



THINK  
BEYOND

2018

# Analyst Day

New York City

December 13, 2018





# Forward Looking Statements and Non-GAAP Measures

**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," "targets" or other similar expressions are intended to identify forward-looking statements, which include, without limitation, statements concerning our future financial performance, future debt and financing levels, investment objectives, implications of litigation and regulatory investigations and other management plans for future operations and performance.

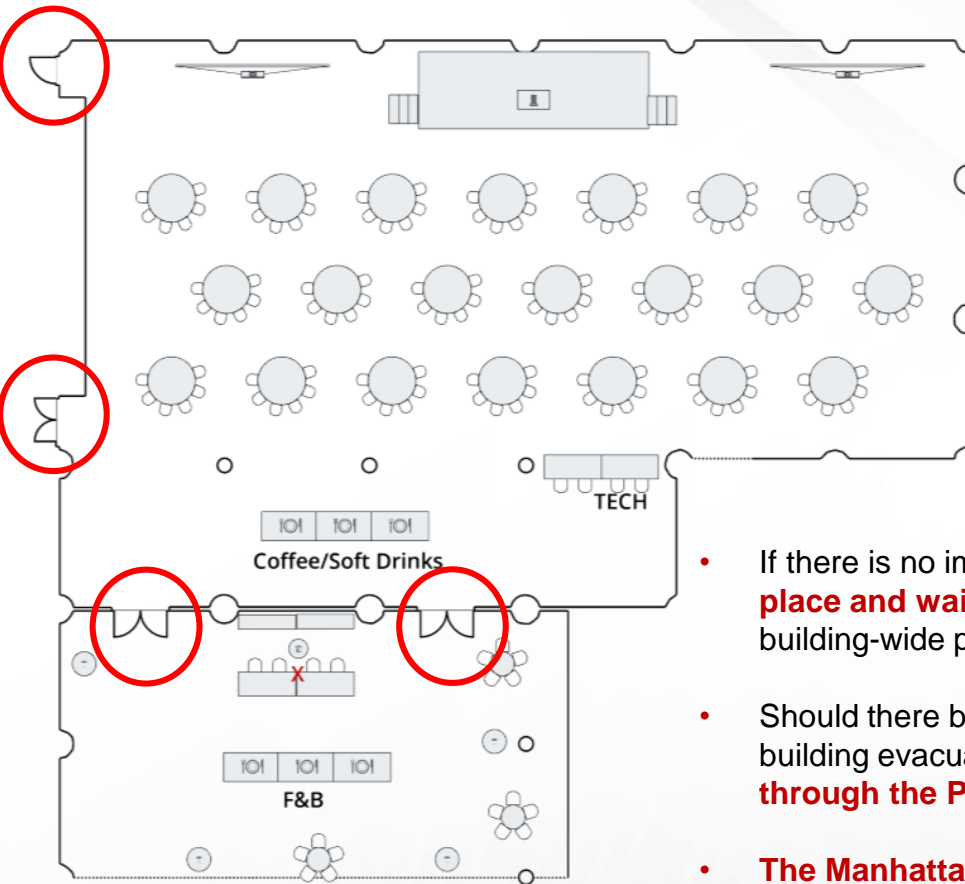
The forward-looking statements included in this presentation are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in 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; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly North African, Russian and Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; 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 and Argentina; our furnishing of products and services to nuclear power plant facilities and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; access to public and private sources of debt financing; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; risks and potential liabilities associated with cyber security threats; our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud; the recording of increased deferred tax asset valuation allowances in the future or the impact of tax law changes on such deferred tax assets could affect our operating results; if we are not able to successfully execute and realize the expected financial benefits from our strategic realignment and other cost-saving initiatives, including with respect to our Flowserve 2.0 transformation initiative, our business could be adversely affected; ineffective internal controls could impact the accuracy and timely reporting of our business and financial results; 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.

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. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance. Throughout our materials we refer to non-GAAP measures as "Adjusted." 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 tables in the appendix that reconcile these non-GAAP measures to their corresponding GAAP-based measures.





- If there is no imminent danger, we need to **shelter in place and wait for announcements** through the building-wide public address (PA) system.
- Should there be a need for in-house relocation or a building evacuation **all instructions will come through the PA system.**
- **The Manhattan Ballroom has three exits**, a main exit through the lobby, Stairwell D located in the northeast part of the room “which exits on Lexington Ave” and Stairwell I, located in the southwest side of the room which exits onto 42<sup>nd</sup> street.
- Emergency phone numbers are **“55” from any house phone or a direct dial of 646.213.6843.**





## Welcome

Jay Roueche, *Vice President, Treasurer and Investor Relations*

## Company Overview

Scott Rowe, *President and Chief Executive Officer*

## Products & Services Review

John Lenander, *Valves & Automation*

David Wilson, *Engineered and Industrial Pumps*

Kirk Wilson, *Seals and Aftermarket Services & Solutions*

## Technology & Innovation

Eric van Gemeren, *Vice President, Chief Transformation Officer*

## Break

## Flowserve 2.0

Scott Rowe, *President and Chief Executive Officer*

## Financial Review

Lee Eckert, *Senior Vice President and Chief Financial Officer*

## Summary and Q&A

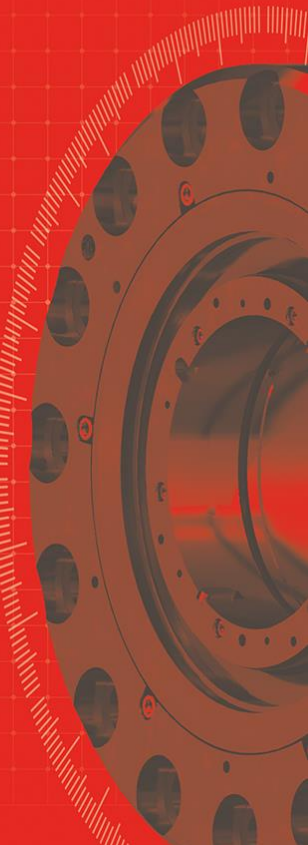
Scott Rowe, *President and Chief Executive Officer*





# Company Overview

*Scott Rowe, President and CEO*





## Company Overview



**Distinguished history of flow control expertise with a heritage of more than 225 years**



**Diversified business model – geographies, end markets and products**

## End Markets



**Recovering end markets, evidenced by year-over-year increased bookings**



**Significant installed base provides recurring aftermarket opportunities**

## Transformation Agenda



**Transforming Flowserve to unlock full potential and capitalize on opportunities in any market environment**

## Financial Strength



**Strong financials and cash flow generation, with meaningful improvement expected**

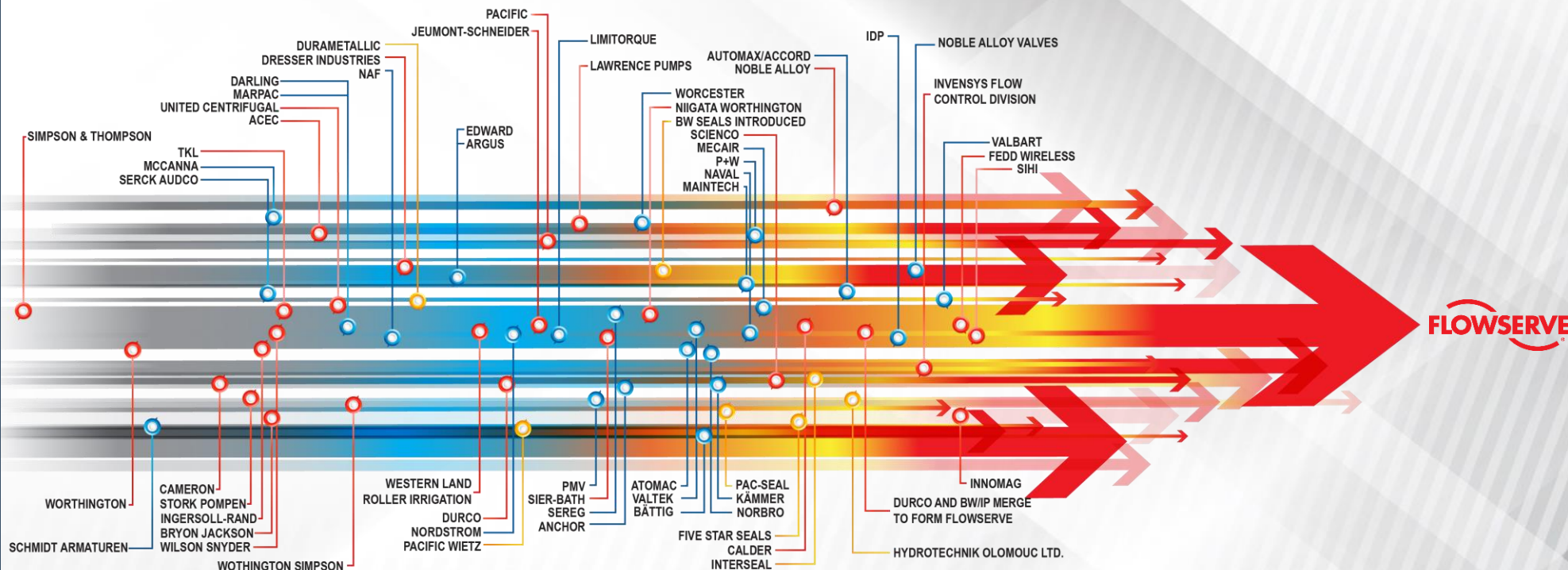


**Disciplined yet opportunistic capital allocation approach**



## The Flowserve Legacy

Powerful legacy of more than 225 years of industry leadership with a respected portfolio of established brand names known worldwide.



1790

2018



Geographic diversification including significant high growth emerging market exposure

Capturing highly profitable aftermarket opportunity across global installed base of pumps, valves and seals

Rapid response to customers supported by global localized aftermarket presence

Over 50 Countries

5,000,000+ Assets  
(Installed Base)

~17,000 Employees

**FLOWSERVE**

181 Aftermarket QRCs  
(Quick Response Centers)

Over 50 Leading Product Brands

10,000+ Customers Annually

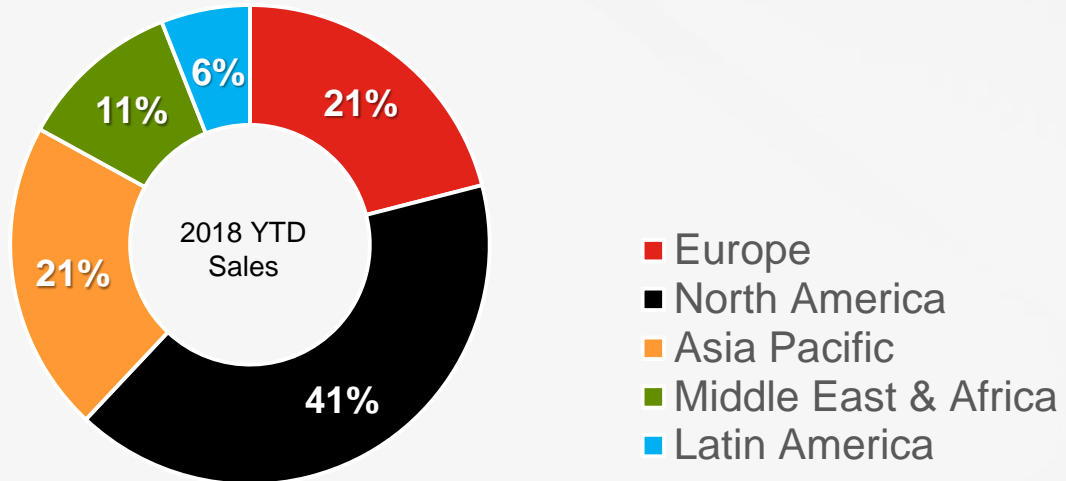
Increasingly engaged associates focused on meeting and exceeding customer expectations

Respected brands and technical expertise across broad industry process applications

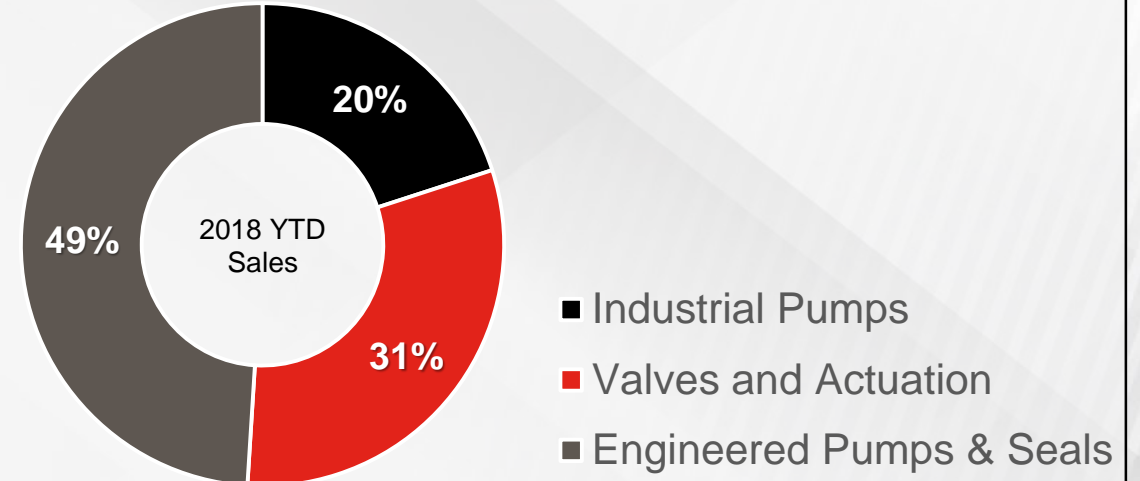
History of strong customer relationships including end-users, E&Cs and distributors



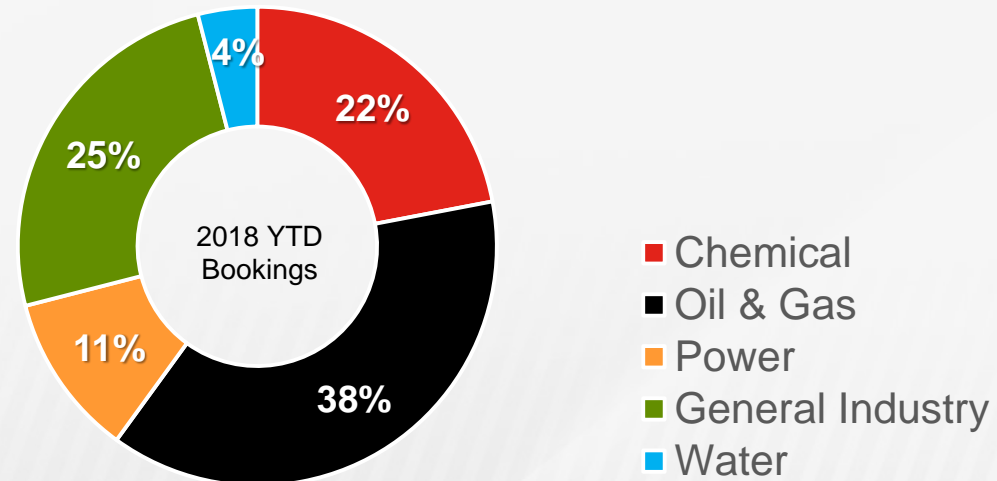
## ~60% of Business Outside North America



