Flowserve Second Quarter 2016 Earnings Conference Call

July 29, 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.

This presentation includes information that may be considered non-GAAP financial information as contemplated by SEC Regulation G, Rule 100, including Adjusted EPS, Adjusted Operating Income, Adjusted Operating Margin and others. Accordingly, we have provided a table on page 9 that reconcile these measures to their corresponding GAAP-based measures.

Current Conditions Overview

- Reported 2016 Second quarter Adjusted EPS* of $0.57, GAAP EPS of $0.48
  - Adjusted EPS excludes $0.09 of adjusted items[1] and includes $0.01 of negative currency translation
- Constant currency bookings decline of 10.1%, highlighted by modest aftermarket growth, while projects continue to delay and defer
  - Q2 and first half 2016 constant currency aftermarket booking growth of 2.3% and 1.4%, respectively
  - Q2 sequential constant currency bookings increased 4.0%
- Continued progress on longer-term realignment actions in light of the current markets - actions initiated at two-thirds of targeted facilities
  - Targeting approximately $230 million annualized savings over the next two years
- Remain confident in the long-term fundamental growth outlook of our end-markets
- Continuing to strategically invest in growth initiatives

***Calculated using Q2 fully diluted shares of 130.9 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

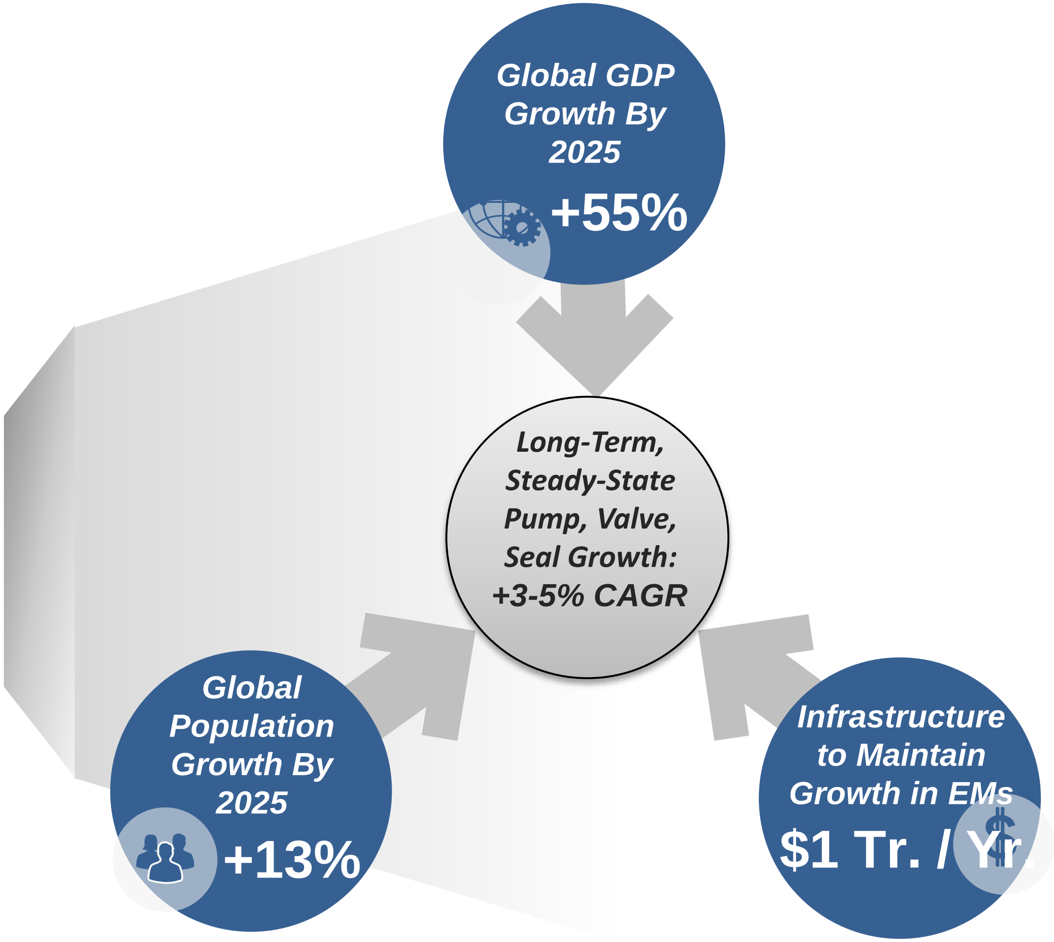
Long-term growth fueled by megatrends

- 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*

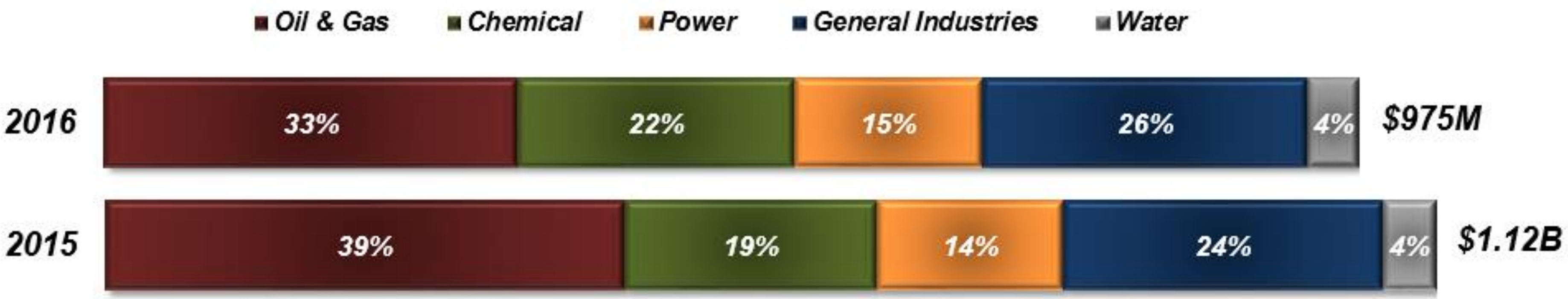
$230M

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.*

Q2 2016 Bookings & Industry Outlook



OIL & GAS
- *Continued low oil prices negatively impacting investment plans, project schedules and cancellations*
- *Geopolitical challenges in Middle East, Russia and Latin America further impact project and related MRO opportunities*
- *Downstream maintenance delays remain offset by aftermarket activity in Asia & Europe*

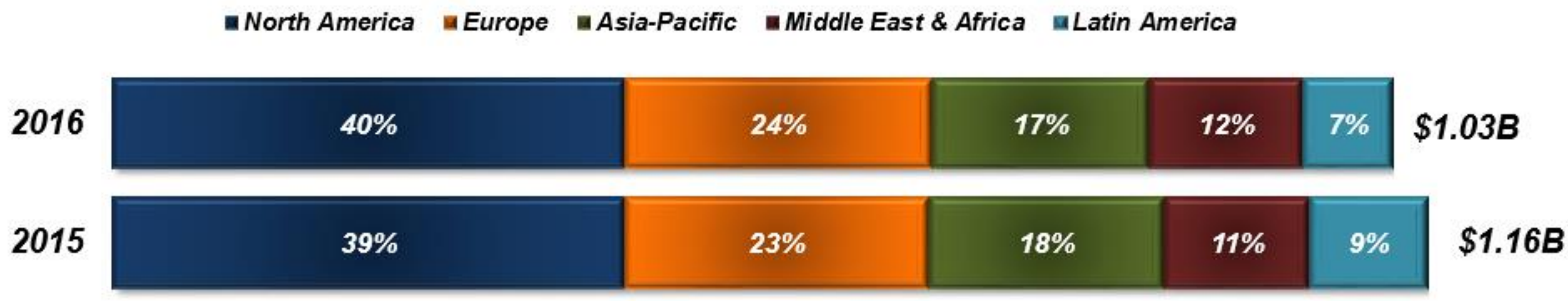
CHEMICAL
- *Basic chemical market slowing as global capacity comes online; opportunities in North America, EMA and India*
- *North America ethane cracker projects moving forward; customers making investment decisions*

POWER
- *Fossil-fired power market growth opportunities most prevalent in Asia Pacific and the U.S.*
- *Nuclear prospects promising given planned capacity additions in developing countries; aftermarket activity in U.S.*
- *Growth in desalination, primarily in the Middle East, Latin America and Asia Pacific*

GENERAL INDUSTRIES
- *Pulp and paper project activity advancing in Europe, Americas and Asia Pacific*
- *Distribution mixed; some distributors cutting inventories whereas others are growing the business*

