014

Flow Control Division
Q4 & Full Year 2015 Bookings and Sales

($ millions)		4th Quarter 2015	4th Quarter 2014	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Year to Date 2015	Year to Date 2014	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	262	365	(28)%	(23)%	1,046	1,384	(24)%	(18)%
		79%	81%	(200) bps		79%	83%	(400) bps	
	AM	70	83	(16)%	(11)%	273	281	(3)%	3%
		21%	19%	200 bps		21%	17%	400 bps	
Sales Mix **	OE	286	360	(21)%	(15)%	1,141	1,335	(15)%	(7)%
		79%	83%	(400) bps		81%	83%	(200) bps	
	AM	78	80	(3)%	3%	275	281	(2)%	5%
		21%	17%	400 bps		19%	17%	200 bps	

FCD focus on aftermarket drove constant currency year-over-year bookings and sales growth in challenging conditions

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Gross bookings and sales do not include interdivision eliminations

Flow Control Division Q4 Overview

- Bookings decreased 25.9%, or 20.8% on a constant currency basis
  - Decreased bookings driven primarily by the chemical, oil and gas and general industries
  - Decreased bookings into all regions except the Middle East and Africa
- Sales decreased 17.2%, or 11.8% on a constant currency basis
  - Driven by decreased original equipment sales, partially offset by 3% increase in aftermarket sales
  - Sales decreased into all regions except the Middle East and Africa
- Gross margin decreased 450 basis points to 32.5%
- Excluding realignment, operating margin decreased 230 basis points to 17.8%
  - Excluding $1.5 million reserve for an at-risk customer and realignment, operating margin decreased 190 basis points to 18.2%

Primary Working Capital

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

	Q4 2015		Q4 2014	
($ millions)	**$**	**%**	**$**	**%**
Receivables	988	21.7%	1,082	22.2%
Inventory	996	21.8%	996	20.4%
Payables	(491)	-10.8%	(612)	(12.5)%
Primary Working Capital	1,493	32.7%	**1,466**	**30.1%**
Advance Cash*	(324)	-7.1%	(326)	(6.7)%
Total	**1,169**	25.6%	**1,140**	**23.4%**
Backlog	**2,173.2**		**2,704.2**	

Accounts Receivable

Accounts Receivable DSO at 72 days in Q4 2015, down 1 day versus 73 days prior year Q4

- *Elevated DSO driven in part by certain Latin American customers with extended terms compared to our usual terms and balances that are not disputed.*

Inventory

Inventory turns were unchanged at 3.6 times versus prior year Q4

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