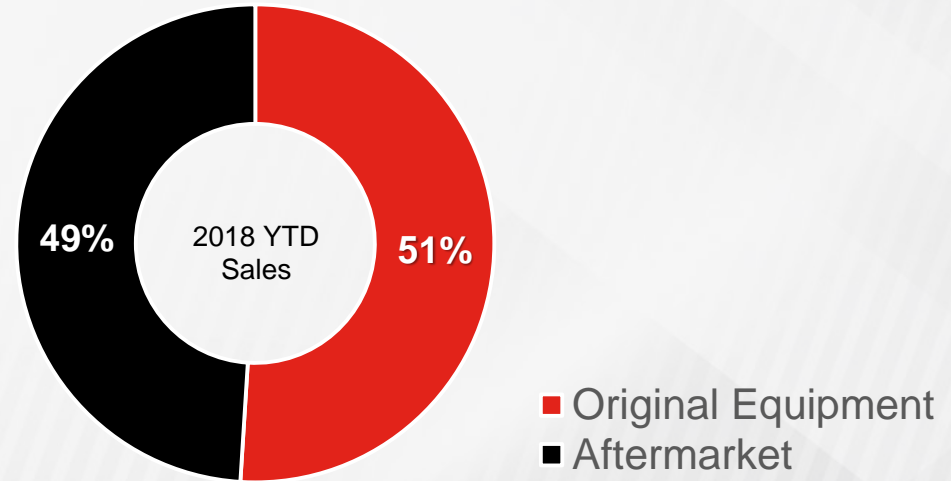
## Balanced Platform



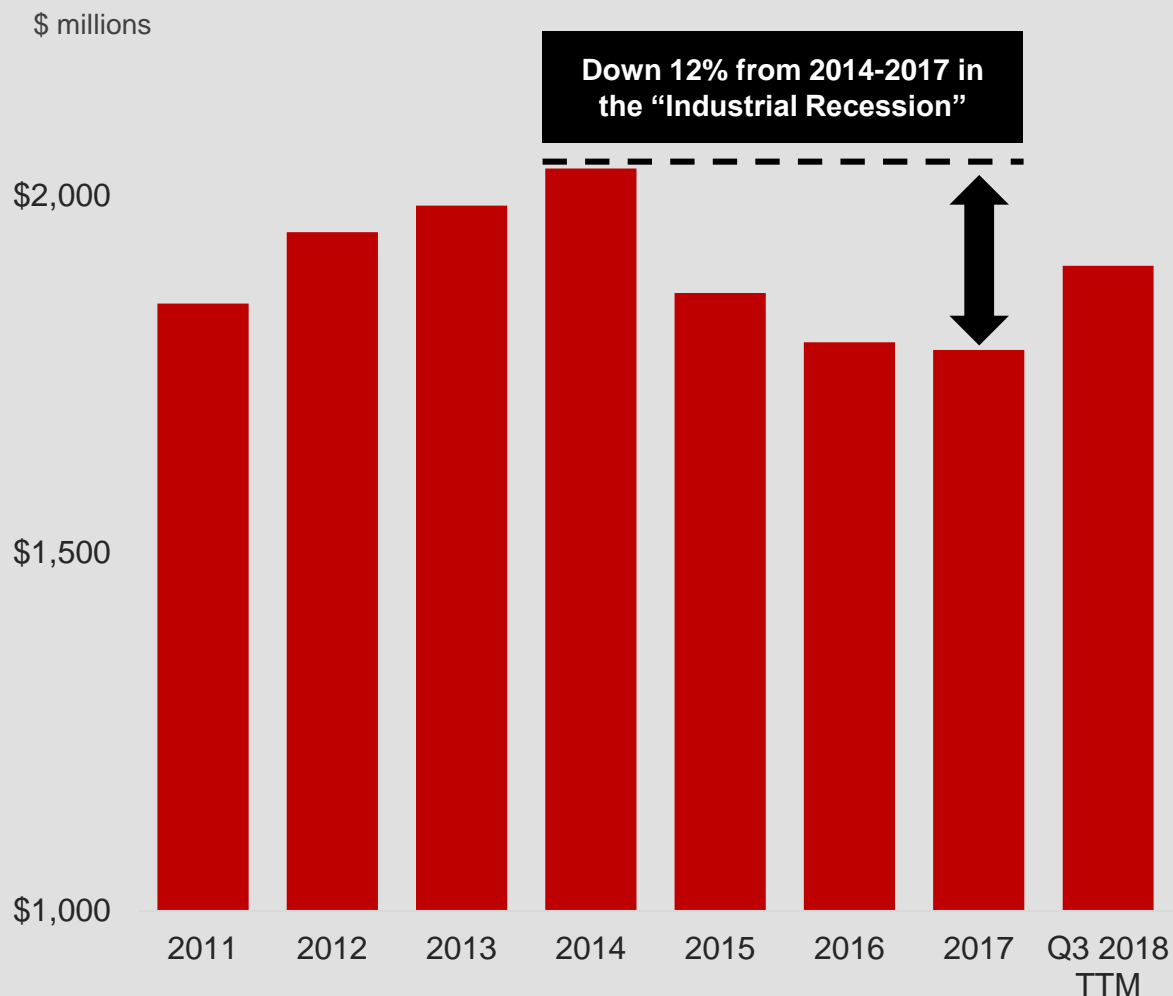
## Attractive End Markets



## Powerful Aftermarket Franchise



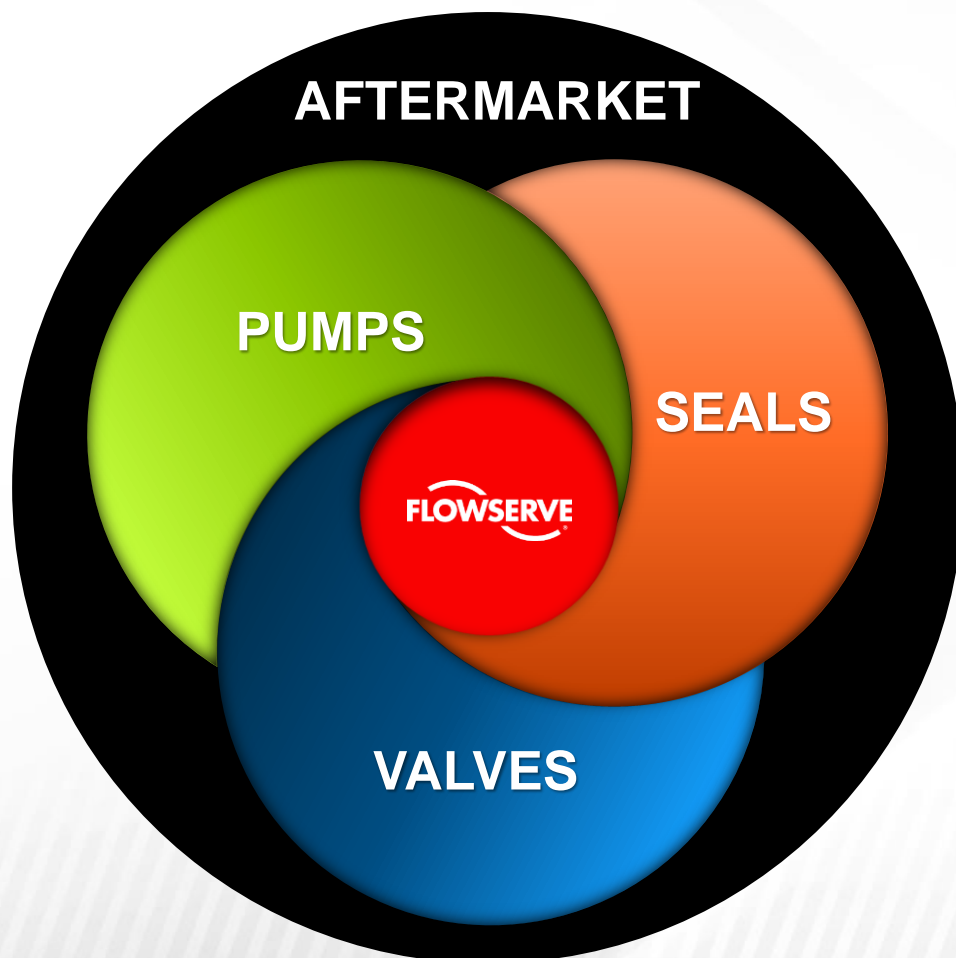
## Aftermarket Sales



## Highlights

- Aftermarket is a resilient, high-margin business
- Extensive network of Quick Response Centers (QRCs)
- Industry-leading worldwide QRC coverage supports global customer alliances and LifeCycle Advantage agreements
- Leverages our strong installed base and customers' high-cost of infrastructure downtime





## Highlights

- Only company with significant global presence in pumps, valves and seals
- Unmatched aftermarket capabilities to serve customers across industries and geographies
  - Enterprise Frame Agreements
  - LifeCycle Advantage Agreements
- Leveraging portfolio breadth of mission-critical products and services to deliver enhanced value to our customers
- Estimated Total Available Market is \$145 billion\*

# 500 PUMPS

# 700 SEALS

# 2,000 VALVES



## Vacuum Distillation

## Atmospheric Distillation

## Hydrocracker

## Hydrotreater

Catalytic Reformer

## Delayed Coking

## Alkylation

# Typical 400K Barrel/day Refinery

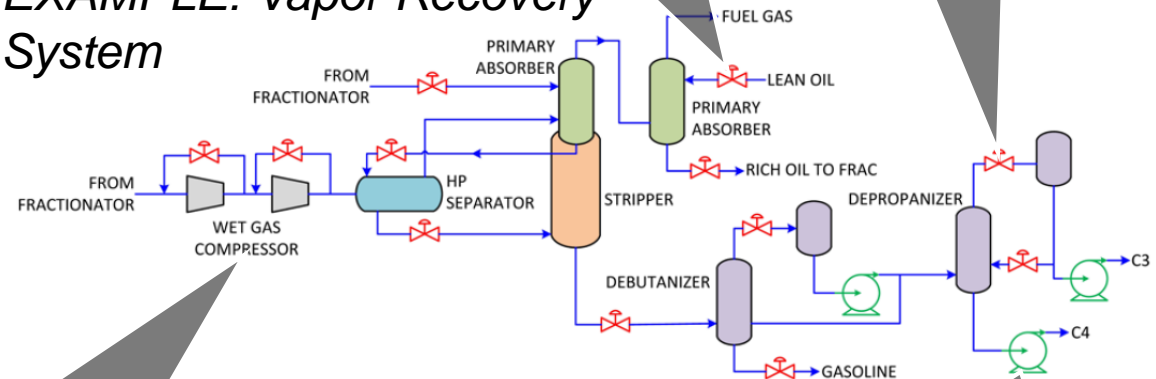


## Isolation Valve



# Control Valve

**EXAMPLE: Vapor Recovery System**



# Liquid Ring Compressor and Seals



# Pump and Seals





## Serving Attractive End-Markets





## Macroeconomic

- GDP
- Population Growth
- Industrial Production
- Energy Demand
- Urbanization
- Increasing Standards of Living



## Industry-Specific

- Commodity Prices
- Chemical Demand
- Aging Infrastructure
- Emerging Market Infrastructure
- Electricity Needs
- E&C Backlog
- Localization



## Other Factors

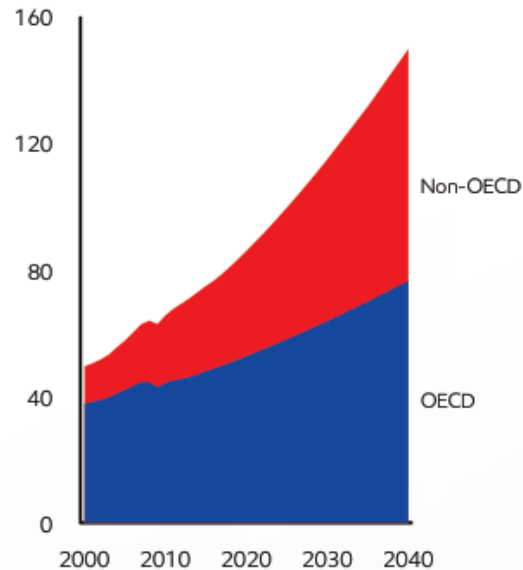
- Regulation
- Environmental
- Domestic Investment
- New Resource Discoveries
- Advanced Technology Needs
- Company-Specific Drivers

**Broad and diverse market indicators lead to significant opportunities across the Flowserve portfolio**



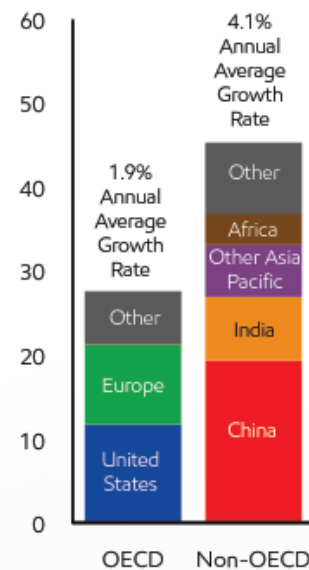
## World GDP doubles

Trillions of 2010 dollars



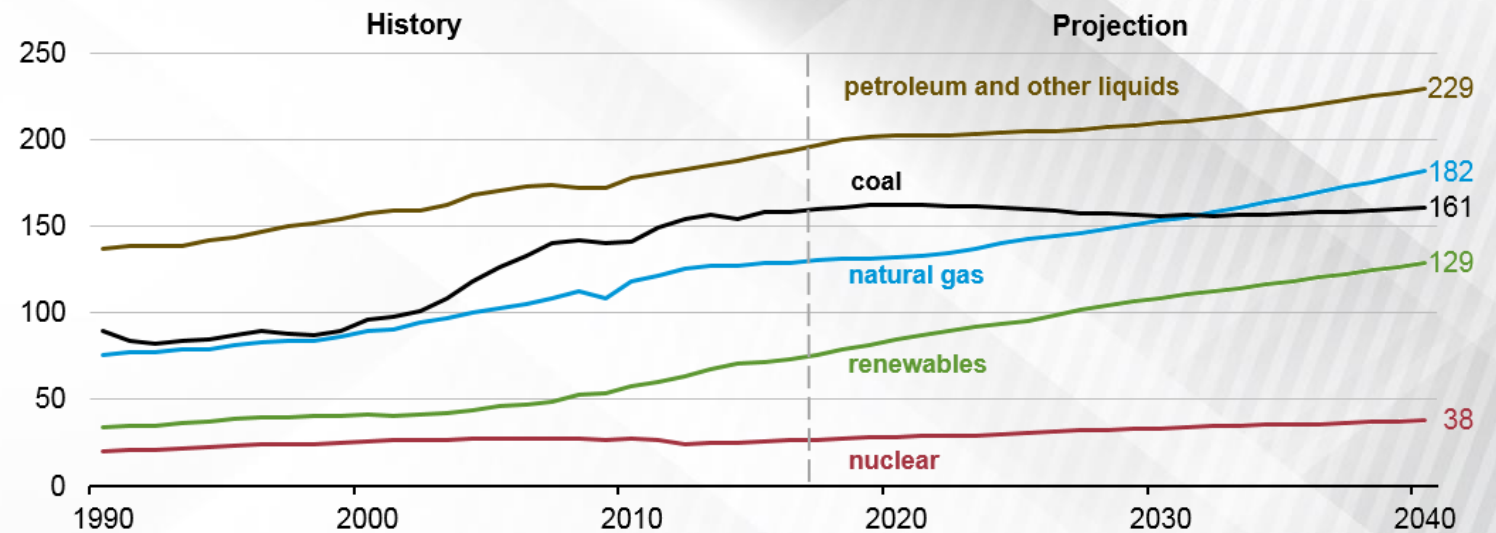
## World GDP growth

Trillions of 2010 dollars



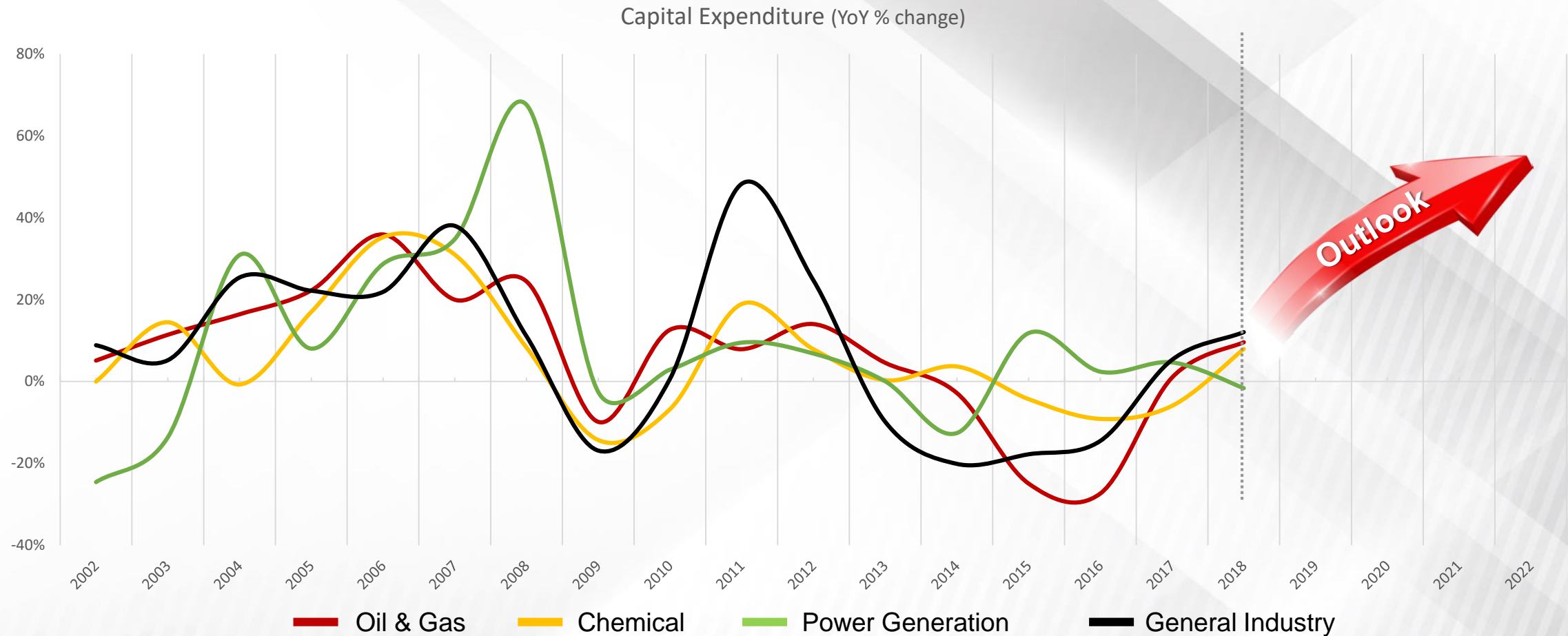
Source: ExxonMobil 2018 Energy Outlook

## IEO2018 Reference case world energy consumption by energy source quadrillion Btu



Source: EIA, International Energy Outlook 2018

**Population growth, demographic changes and global economic growth support energy infrastructure investment**



**Overall, signs of stability and cautious optimism with strongest growth expected in emerging markets**

Source: S&P CapitalIQ, Oxford Economics and Flowserve internal estimates. See appendix for detail on Industrial Capex Spend