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

Q2 2016 Sales & Regional Outlook



NORTH AMERICA
- *Continued oil and gas project and maintenance delays and headwinds; ethane cracker projects moving forward*
- *Opportunities in the industrial and municipal markets, as well as power aftermarket*

EUROPE
- *Oil and gas and chemical industry aftermarket activity on the rise*
- *Power markets challenged but seeing growth in combined cycle; future prospects in renewables and nuclear*

MIDDLE EAST & AFRICA
- *Oil and gas investment falling off in upstream and midstream, but refining opportunities remain*
- *Economic development drives power generation prospects, as well as water desalination, in the region*

ASIA-PACIFIC
- *Power market growth, primarily fossil-fired and nuclear opportunities; desalination also on the rise*
- *Project activity across the region but delays continue*

LATIN AMERICA
- *Pulp and paper project activity advancing in Brazil throughout the year*
- *Difficult energy markets due to challenges in Brazil and Venezuela*

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

Q2 2016 - Consolidated Financial Results

	2nd Quarter					2nd Quarter Adjusted							
($ millions)	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016 Adjusted Items		2016 Adjusted Results	2015 Comparable Results		Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 975.4	$ 1,115.4	$ (140.0)	(12.6)%	(10.1)%	$ —		$ 975.4	$ 1,115.4		$ (140.0)	(12.6)%	(10.1)%
Sales	$ 1,026.2	$ 1,162.2	$ (136.0)	(11.7)%	(9.7)%	$ —		$ 1,026.2	$ 1,162.2		$ (136.0)	(11.7)%	(9.7)%
Gross Profit	$ 324.7	$ 369.1	$ (44.4)	(12.0)%		$ (11.2)	(1)	$ 335.9	$ 395.3	(5)	$ (59.4)	(15.0)%	
Gross Margin (%)	31.6%	31.8%		(20) bps				32.7%	34.0%			(130) bps	
SG&A	$ 228.5	$ 243.6	$ (15.1)	(6.2)%	(5.0)%	$ 11.0	(2)	$ 217.5	$ 227.0	(6)	$ (9.5)	(4.2)%	(2.9)%
SG&A (%)	22.3%	21.0%		130 bps				21.2%	19.5%			170 bps	
Income from Affiliates	$ 1.8	$ 2.1	$ (0.3)	(14.3)%		$ —		$ 1.8	$ 2.1		$ (0.3)	14.3%	
Operating Income	$ 98.0	$ 127.6	$ (29.6)	(23.2)%	(21.2)%	$ (22.2)		$ 120.2	$ 170.4		$ (50.2)	(29.5)%	(28.0)%
Operating Margin (%)	9.5%	11.0%		(150) bps				11.7%	14.7%			(300) bps	
Other Income / (Expense), net **	$ 4.7	$ (4.9)	$ 9.6	(195.9)%		$ 5.7	(3)	$ (1.0)	$ (0.2)	(7)	$ (0.8)	400.0%	
Tax (Expense) / Benefit	$ (25.1)	$ (30.9)	$ 5.8	(18.8)%		$ 5.0	(4)	$ (30.1)	$ (30.9)	(8)	$ 0.8	(2.6)%	
Net Earnings	$ 63.0	$ 75.0	$ (12.0)	(16.0)%		$ (11.5)		$ 74.5	$ 109.3		$ (34.8)	(31.8)%	
Diluted EPS	$ 0.48	$ 0.56	$ (0.08)	(14.3)%		$ (0.09)		$ 0.57	$ 0.81		$ (0.24)	(29.6)%	

- Diluted EPS calculated using fully diluted shares of 130.9 million and 134.8 million shares in Q2 2016 and Q2 2015, respectively
- Flowserve repurchased 0 and 1,072,421 shares in Q2 2016 and Q2 2015 respectively

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

** Second Quarter 2016 includes $5.7 million of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $5.1 million in Q2 2015

1. Cost of sales includes $11.2 million of realignment charges
2. SG&A includes $8.9 million of realignment charges and $2.1 of PPA and integration expenses
3. Includes $5.7 million below-the-line FX impacts
4. Includes tax impact of items above
5. Excludes $19.6 million of realignment charges and $6.6 million of PPA expense
6. Excludes $13.1 of million realignment charges, $2.3 million of acquisition related costs and $1.2 million of PPA expense
7. Excludes $4.7 million of other below the line FX impacts
8. Excludes tax impact of items above and includes $0.5 of site exit taxes from realignment

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	$ 1,896.7	$ 2,157.1	$ (260.4)	(12.1)%	(9.0)%	$ —		$ 1,896.7	$ 2,157.1		$ (260.4)	(12.1)%	(9.0)%
Sales	$ 1,973.5	$ 2,176.9	$ (203.4)	(9.3)%	(6.2)%	$ —		$ 1,973.5	$ 2,176.9		$ (203.4)	(9.3)%	(6.2)%
Gross Profit	$ 632.7	$ 700.8	$ (68.1)	(9.7)%		$ (18.4)	**(1)**	$ 651.1	$ 750.9	**(5)**	$ (99.8)	(13.3)%	
Gross Margin (%)	32.1%	32.2%		(10) bps				33.0%	34.5%			(150) bps	
SG&A	$ 465.4	$ 483.5	$ (18.1)	(3.7)%	(1.4)%	$ 18.6	**(2)**	$ 446.8	$ 451.2	**(6)**	$ (4.4)	(1.0)%	(3.5)%
SG&A (%)	23.6%	22.2%		140 bps				22.6%	20.7%			190 bps	
Income from Affiliates	$ 5.1	$ 3.7	$ 1.4	37.8%		$ —		$ 5.1	$ 3.7		$ 1.4		
Operating Income	$ 172.4	$ 221.0	$ (48.6)	(22.0)%	(18.2)%	$ (37.0)		$ 209.4	$ 303.4		$ (94.0)	(31.0)%	(28.2)%
Operating Margin (%)	8.7%	10.2%		(150) bps				10.6%	13.9%			(330) bps	
Other Income / (Expense), net **	$ 0.2	$ (24.8)	$ 25.0	(100.8)%		$ 2.1	**(3)**	$ 2.3	$ (0.5)	**(7)**	$ 2.8	(560.0)%	
Tax Expense / (Benefit)	$ (42.8)	$ (59.4)	$ 16.6	(27.9)%		$ 10.8	**(4)**	$ (53.6)	$ (66.0)	**(8)**	$ 12.4	(18.8)%	
Net Earnings	$ 100.9	$ 102.7	$ (1.8)	(1.8)%		$ (24.2)		$ 125.1	$ 189.2		$ (64.1)	(33.9)%	
Diluted EPS	$ 0.77	$ 0.76	$ 0.01	1.3%		$ (0.19)		$ 0.96	$ 1.41		$ (0.45)	(31.9)%	

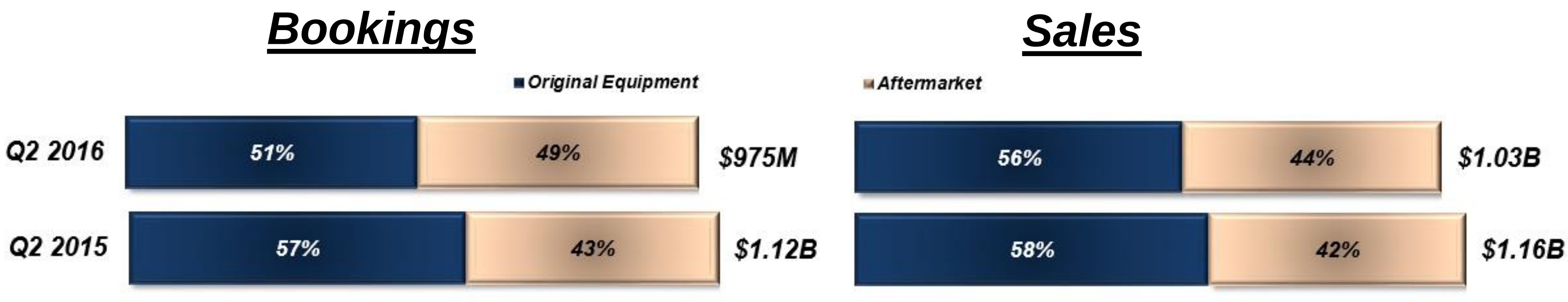
- Diluted EPS calculated using fully diluted shares of 130.9 million and 135.4 million shares in YTD 2016 and YTD 2015, respectively
- Flowserve repurchased 0 and 2,454,446 shares in YTD 2016 and YTD 2015 respectively