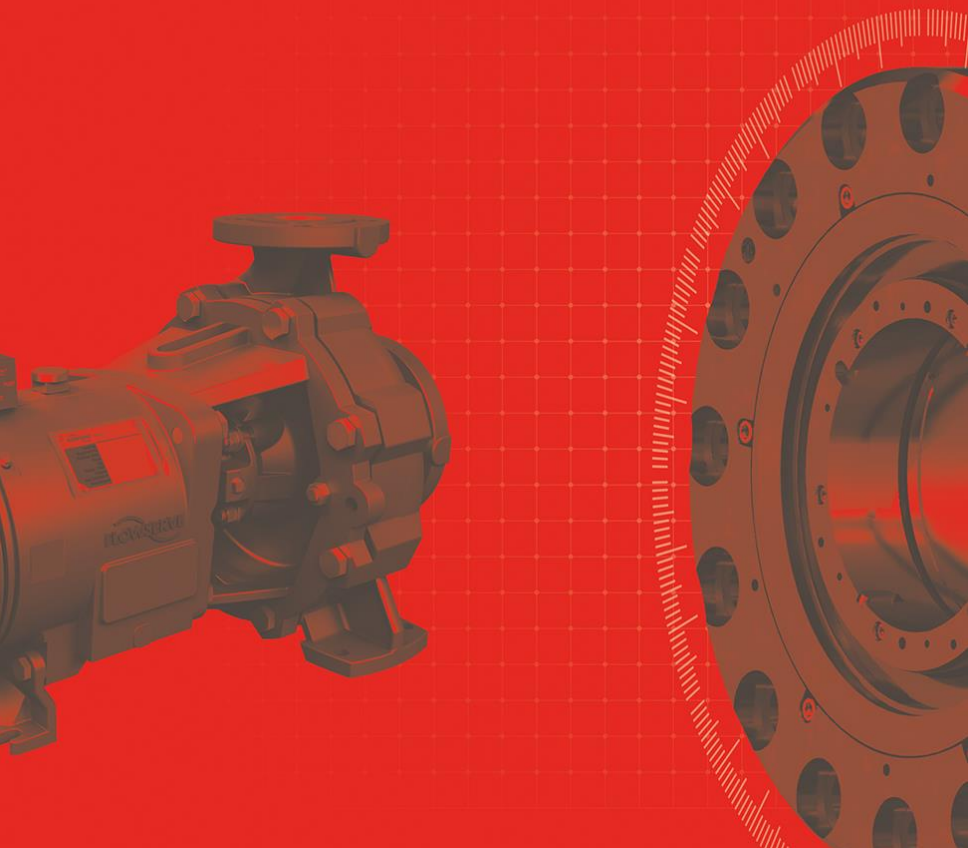


GENERAL INDUSTRY	POWER GENERATION	WATER	CHEMICAL	OIL & GAS

Diverse customer base anchored by the premier names in each of the markets we serve



## The Journey





## Legacy Flowserve

The operating model worked well during the last period of expansion:

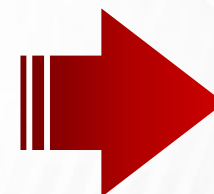
- Decentralized operations
- Empowered local organizations
- Responsive to a wide range of regional prospects

However, in a market downturn:

- Not easily scalable
- Limited cost flexibility
- Difficult to leverage best practices

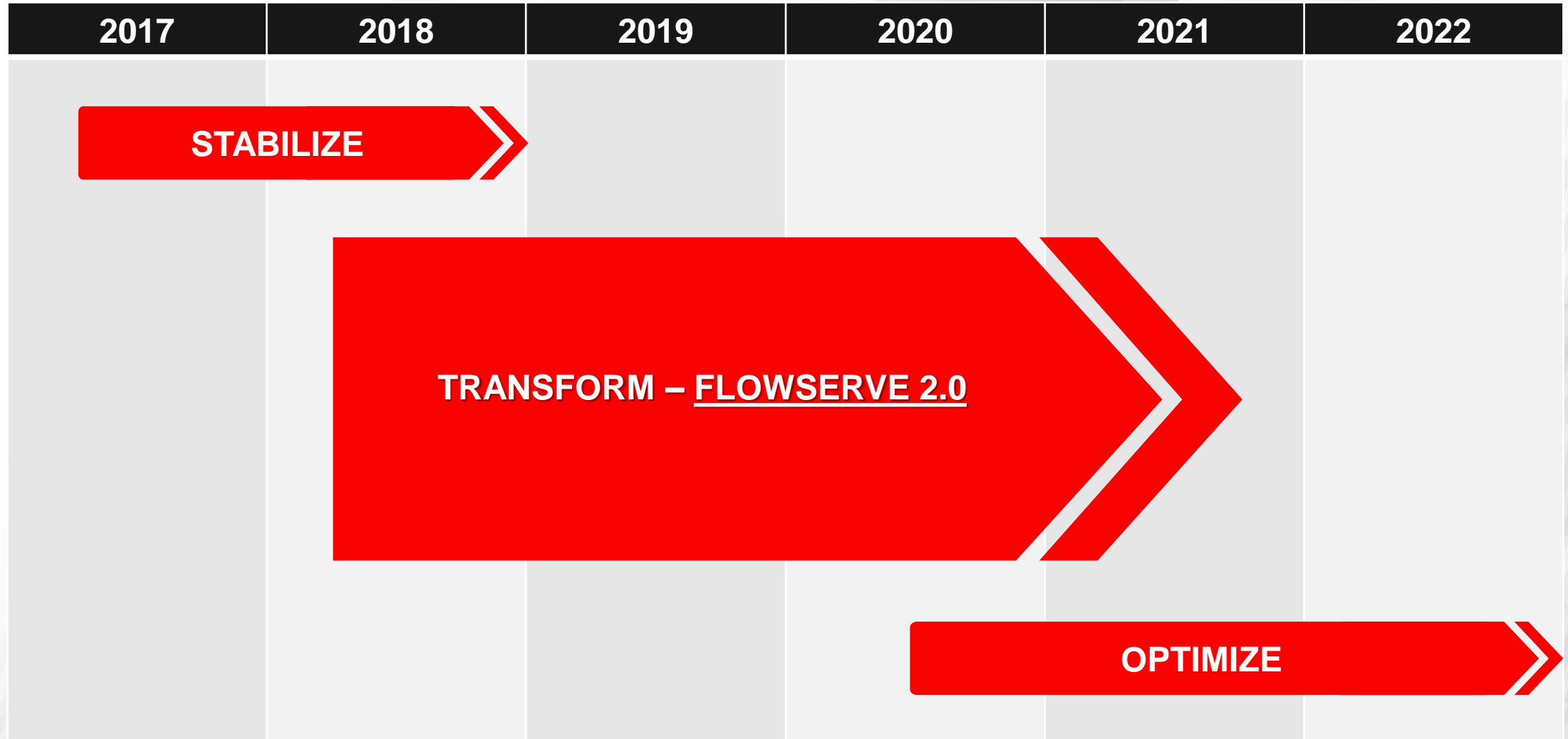
## Flowserve 2.0

- Flexible organization for any market environment
- Globalized operations leveraging common processes and systems
- Optimized cost structure
- Integrated knowledge and global talent pools



2011      2012      2013      2014      2015      2016      2017      3Q18 TTM

— Revenue % chng    - - - Adj OI % chng\*





## Focus Areas

- Flatten organizational structure
- Assemble a strong leadership team with internal and external experience
- Elevate key roles including CIO, Marketing & Technology and Operations
- Develop purpose and values
- Align strategy and execution
- Create enterprise mindset
- Open lines of communication
- Divest non-core products



**New Team Member**

**New Role**

**Scott Rowe**  
CEO



Kirk Wilson  
President, AMSS



David Wilson  
President, EPD  
& IPD



John Lenander  
President, FCD



Elizabeth Burger  
SVP, CHRO



Lee Eckert  
SVP, CFO



Lanesha Minnix  
SVP, CLO



Keith Gillespie  
SVP, CSO



Doug Short  
VP, CIO



Eric van Gemeren  
VP, CTO



Richard Waddams  
VP, Operations



Open  
VP, M&T

**Strong leadership team in place including filling key capability gaps in operations**



# PURPOSE

Together, we create extraordinary flow control solutions to make the world better for everyone.







## AFSLUITDIJK: HOLLAND FLOOD PROTECTION

### ***Making the world better for everyone***

The pumps involved are the largest that Flowserve has ever built (impeller diameter of 4.6m is nearly 15ft), and they will protect the Netherlands from future flooding as part of the Afsluitdijk development. This is one of the main dykes in Holland.





## PEOPLE

Trust and value each other.



## INTEGRITY

Do the right thing, always.



## OWNERSHIP

Be accountable for your commitments, and do what's best for our company and customers.



## SAFETY

Create safe work places and products for our employees, customers and communities.



## INNOVATION

Be empowered with a mindset to do things differently.



## EXCELLENCE

Show passion for continuous improvement.

### Values in Action

- Created for our employees, by our employees
- Integrated throughout all levels of the organization
- Associates live and lead by our values
- Key tool used in recruitment and promotion

## People

- New leadership in place
- Improved functional support model
- Purpose and values driven organization
- Improved communication and transparency



## Process

- Launched Flowserve 2.0 Transformation
- Aligned strategy and execution plans
- Reinvested in product technology
- Committed to enterprise-wide systems



## Financials

- Accelerated revenue conversion
- Improved operating margins
- Increased focus on working capital
- Enhanced capital discipline
- Increased ROIC







# Products & Services Review

*John Lenander, Valves and Automation  
David Wilson, Engineered and Industrial Pumps  
Kirk Wilson, Seals and Aftermarket Services &  
Solutions*







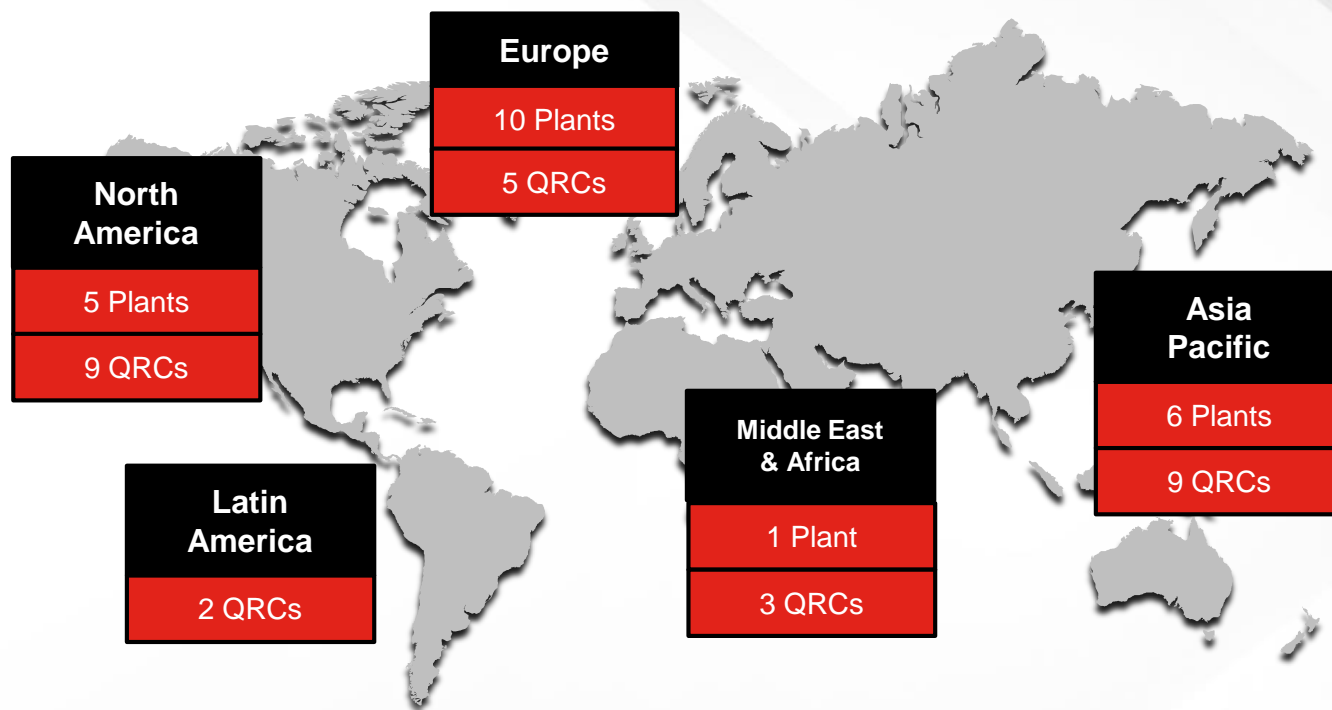
# SOLAR POWER: CHINA CLEAN ENERGY

2018 Analyst Day

*Making the world better for everyone*

Flowserve molten salt pumps and valves will be applied in a series of CSP pilot projects in western China. Rural regions in western China will benefit from the electricity generated from these CSP plants in the future.