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

** YTD 2016 includes $2.1 million of gains arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $24.3 million YTD 2015

1. Cost of sales includes $18.4 million of realignment charges
2. SG&A includes $15.2 million of realignment charges and $3.4 of PPA and integration expenses
3. Includes $2.1 million of below-the-line FX impacts
4. Includes tax impact of items above
5. Excludes $32.8 million of realignment charges, $14.7 million of PPA expense, $2.2 million of Venezuela remeasurement and $0.3 million of inventory write-down
6. Excludes $21.2 million of realignment charges, $7.3 million of acquisition related costs, $2.3 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

Q2 2016 – Consolidated Bookings & Sales



Bookings

- Bookings decreased 12.6%, or 10.1% constant currency
  - Original equipment bookings decreased 22.1%, or 19.4% constant currency
  - Aftermarket bookings increased 0.1%, or 2.3% constant currency

Sales

- Sales decreased 11.7%, or 9.7% constant currency
  - Original equipment sales decreased 15.0%, or 13.4% constant currency
  - Aftermarket sales decreased 7.4%, or 4.6% constant currency

Sources: Flowserve Internal Data

Executing on Realignment Initiative

Actions Taken:
Q2 2016

- Ceased production in UK IPD facility, closed EPD facility and divested non-strategic foundry in Canada and initiated process to transfer capabilities from Dubai operations to another facility in the Middle East
  - Since early 2015 we have initiated action on two-thirds of facilities expected to be closed, repurposed or sold

	Q2 2016	YTD 2016	Program to Date	Est. FY 2016	Program Target Expected Completion: Late 2017
Cost Savings	$27 million	$43 million	$68 million	$100 million incremental / $125 million program-to-date	$195 million through 2017 ($230 million annualized run-rate savings by 2018)
Investment / Expenses	$20 million	$34 million	$150 million	$160 million	$400 million (includes $50M below-the-line)
Cash Expenditures	$34 million	$58 million	$79 million	$125 - $150 million	$350 million

Q2 & Year-to-Date 2016 Cash Flows

($ millions)	Q2 2016	Q1 2016	YTD 2016	YTD 2015
Net Income	$ 63	$ 38	$ 101	$ 106
Depreciation and amortization	29	29	58	67
Change in working capital	(107)	(84)	(191)	(218)
Other	26	9	35	63
Total Operating Activities	**11**	**(8)**	**3**	**18**
Capital expenditures	(17)	(20)	(37)	(114)
Acquisitions, dispositions and other	(3)	—	(3)	(339)
Total Investing Activities	**(20)**	**(20)**	**(40)**	**(453)**
(Payments) / proceeds of long-term debt, net	(15)	(15)	(30)	501
Dividends	(25)	(23)	(48)	(46)
Short-term financing and other, net	8	2	10	2
Repurchase of common shares	—	—	—	(140)
Total Financing Activities	**(32)**	**(36)**	**(68)**	**317**
Effect of exchange rates	(3)	8	5	(17)
Net Decrease in Cash	**$ (44)**	**$ (56)**	**$ (100)**	**$ (135)**

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

2016 Guidance Assumptions

Revenue Guidance Assumptions	2016 Guidance (1)
Revenue Guidance vs. 2015	-7% to -14%
EUR Rate	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 - $2.60
EUR Rate	1.09 (yr-end 2015)
FX Headwinds vs. prior year	~$0.10/share

(1) Updated Adjusted EPS guidance as of July 29, 2016 to $2.40 - $2.60 from $2.40 - $2.75

* 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 – $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 - $30 million in second half 2016
- 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
Q2 & Year-to-Date 2016 Segment Results

($ millions)	2nd Quarter					Year to Date				
	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*	2016	2015	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 465.5	$ 575.3	$ (109.8)	(19.1)%	(15.0)%	$ 889.9	$ 1,070.6	$ (180.7)	(16.9)%	(12.5)%
Sales	$ 511.8	$ 570.8	$ (59.0)	(10.3)%	(6.9)%	$ 985.6	$ 1,054.9	$ (69.3)	(6.6)%	(1.6)%
Gross Profit	$ 164.9	$ 189.9	$ (25.0)	(13.2)%		$ 323	$ 355.5	$ (32.5)	(9.1)%	
Gross Margin (%)	32.2%	33.3%		(110) bps		32.8%	33.7%		(90) bps	
SG&A	$ 101.5	$ 106.0	$ (4.5)	(4.2)%	(1.7)%	$ 204.3	$ 204.4	$ (0.1)	—%	3.9%
SG&A (%)	19.8%	18.6%		120 bps		20.7%	19.4%		130 bps	
Income from Affiliates	$ 1.8	$ 2.3	$ (0.5)	(21.7)%		$ 5.0	$ 4.0	$ 1.0	25.0%	
Operating Income	$ 65.3	$ 86.2	$ (20.9)	(24.2)%	(21.8)%	$ 123.6	$ 155.1	$ (31.5)	(20.3)%	(16.4)%
Operating Margin (%)	12.8%	15.1%		(230) bps		12.5%	14.7%		(220) bps	
Adjusted Operating Income **	$ 77.3	$ 96.2	$ (18.9)	(19.6)%	(17.5)%	$ 139.4	$ 165.7	$ (26.3)	(15.9)%	(12.3)%
Adjusted Operating Margin % **	15.1%	16.9%		(180) bps		14.1%	15.7%		(160) bps	

Resilient adjusted margin performance on solid execution and sales mix shift towards aftermarket

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Adjusted Operating Income excludes realignment charges of $12.0 million and $15.8 million for Q2 2016 and YTD 2016, respectively, and $10.0 million and $10.6 million for Q2 2015 and YTD 2015, respectively

Engineered Product Division
Q2 & Year-to-Date 2016 Bookings and Sales

($ millions)		2nd Quarter 2016	2nd Quarter 2015	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	OE	129	227	(42)%	(37)%	240	390	(38)%	(33)%
Mix **		28%	39%	(1100) bps		27%	36%	(900) bps	
	AM	336	349	(4)%	(1)%	650	681	(5)%	(1)%
		72%	61%	1100 bps		73%	64%	900 bps	
Sales	OE	185	216	(14)%	(11)%	352	371	(5)%	1%
Mix **		36%	38%	(200) bps		36%	35%	100 bps	
	AM	326	355	(8)%	(5)%	634	684	(7)%	(3)%
		64%	62%	200 bps		64%	65%	(100) bps	

Flat YTD 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 Q2 Overview

- Bookings decreased 19.1%, or 15.0% on a constant currency basis
  - Decrease driven primarily by oil and gas, general industries and water
  - Bookings decreased in all regions with the exception of Europe
- Sales decreased 10.3%, or 6.9% on a constant currency basis
  - Sales declined in all regions with the exception of Europe
- Gross margin decreased 110 basis points to 32.2% primarily due to decreased sales and under-absorption
- Operating margin decreased 230 basis points to 12.8%, or 180 basis to points to 15.1%, excluding realignment

Industrial Product Division
Q2 2016 Segment Results

	2nd Quarter					2nd Quarter Adjusted							
($ millions)	**2016**	**2015**	**Delta ($)**	**Delta (%)**	**Constant FX (%)***	**2016 Adjusted Items**		**2016 Adjusted Results**	**2015 Comparable Results**		**Delta ($)**	**Delta (%)**	**Constant FX (%)***
Bookings	$ 212.3	$ 205.3	$ 7.0	3.4%	3.4%	$ —		$ 212.3	$ 205.3		$ 7.0	3.4%	3.4%
Sales	$ 215.0	$ 260.8	$ (45.8)	(17.6)%	(16.8)%	$ —		$ 215.0	$ 260.8		$ (45.8)	(17.6)%	(16.8)%
Gross Profit	$ 50.6	$ 58.8	$ (8.2)	(13.9)%		$ (4.8)	**(1)**	$ 55.4	$ 71.6	**(3)**	$ (16.2)	(22.6)%	
Gross Margin (%)	23.5%	22.5%		100 bps				25.8%	27.5%			(170) bps	
SG&A	$ 45.2	$ 51.7	$ (6.5)	(12.6)%	(12.2)%	$ 2.0	**(2)**	$ 43.2	$ 44.1	**(4)**	$ (0.9)	(2.0)%	(1.6)%
SG&A (%)	21.0%	19.8%		120 bps				20.1%	16.9%			320 bps	
Income from Affiliates	$ (0.1)	$ —	$ (0.1)	—%		$ —		$ (0.1)	$ —		$ (0.1)	—%	
Operating Income	$ 5.5	$ 7.1	$ (1.6)	(22.5)%	(22.5)%	$ 6.8		$ 12.3	$ 27.5		$ (15.2)	(55.3)%	(55.3)%
Operating Margin (%)	2.6%	2.7%		(10) bps				5.7%	10.5%			(480) bps	