## FCD Competitive Strengths

- Broad and differentiated product portfolio supports Enterprise Frame Agreements
- Large global installed base
- Predominantly serve MRO activity with full project capability
- Localized manufacturing and support operations in key growth regions
- Manufacture on a “Make to Order” (MTO) basis
- Well-positioned to be an industry consolidator

## Flowserve Brands

Flowserve

Valtek

Argus

Limatorque

Valbart

Edward

Durco

Nordstrom

Automax

Worcester

## Key Competitors

Emerson

GE

Cameron

Crane

Metso

IMI

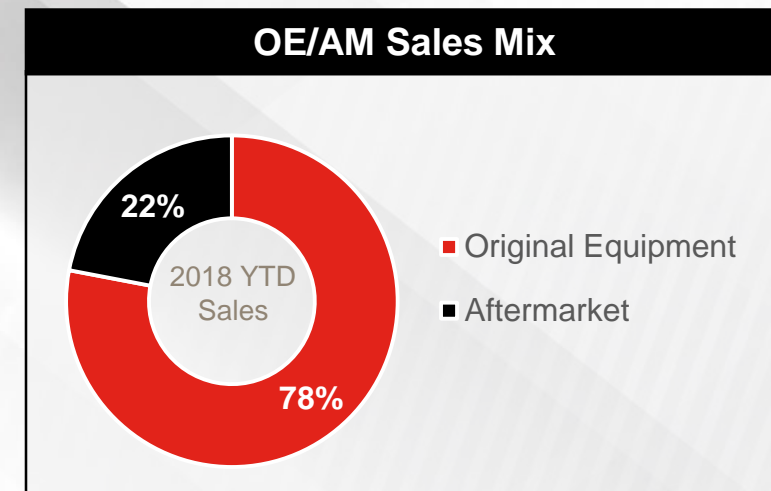
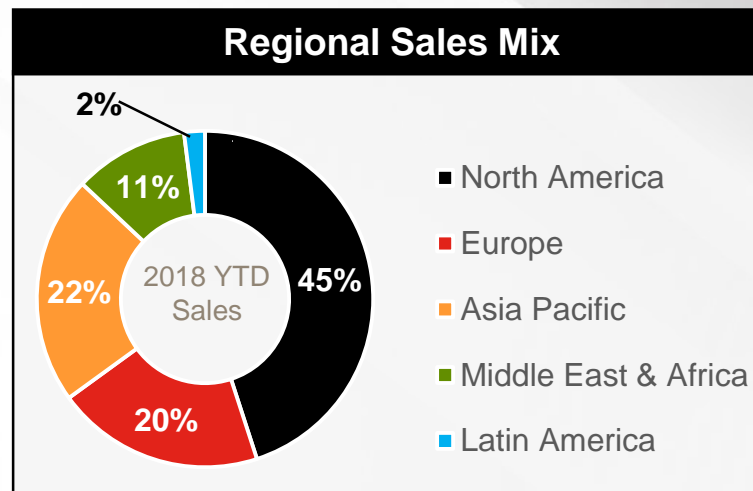
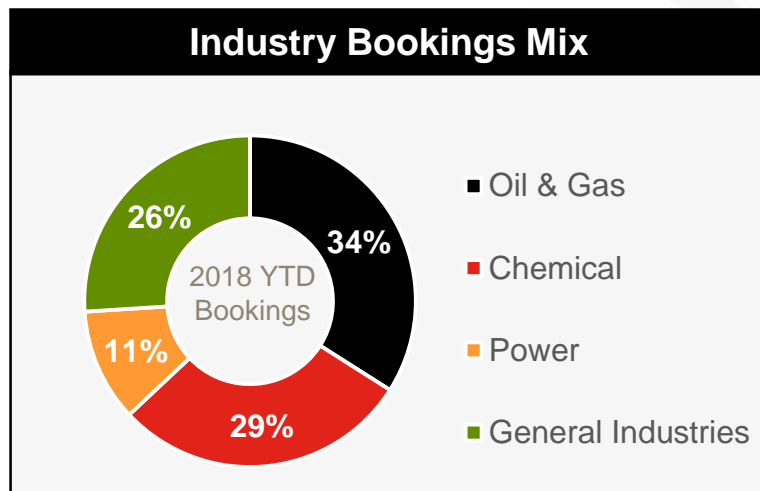
Rotork

Velan

## Sales Channel

Direct ~60%

Distribution ~40%



- ▶ The \$75 billion\* valve market is highly fragmented by industry, region and product technology
- ▶ Strong position in North America and Europe in oil and gas and chemical industries with opportunities to increase in APAC and Middle East
- ▶ Significant opportunity to target industry gaps through product adjacencies
- ▶ Increase aftermarket with reliability based services and leverage pump and seal LifeCycle Advantage agreements





## Linear Control Valve

- Control valves are the largest, most global product line in FCD
- Versatile and robust product design serves broad range of applications
- Individually configured to each process application



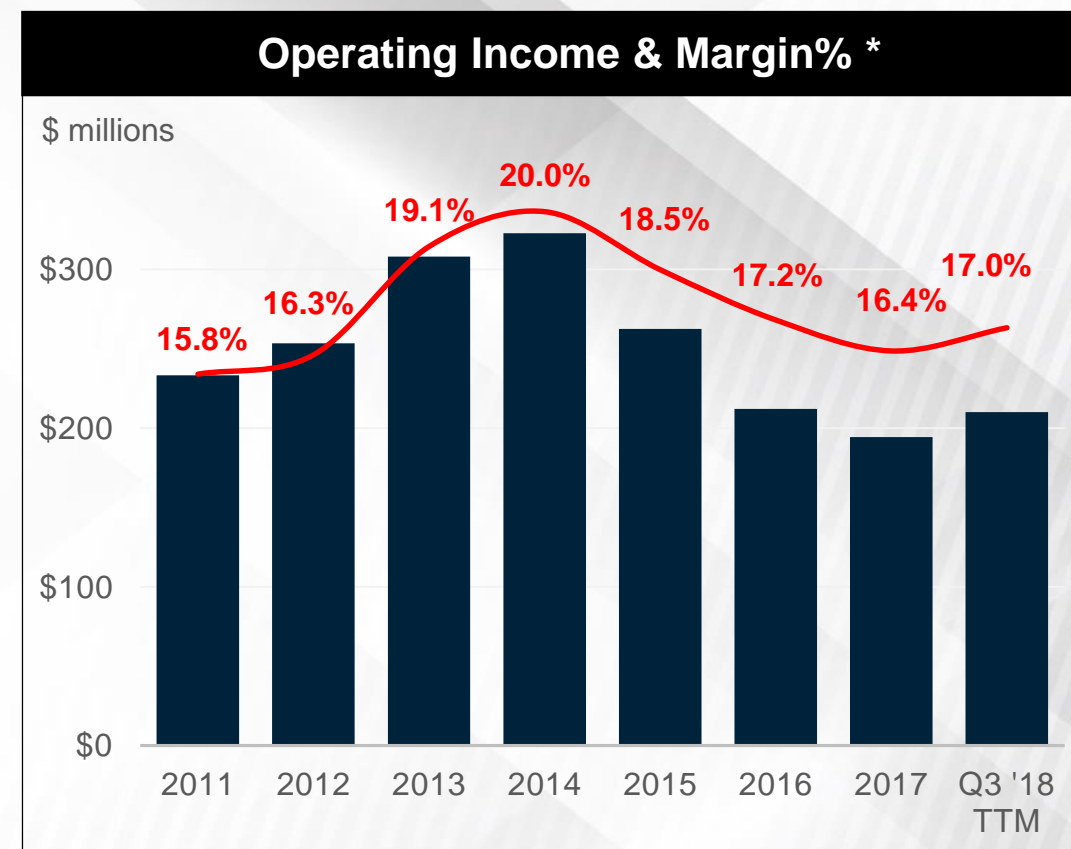
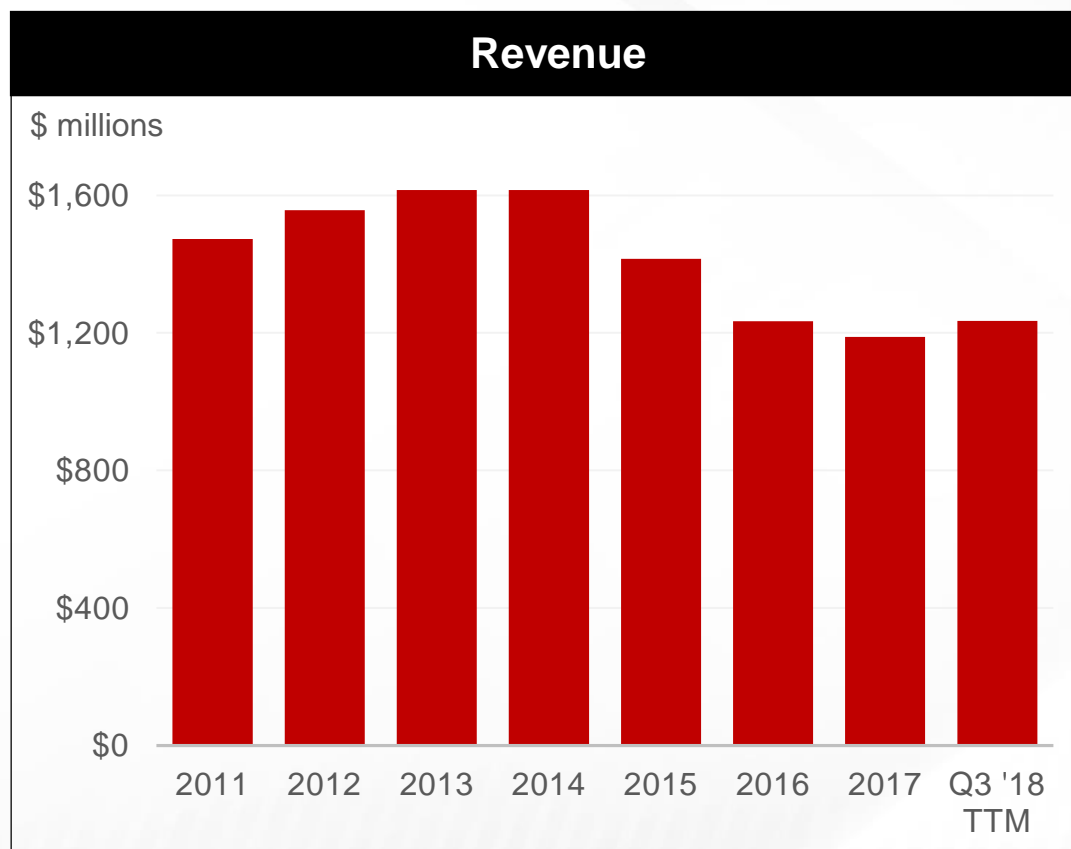
## Trunnion-Mounted Ball Valve

- Full range of on/off and control ball valves for O&G, petrochemical and refinery applications
- Wide customer base that includes end users, EPCs and distributors
- From standardized to highly engineered solutions



## Electric Actuation

- More than 1 million installed around the world, many in operation for over 50 years
- Rugged, reliable devices used in the midstream oil and gas, power generation, water, Navy and nuclear applications



\* 2015-2018 operating income adjusted for realignment and other discrete items.  
(See appendix for reconciliation)

**Flow Control's strong operating platform and broad product portfolio drive margin stability through cycles – well-positioned to continue growth and margin expansion**



## Process & Technology

- ▶ Expand portfolio for broader array of applications and solutions
- ▶ Increase investment in automation development
- ▶ Increase standardization and Design-to-Value for critical product lines

## Customer Focus

- ▶ Strengthen customer alliances
- ▶ Globalize core brands in underserved markets
- ▶ Leverage pump and seal aftermarket to expand QRC network

## Operational Excellence

- ▶ Systematically improve lead times, on-time performance and quality
- ▶ Implement supply chain optimization for lower product cost







**David Wilson**

*Engineered and Industrial Pumps*





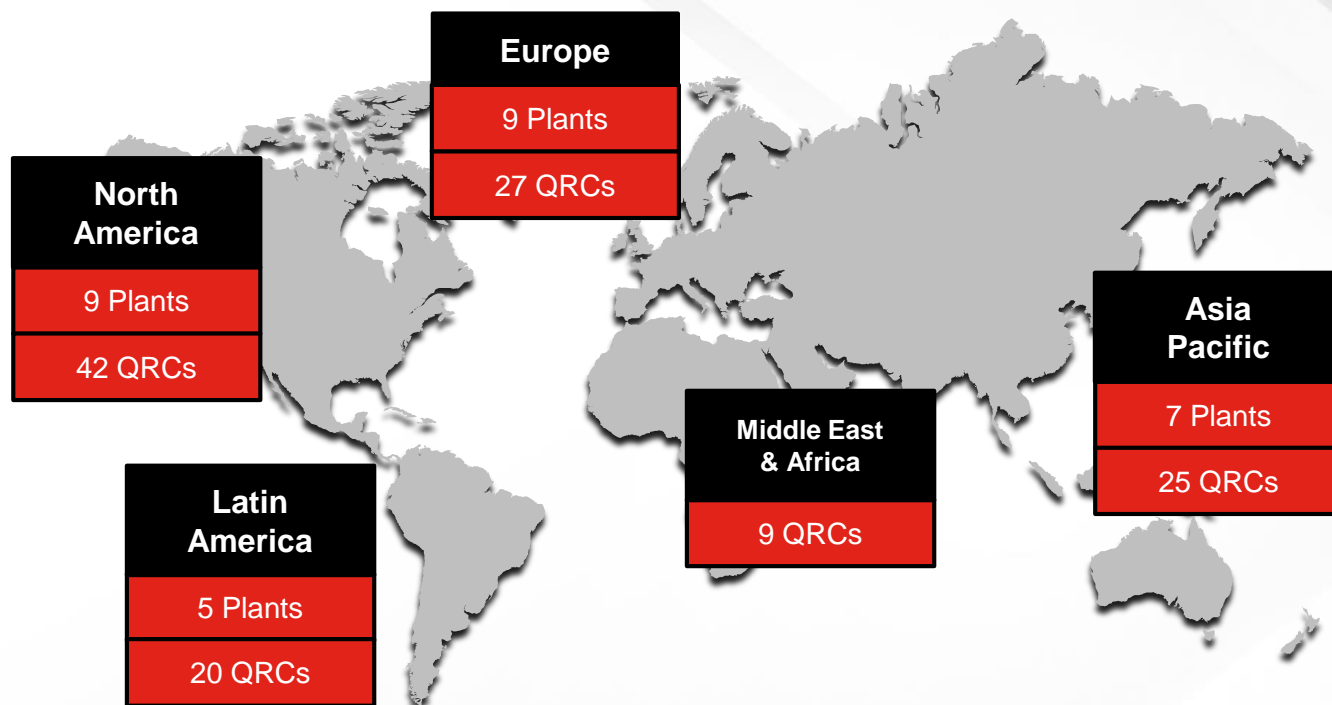


# CITY OF DALLAS FLOOD PROTECTION

## ***Making the world better for everyone***

Flowserve Concrete Volute Pumps were selected to upgrade the current Dallas flood protection system. Flowserve products will protect the city of Dallas from flooding, prevent loss of life and alleviate infrastructure and environmental damage.





## EPD Competitive Strengths

- Large global pump and seal installed base
- Broad product portfolio with extensive design and application expertise
- Pump original equipment largely serves greenfield and brownfield project activity
- Global QRC footprint and capabilities drive recurring aftermarket opportunities from pump and seal installed base
- Manufacture pumps on an “Engineered to Order” (ETO) basis
- Seal and Seal Systems utilize a coordinated hub manufacturing model and are serviced by QRCs

## Flowserve Brands

Flowserve

BWIP

IDP

Durametallic

Calder

Byron Jackson

Worthington

Cameron

Lawrence

Interseal

## Key Competitors

Sulzer

SPX Flow

ITT

KSB

EBARA

Weir

EagleBurgmann

AES Seal

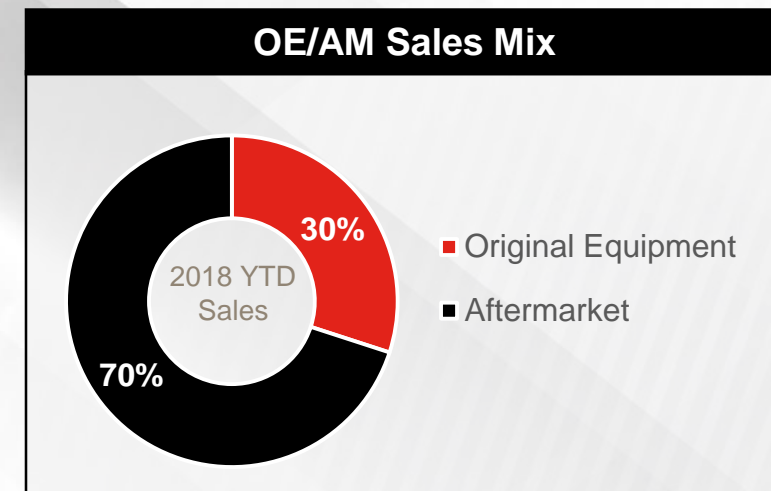
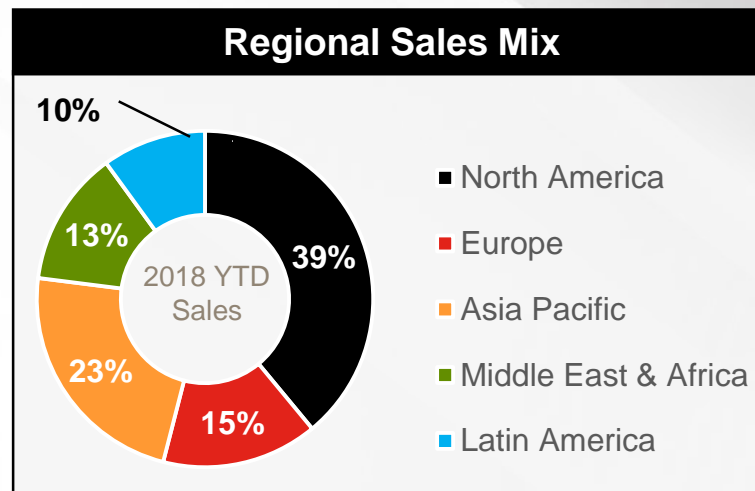
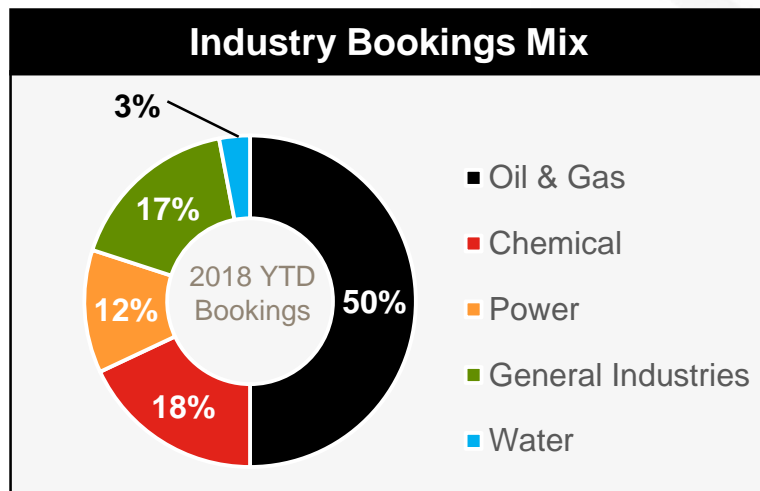
John Crane

## Sales Channel

Direct ~90%

Distribution ~10%



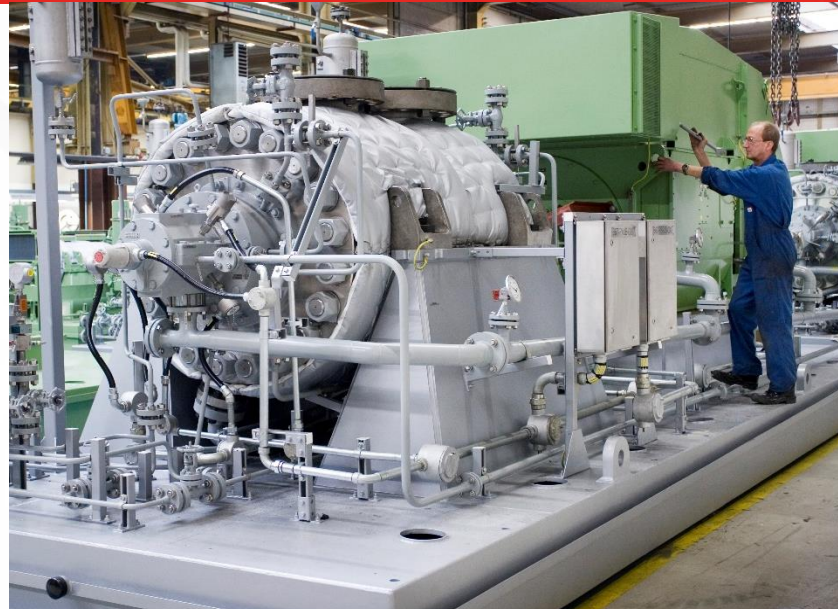


- ▶ Growth opportunities in refining, midstream, chemical and LNG
- ▶ Well-positioned portfolio for global refining and North America and Middle East chemical activity
- ▶ Focused effort to expand capabilities and capture opportunities in APAC
- ▶ Advancing technology for reliability and total cost of ownership solutions



## Concrete Volute Pump

- Proven reliability and track record for very high-flow raw water supply in cooling applications
- Highly effective where source water contains solid contaminants



## Multi-Stage Refinery Pump

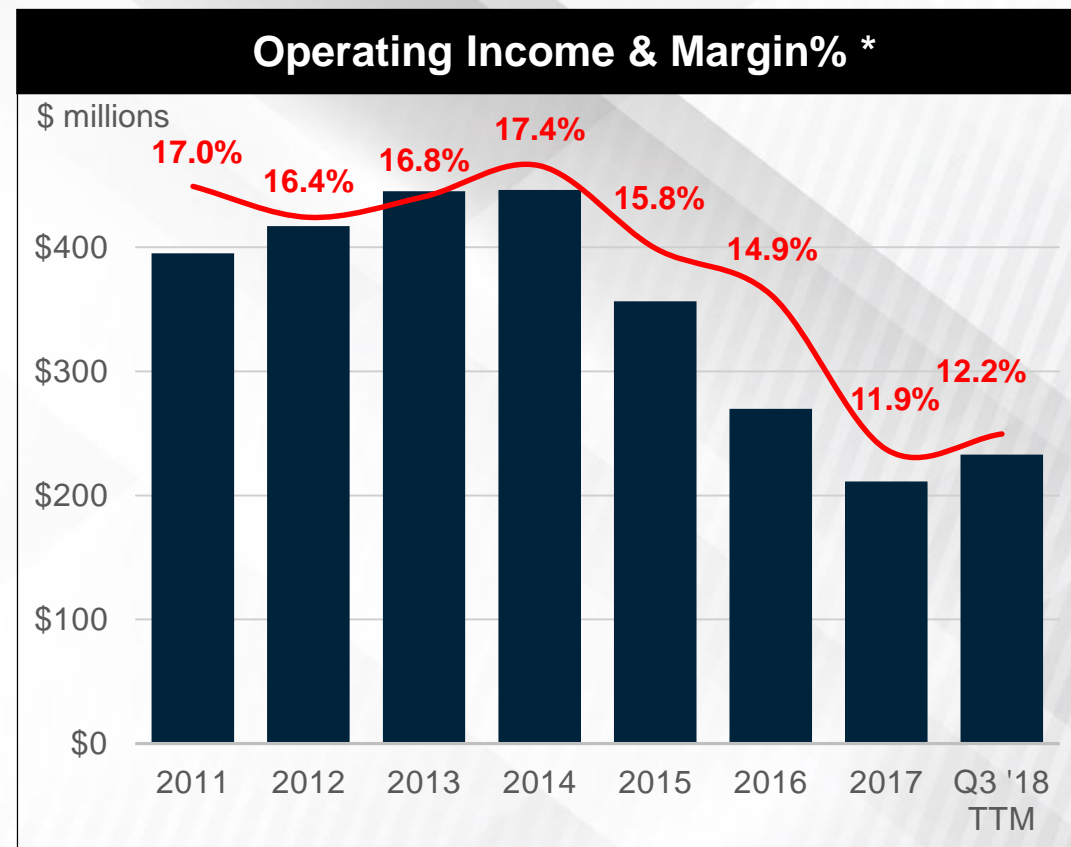
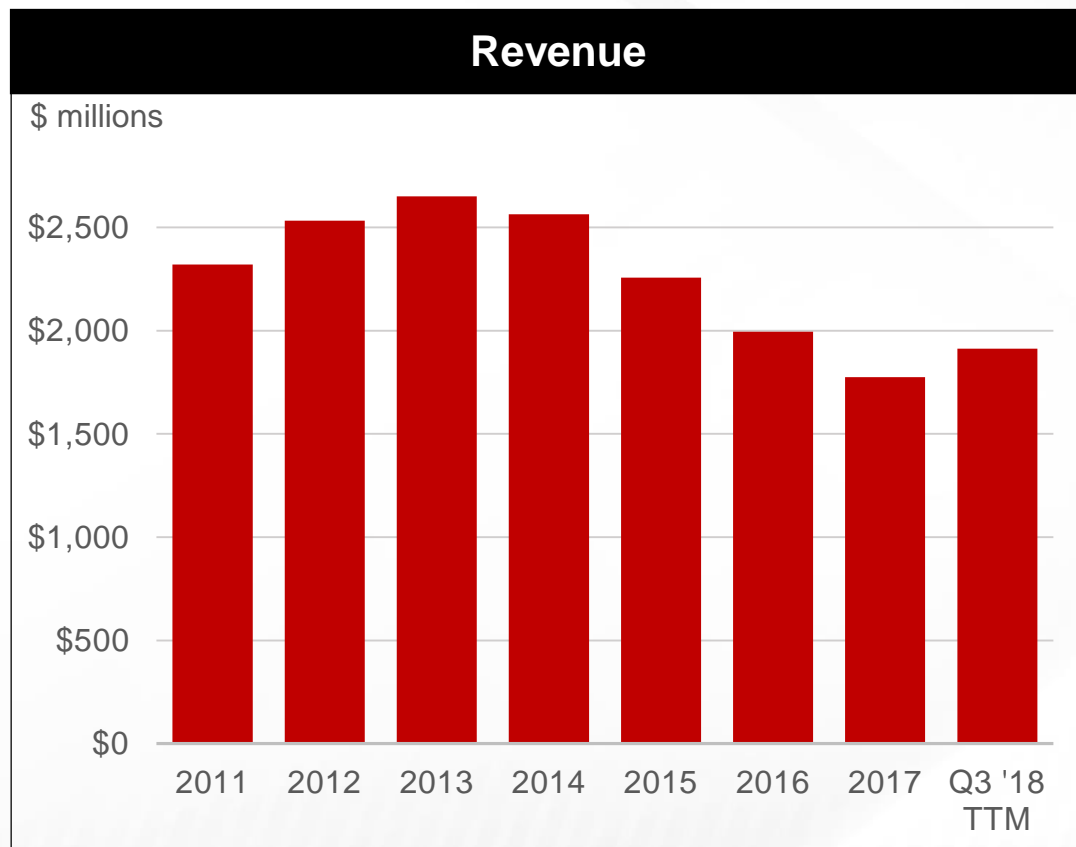
- Proprietary hydraulic designs provide efficient, lower energy consumption
- Highly utilized process pump that requires high level of reliability and availability



## Single-Stage Pipeline Pump

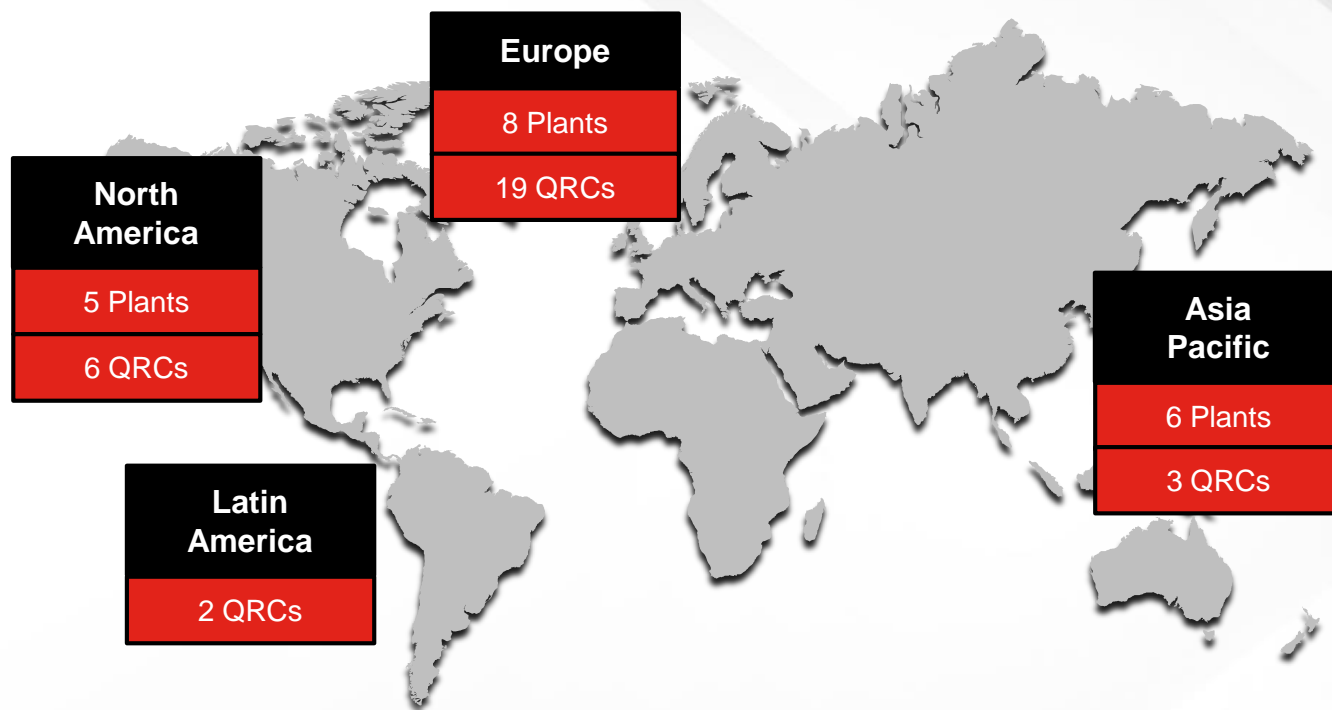
- Field-proven, wide range of products
- Best fit, operating efficiency and stability for high-flow, medium-pressure applications





\* 2015-2018 operating income adjusted for realignment and other discrete items.  
(See appendix for reconciliation)

**Operational excellence and manufacturing consolidation positions EPD to leverage expected market improvement and drive margin expansion**



## IPD Competitive Strengths

- Broad industrial product portfolio serving a wide range of industrial markets and distribution
- Large global pump installed base driving parts and aftermarket opportunities
- Manufacture on a “Make to Order” (MTO) and “Assemble to Order” (ATO) basis
- Project management capability to handle demanding customized specifications
- Opportunities to enhance and invest in existing product portfolio

## Flowserve Brands

Flowserve

Durco

IDP

Byron Jackson

Innomag

SIHI

Worthington

Pacific

Scienco

TKL

## Key Competitors

Sulzer

SPX Flow

ITT

KSB

EBARA

Weir

RuhrPumpen

Xylem

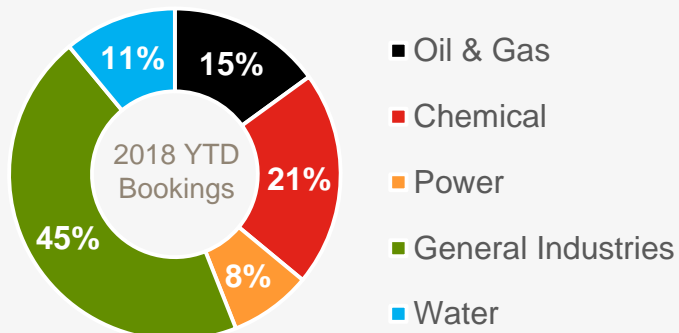
## Sales Channel

Direct ~75%

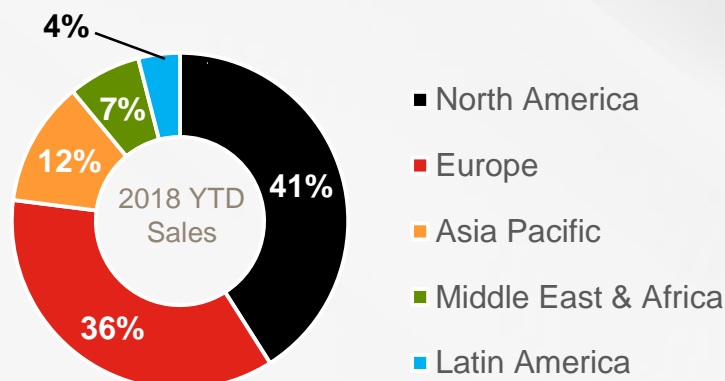
Distribution ~25%



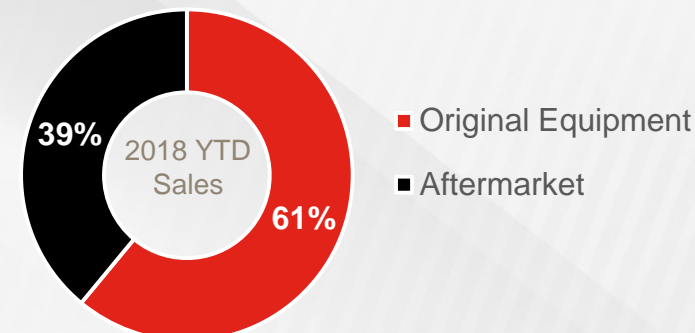
## Industry Bookings Mix



## Regional Sales Mix



## OE/AM Sales Mix



- ▶ Significant opportunities in chemical, water and general industries
- ▶ Leverage channel partners to penetrate underserved markets and regions
- ▶ Opportunities to grow parts business and replacement of aging installed base
- ▶ Shorter lead times through improved manufacturing and execution drive growth opportunities and market share expansion