Integration and realignment initiatives expected to bring SIHI's operating margins in-line with IPD's

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
(1) Includes $4.8 million of realignment
(2) Includes ($0.1) million of realignment and $2.1 million of PPA expenses
(3) Excludes $6.2 million of realignment charges and $6.6 million SIHI PPA expense
(4) Excludes $4.0 million of realignment charges, $1.2 million SIHI PPA expense and $2.3 million of acquisition related costs

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	$ 420.0	$ 452.8	$ (32.8)	(7.2)%	(5.9)%	$ —		$ 420.0	$ 452.8		$ (32.8)	(7.2)%	(5.9)%
Sales	$ 412.5	$ 484.2	$ (71.7)	(14.8)%	(13.2)%	$ —		$ 412.5	$ 484.2		$ (71.7)	(14.8)%	(13.2)%
Gross Profit	$ 100.8	$ 101.7	$ (0.9)	(0.9)%		$ (6.4)	(1)	$ 107.2	$ 135.8	(3)	$ (28.6)	(21.1)%	
Gross Margin (%)	24.4%	21.0%		340 bps				26.0%	28.0%			(200) bps	
SG&A	$ 91.8	$ 107.9	$ (16.1)	(14.9)%	(13.3)%	$ 5.6	(2)	$ 97.4	$ 86.7	(4)	$ 10.7	12.3%	14.4%
SG&A (%)	22.3%	22.3%		—				23.6%	17.9%			570 bps	
Income from Affiliates	$ 0.4	$ —	$ 0.4			$ —		$ 0.4	$ —		$ 0.4	100.0%	
Operating (Loss) Income	$ 9.5	$ (6.3)	$ 15.8	—%	—%	$ 12.0		$ 21.5	$ 49.1		$ (27.6)	(56.2)%	(54.2)%
Operating Margin (%)	2.3%	(1.3)%		360 bps				5.2%	10.1%			(490) bps	

Integration and realignment initiatives expected to deliver margin improvement second half of 2016

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
(1) Includes $6.4 million of realignment
(2) Includes $2.2 million of realignment and $3.4 million of PPA expenses
(3) Excludes $19.4 million of realignment charges and $14.7 million SIHI PPA expenses
(4) Excludes $11.5 million of realignment charges, $2.3 million SIHI PPA expense and $7.3 million of acquisition related costs

Industrial Product Division
Q2 & Year-to-Date 2016 Bookings and Sales

($ millions)		2nd Quarter				Year to Date			
		2016	2015	Delta (%)	Constant FX (%)*	2016	2015	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	129	132	(2)%	(2)%	262	308	(15)%	(14)%
		61%	64%	(300) bps		62%	68%	(600) bps	
	AM	83	73	14%	15%	158	145	9%	11%
		39%	36%	300 bps		38%	32%	600 bps	
Sales Mix **	OE	145	185	(22)%	(21)%	277	340	(19)%	(17)%
		67%	71%	(400) bps		67%	70%	(300) bps	
	AM	70	76	(8)%	(7)%	136	144	(6)%	(4)%
		33%	29%	400 bps		33%	30%	300 bps	

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 Q2 Overview

- Bookings increased 3.4%, or 3.7% on a constant currency basis
  - Increase driven by chemical, water and general industries
  - Increase driven by bookings into the Middle East and North America
- Sales decreased 17.6%, or 16.8 on a constant currency basis
  - Decrease driven primarily by original equipment sales
  - Decreased into all regions with the exception of the Middle East and Africa
- Adjusted gross margin decreased 170 basis points to 25.8% due primarily to decreased sales, under-absorption and short-term operational inefficiencies related to realignment initiatives
- Adjusted operating margin decreased 480 basis points to 5.7% due primarily to decreased sales and operating profit
- Backlog increased 2.2% versus year-end 2015 on first-half 2016 book-to-bill of 1.02