## Overhung Process Pump

- Process pump with outstanding hydraulic performance, reliability and low total cost of ownership
- Known as the chemical industry standard, which covers the widest range of customer needs



## Vacuum System

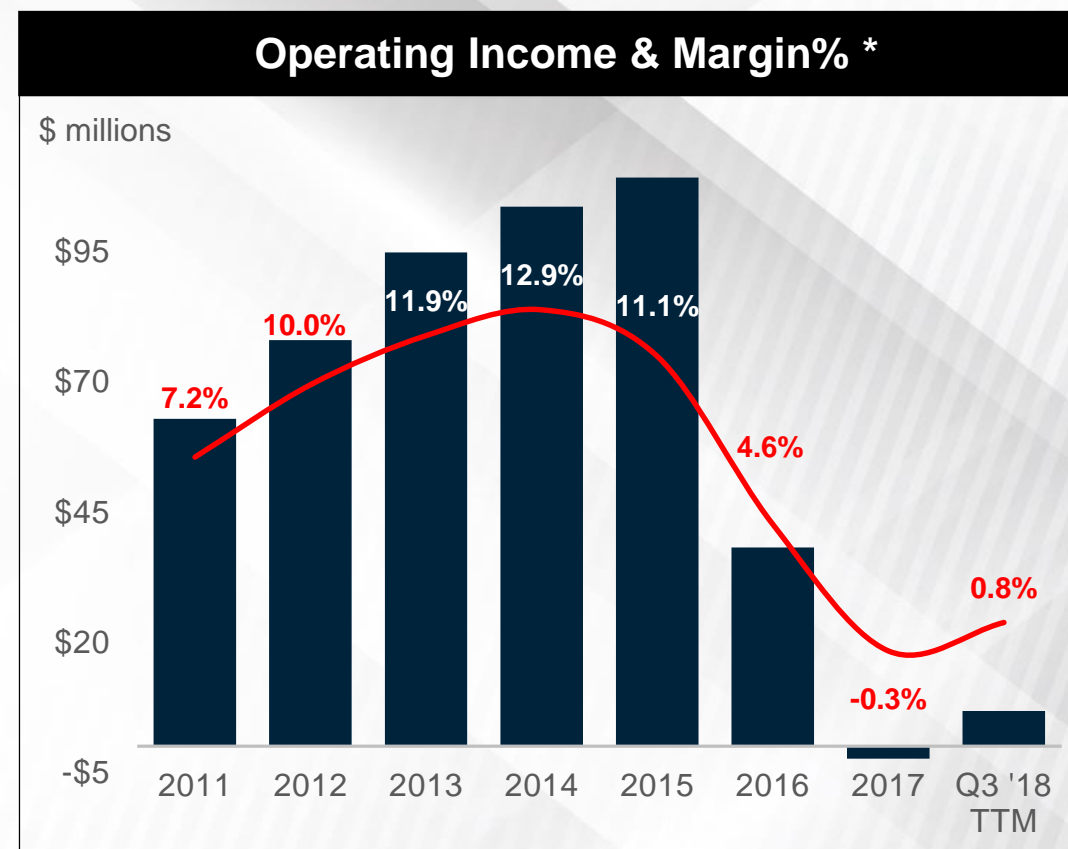
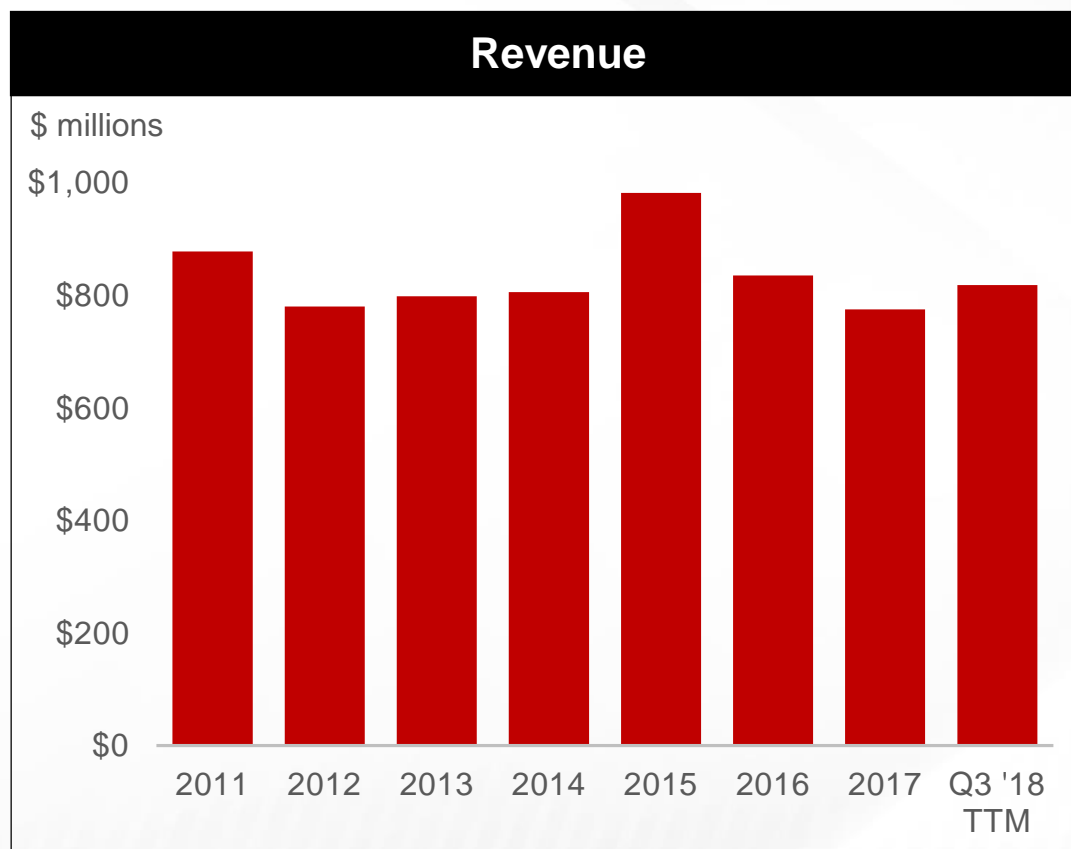
- Patented dry-vacuum technology and proprietary liquid-ring technology
- Meets wide range of emerging industrial applications, including thin film deposition and flare gas recovery



## Non-metallic Sealless Pump

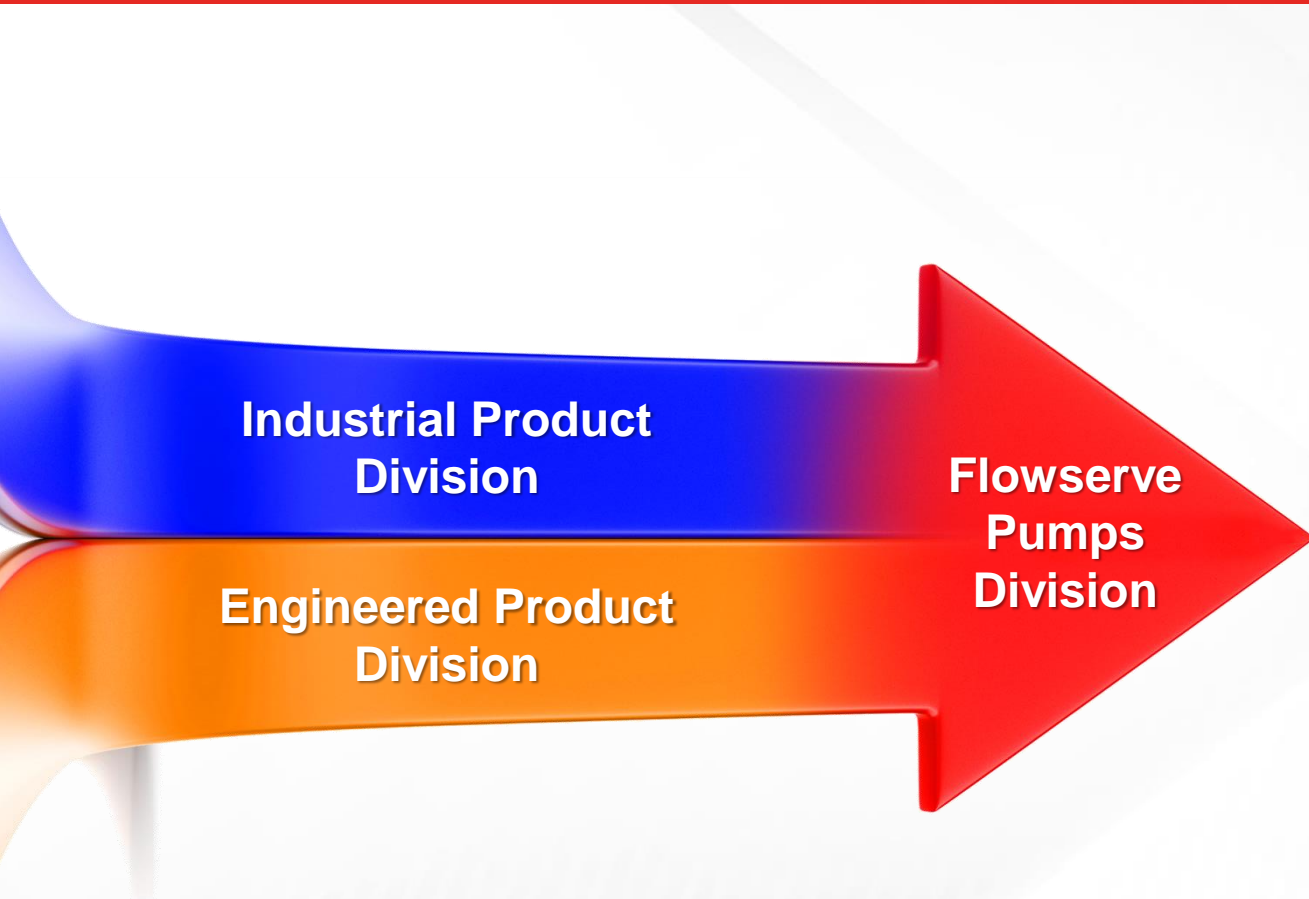
- Magnetically-driven pumps for a wide range of applications
- Safe, simple, reliable, efficient and easy to install





\* 2015-2018 operating income adjusted for realignment and other discrete items.  
(See appendix for reconciliation)

**New leadership team brings enhanced focus on process improvement and manufacturing execution, positioning IPD for mid-teens operating margins**



## Structure

- Single Flowserve Pumps organization
- Common and seamless customer interface
- Leveraging organizational and operational capabilities

## Process

- Consistent and simplified operating models
- Further product rationalization and standardization
- Optimize manufacturing capability and utilization

## People

- Streamlined leadership team and support structure
- Opportunity to better leverage global talent pool
- Enhanced utilization and people productivity

**Better positioned to serve the \$70 billion\* global pumps market**



## Process & Technology

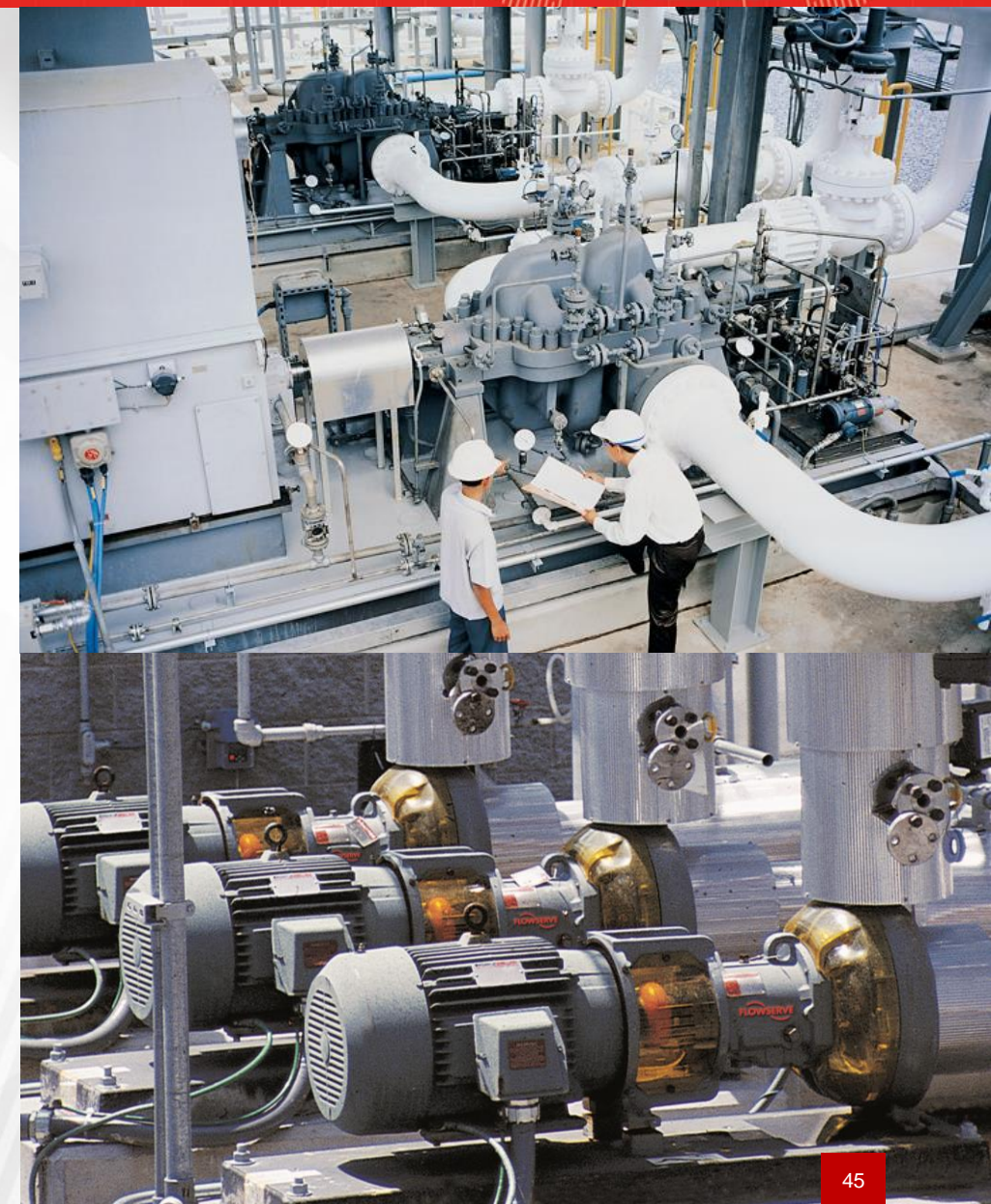
- ▶ Implement simplified and standardized processes
- ▶ Aggressive new pump product development and Design-to-Value initiatives
- ▶ Product rationalization and standardization

## Customer Focus

- ▶ Expand or enhance end-user relationships and frame agreements
- ▶ Leverage combined pump portfolio in pursuit of large projects