Flow Control Division
Q2 & Year-to-Date 2016 Segment Results

($ millions)	2nd Quarter 2016	2nd Quarter 2015	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 312.9	$ 355.5	$ (42.6)	(12.0)%	(11.0)%	$ 622.6	$ 678.0	$ (55.4)	(8.2)%	(6.1)%
Sales	$ 317.2	$ 356.4	$ (39.2)	(11.0)%	(10.6)%	$ 616.2	$ 683.5	$ (67.3)	(9.8)%	(8.5)%
Gross Profit	$ 108.3	$ 123.7	$ (15.4)	(12.4)%		$ 207.3	$ 242.7	$ (35.4)	(14.6)%	
Gross Margin (%)	34.1%	34.7%		(60) bps		33.6%	35.5%		(190) bps	
SG&A	$ 59.8	$ 69.2	$ (9.4)	(13.6)%	(13.4)%	$ 119.7	$ 133.3	$ (13.6)	(10.2)%	(9.0)%
SG&A (%)	18.9%	19.4%		(50) bps		19.4%	19.5%		(10) bps	
Income from Affiliates	$ (0.1)	$ —	$ (0.1)	100.0%		$ (0.3)	$ (0.2)	$ (0.1)	50.0%	
Operating Income	$ 48.5	$ 54.5	$ (6.0)	(11.0)%	(10.3)%	$ 87.3	$ 109.2	$ (21.9)	(20.1)%	(18.8)%
Operating Margin (%)	15.3%	15.3%		—		14.2%	16.0%		(180) bps	
Adjusted Operating Income **	$ 50.8	$ 66.8	$ (16.0)	(24.0)%	(23.4)%	$ 95.2	$ 121.5	$ (26.3)	(21.6)%	(20.5)%
Adjusted Operating Margin % **	16.0%	18.7%		(270) bps		15.4%	17.8%		(240) bps	

Disciplined cost management drove 13.6% reduction in SG&A and 50 bps improvement as a % of sales

* Constant FX represents the year over year variance assuming 2016 results at 2015 FX rates
** Adjusted Operating Income excludes realignment charges of $2.3 million and $7.9 million for Q2 2016 and YTD 2016, respectively, and $12.3 million for Q2 2015 and YTD 2015

Flow Control Division
Q2 & Year-to-Date 2016 Bookings and Sales

($ millions)		2nd Quarter 2016	2nd Quarter 2015	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2016	Year to Date 2015	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	244	288	(15)%	(14)%	485	538	(10)%	(8)%
		78%	81%	(300) bps		78%	79%	(100) bps	
	AM	69	67	3%	4%	138	140	(1)%	—%
		22%	19%	300 bps		22%	21%	100 bps	
Sales Mix **	OE	252	286	(12)%	(12)%	490	553	(11)%	(10)%
		79%	80%	(100) bps		80%	81%	(100) bps	
	AM	66	70	(6)%	(5)%	126	130	(3)%	(1)%
		21%	20%	100 bps		20%	19%	100 bps	

FCD continues to focus on aftermarket growth initiatives

* 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 Q2 Overview

- Bookings decreased 12.0%, or 11.0% on a constant currency basis
  - Decreased bookings driven primarily by the oil and gas and chemical industries
  - Increased bookings into Europe and Latin America partially offset declines in North America, the Middle East and Africa and Asia Pacific
- Sales decreased 11.0%, or 10.6% on a constant currency basis
  - Driven primarily by decreased original equipment sales
  - Sales decreased into all regions except the Middle East and Africa
- Gross margin decreased 60 basis points to 34.1%, primarily due to under-absorption and shipment of lower margin projects
- Excluding realignment, operating margin decreased 270 basis points to 16.0%

Primary Working Capital

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

($ millions)	Q2 2016		Q2 2015	
	$	%	$	%
Receivables	946	21.7%	1,042	21.9%
Inventory	1,058	24.3%	1,130	23.7%
Payables	(417)	-9.6%	(503)	(10.6)%
Primary Working Capital	1,587	36.4%	1,669	35.0%
Advance Cash*	(307)	(7.0)%	(367)	(7.7)%
Total	**1,280**	29.4%	**1,302**	**27.3%**
Backlog	**2,103**		**2,676**	

Accounts Receivable

Accounts Receivable DSO at 87 days in Q2 2016, up 2 days versus 85 days prior year Q2

- *Elevated DSO driven in part by a certain Latin American customer with extended terms compared to our usual terms and balances are not disputed. [We have not historically experienced write-offs relating to these customers.]*

Inventory

Inventory turns were 2.7 times versus 2.8 times prior year Q2

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