## Operational Excellence

- ▶ Significantly improve manufacturing performance and productivity
- ▶ Realize pump consolidation and structural cost reduction
- ▶ Leverage consolidated and simplified supply chain for cost reduction and reliability







**Kirk Wilson**

*Seals and Aftermarket Services & Solutions*








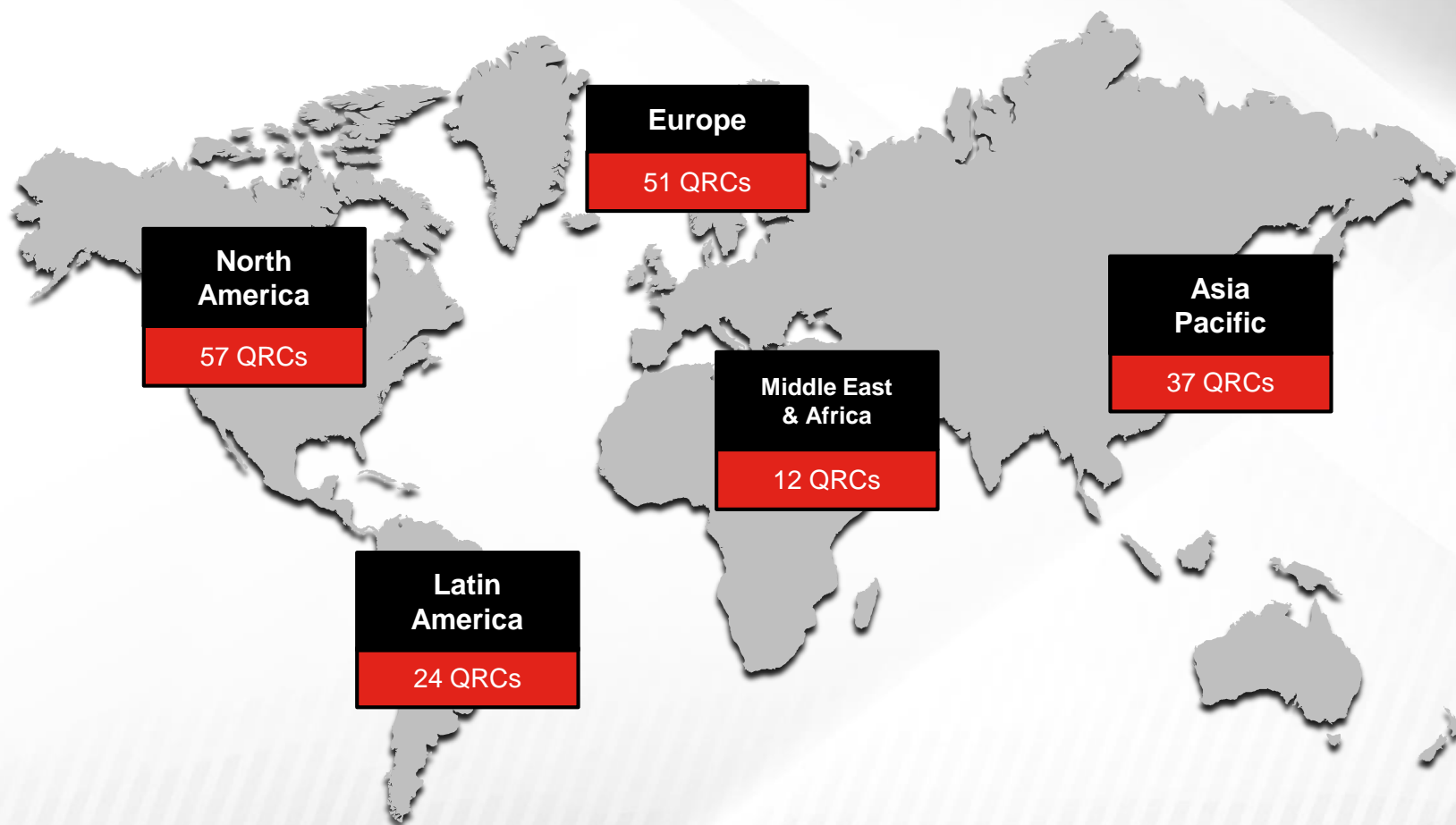
# CHINA INTEGRATED REFINING COMPLEX

2018 Analyst Day



## *Making the world better for everyone*


Hundreds of Flowserve pumps and valves are supplied to Hengli Integrated Refining Complex Project, a 400,000 barrel-per-day final conversion refinery on Changxing Island in Dalian, China. The project will supply petrochemical raw materials for Northeast China using Flowserve's safer, less polluting and energy-efficient technology and products.



## Global Aftermarket Competitive Strengths

- Unmatched local presence of QRCs
- Experience and expertise in solving customers' most critical problems
- Comprehensive aftermarket offering: parts, service, repair and reliability-based solutions
- Leverage global organization and process capabilities
- Investing in technology to further differentiate our aftermarket offering
- Innovative business models to enhance end-user reliability and drive lower total cost of ownership





Customer installation  
(Size represents number of units)

A world map with a dark background and light gray landmasses. Numerous red dots of varying sizes are scattered across the map, representing customer installations. The dots are most densely clustered in North America, Europe, and Asia, with smaller, more isolated dots in South America, Africa, and Australia. The size of each red dot indicates the number of units installed at that location.

**Industry's largest installed base of more than 5 million pumps, valves and seals**





## Repairs & Upgrades

- On-site and off-site maintenance, engineering and reliability services
- Global network of local QRCs and engineers to provide immediate support for emergent customer needs



## Long-Term Agreements

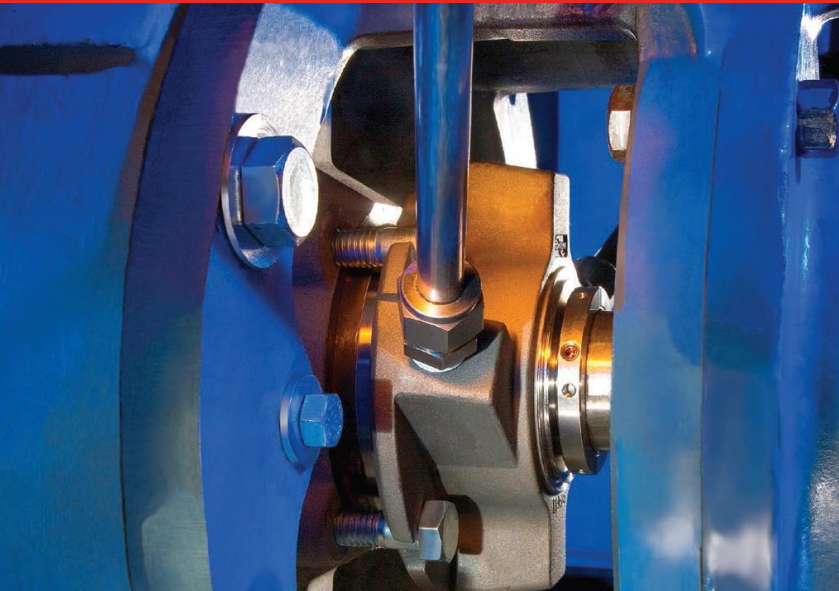
- LifeCycle Advantage – partner with customers for reliability improvements, asset management and inventory optimization
- Long-Term Service Agreements – support on-site services and outsourced maintenance



## Parts

- Strategically located global parts manufacturing centers and inventory
- Responsiveness and speed to support customer maintenance activities





## Mechanical Seals

- Complete family of mechanical seals over the widest variety of industrial applications and equipment
- Continued investments in advanced designs and materials to meet the industry's toughest applications



## Seal Support Systems

- Provide a favorable environment for mechanical seals to deliver years of reliable services and cost savings
- Extensive range of configurations to support a wide variety of applications



## Compressor Seals and Systems

- Most capable dry seals in the industry for high temperature, high-speed gas applications
- Proprietary, laser-machined precision face topography to provide extremely low leakage and reliable performance



## Process & Technology

- ▶ Implement enterprise-wide aftermarket operating models
- ▶ Capitalize on predictive technologies and reliability-based solutions
- ▶ Continue to differentiate our services through technology investment

## Customer Focus

- ▶ Enhance overall customer experience
- ▶ Increase share of customer MRO spend
- ▶ Expand LifeCycle Advantage agreements and other long-term service contracts

## Operational Excellence

- ▶ Increase QRC capabilities and responsiveness
- ▶ Drive productivity through process standardization
- ▶ Increase QRC utilization and footprint optimization across the enterprise

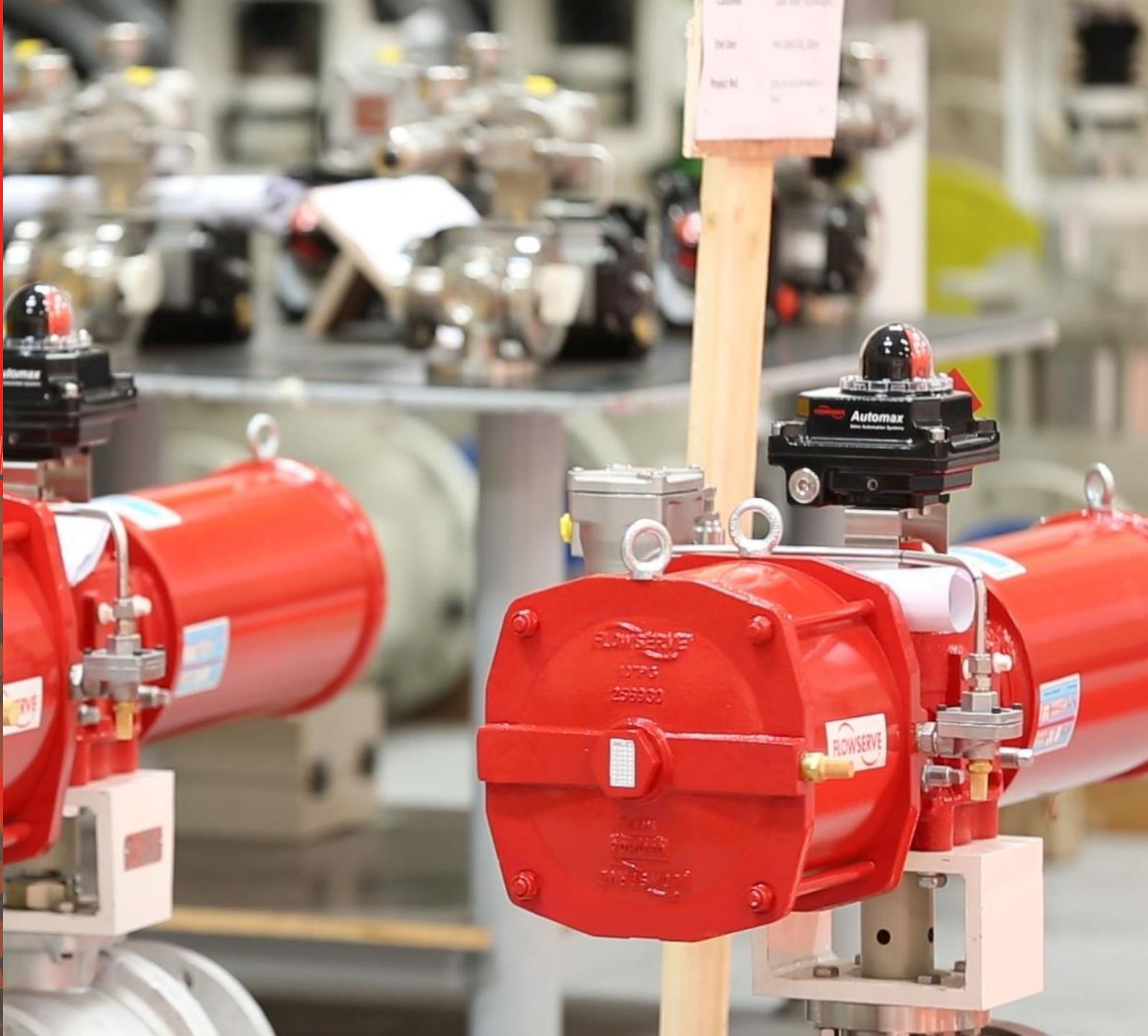
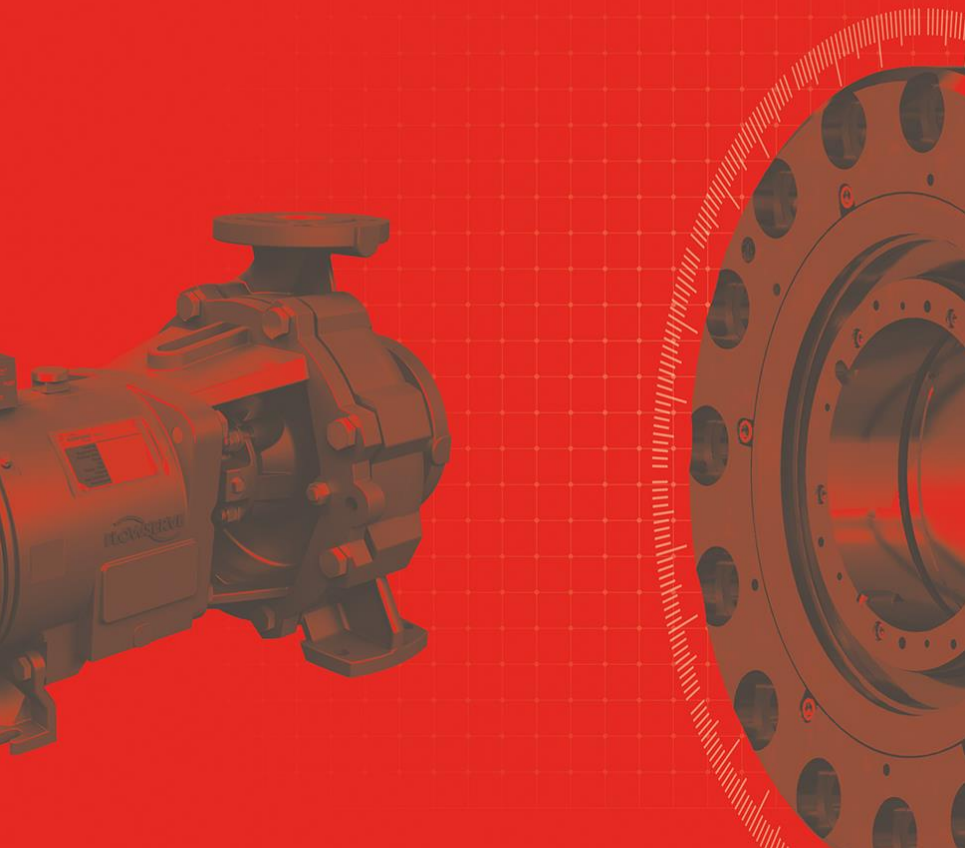






# Technology & Innovation

*Eric van Gemeren, Chief Transformation Officer*







# FRESH WATER: SINGAPORE DESALINATION PLANT

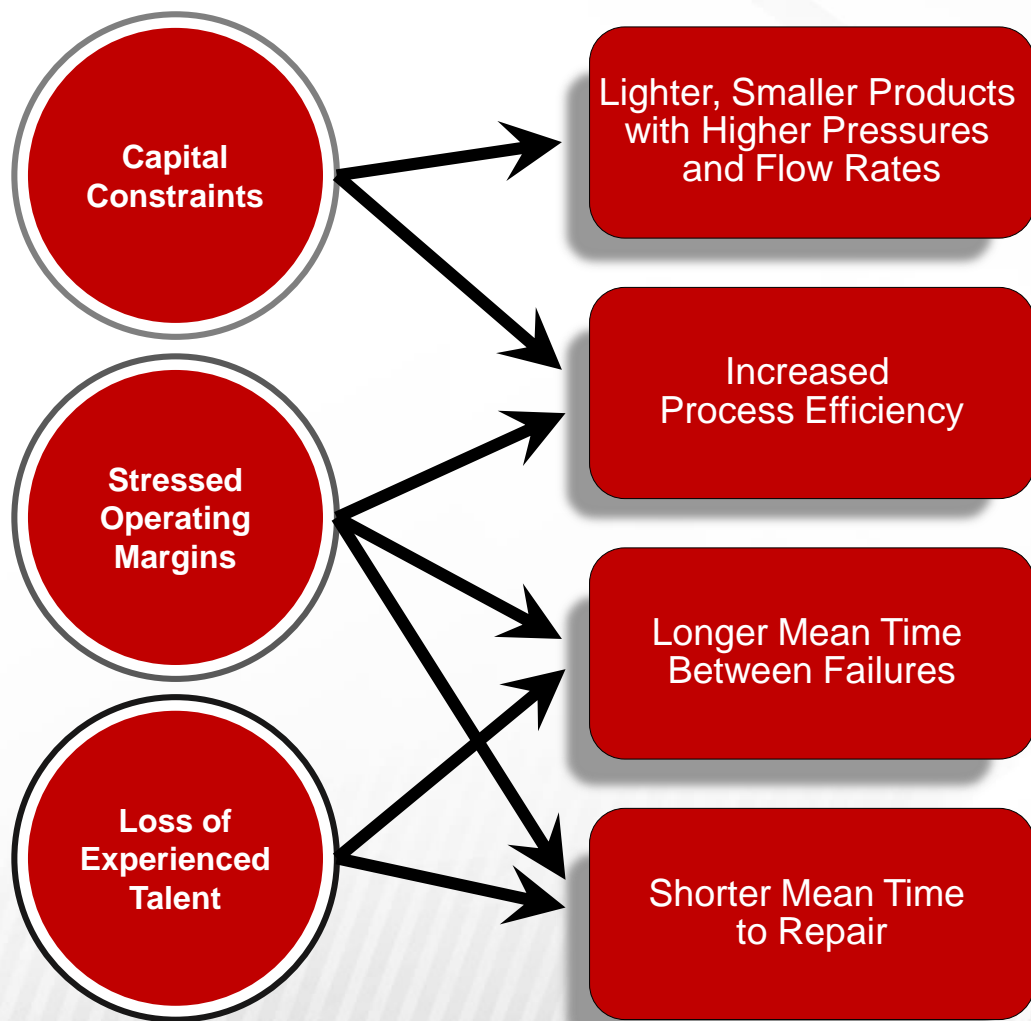
2018 Analyst Day

***Making the world better for everyone***

50 Flowserve pumps operating in Singapore's Tuas Desalination Plant 3 producing 136 million liters per day of desalinated water to help strengthen Singapore's water supply resilience in order to meet the nation's growing water demand in a reliable and cost efficient manner.



## CHANGING CUSTOMER NEEDS



## EXAMPLE PRODUCT & TECHNOLOGY SOLUTIONS

Corrosion-Resistant Materials	High Strength Alloys	Noble-Alloy Coatings	Hardfacing
3D Modelling	Finite Element Analysis	Computational Fluid Dynamics	Multi-Physics
Cavitation Control	Micro-Features	Noise Abatement	Thermo-Fluid Tribology
Non-Lubricated Bearings	Additive Manufacturing	Embedded Sensors	Remote Monitoring

## Organization

- Created new Marketing & Technology (M&T) organization
- Brought together Strategy, Marketing, Engineering, and R&D Organization under single leader
- Dedicated resources to focus on Design-to-Value

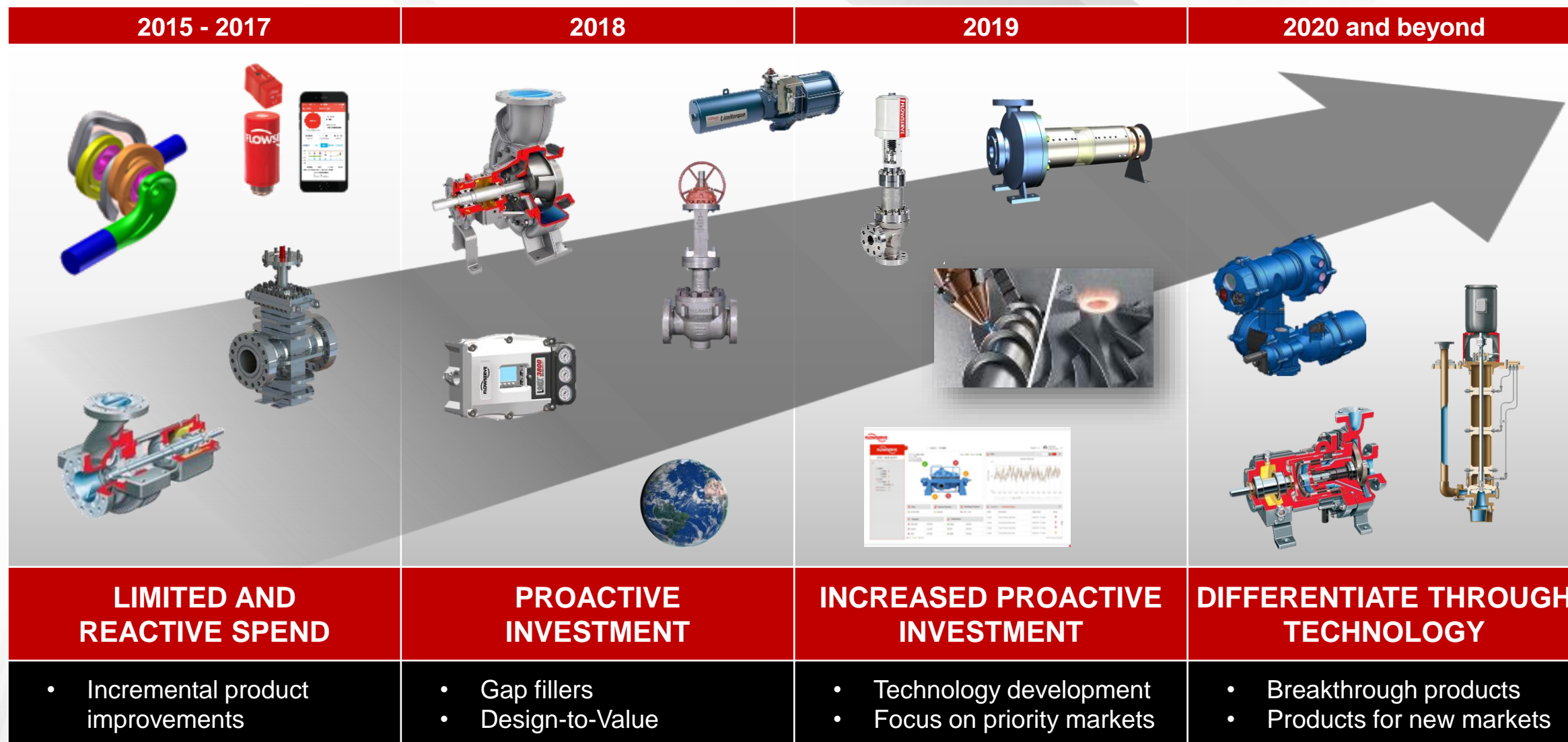
## Strategic Alignment

- Aligned long-term product roadmaps with business strategy
- Reinforced leverage of Global Technology & Engineering Centers

## Project Focus

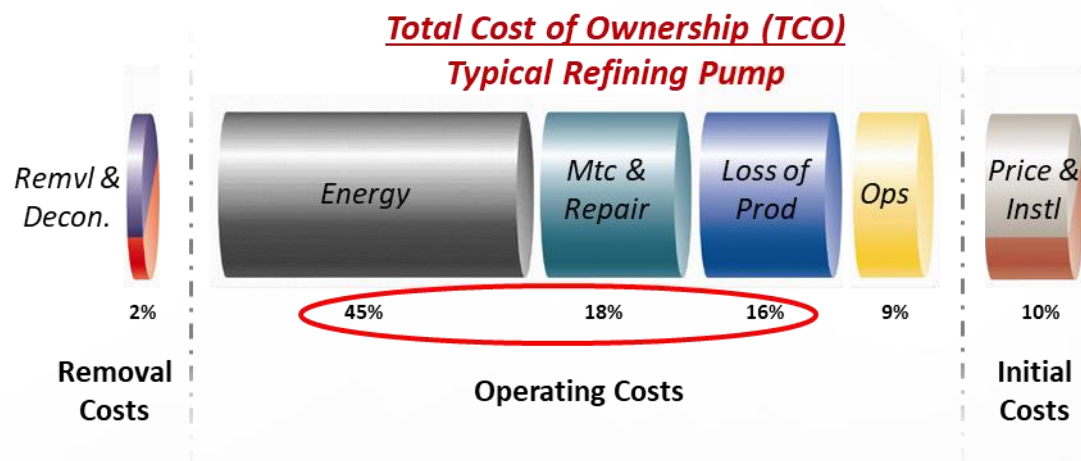
- Streamlined project portfolio
- Rebalanced investment between near-term product development and long-term technology development





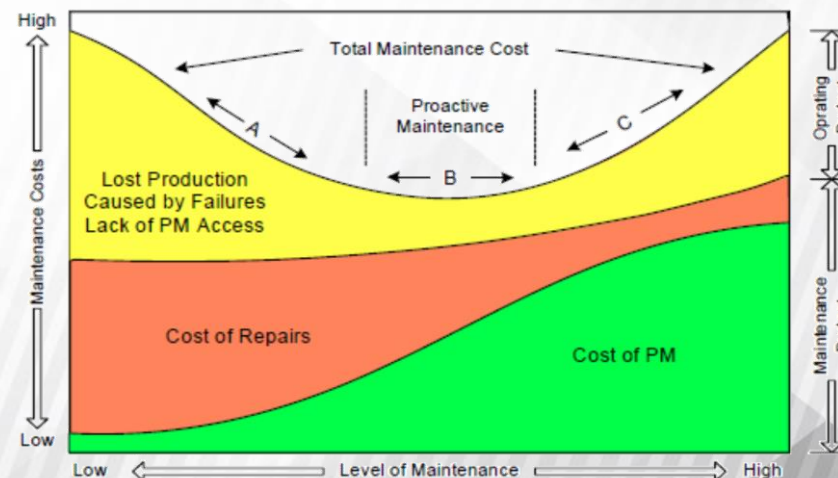
## Improving Customer Uptime

Creating new sources of value



In continuous process industries, the cost of purchasing and commissioning new equipment is a small fraction of the total life cycle costs

Reducing customers' operating costs is exceptionally difficult with current tools; operators need a new generation of solutions to achieve proactive outcomes

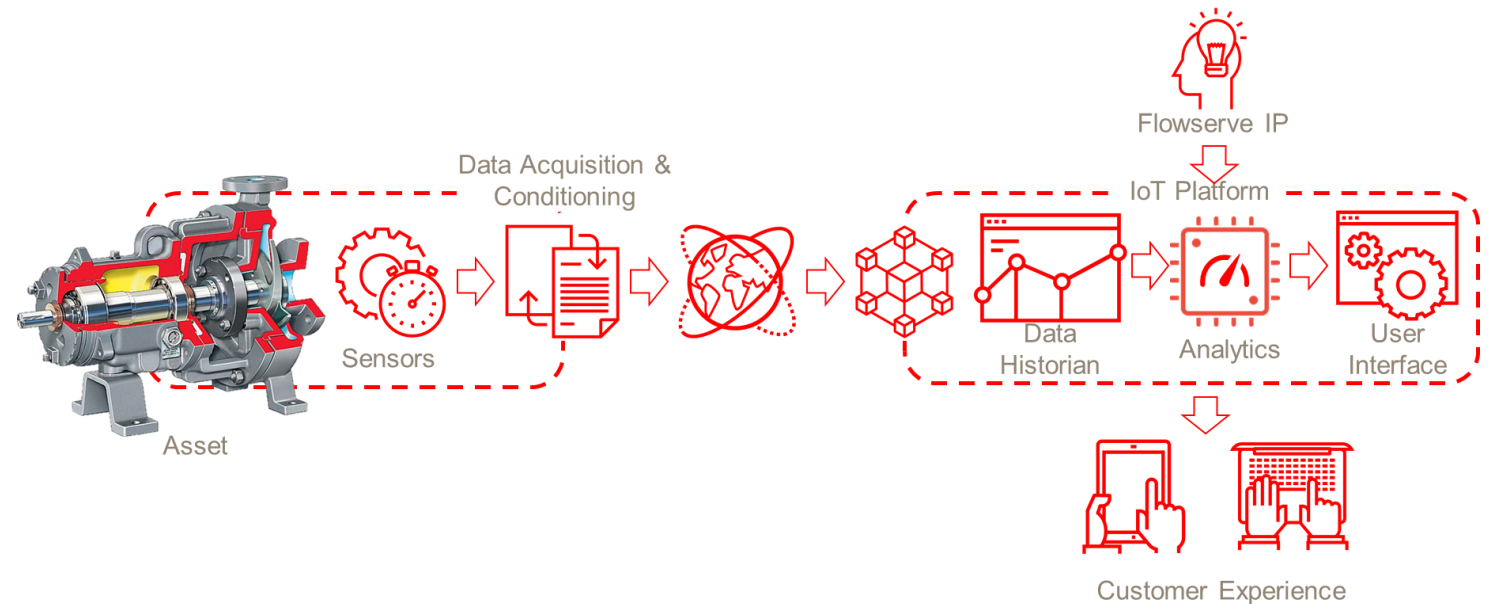




## Flowserve's Solution



## Integration of hardware and software





## Enabling Technologies

Infrastructure, IoT platform software, machine learning

## Analytics Development

Flowserve proprietary predictive analytics and engineering

## **8** Customer Pilots

Field testing, validation

## Commercialization

Business model, pricing

2015

2016

2017

2018

2019

2020

2021



Predictive analytics allow us to evaluate the pump's operating conditions and predict both failure modes and remaining time to maintenance

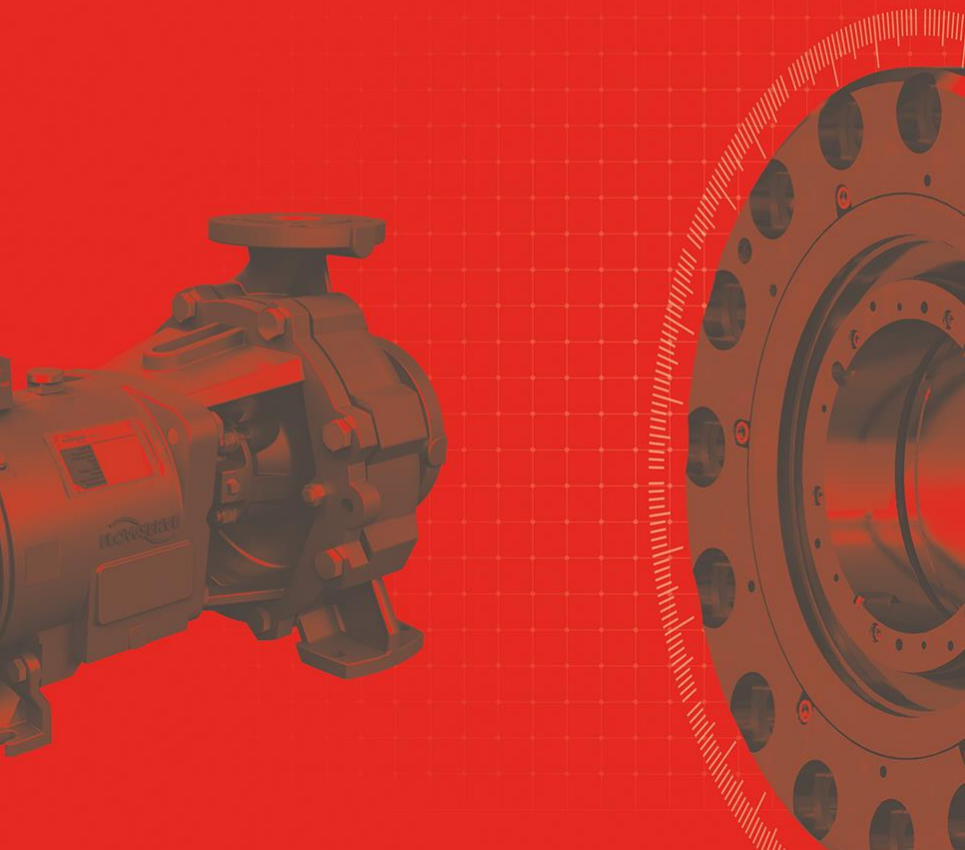






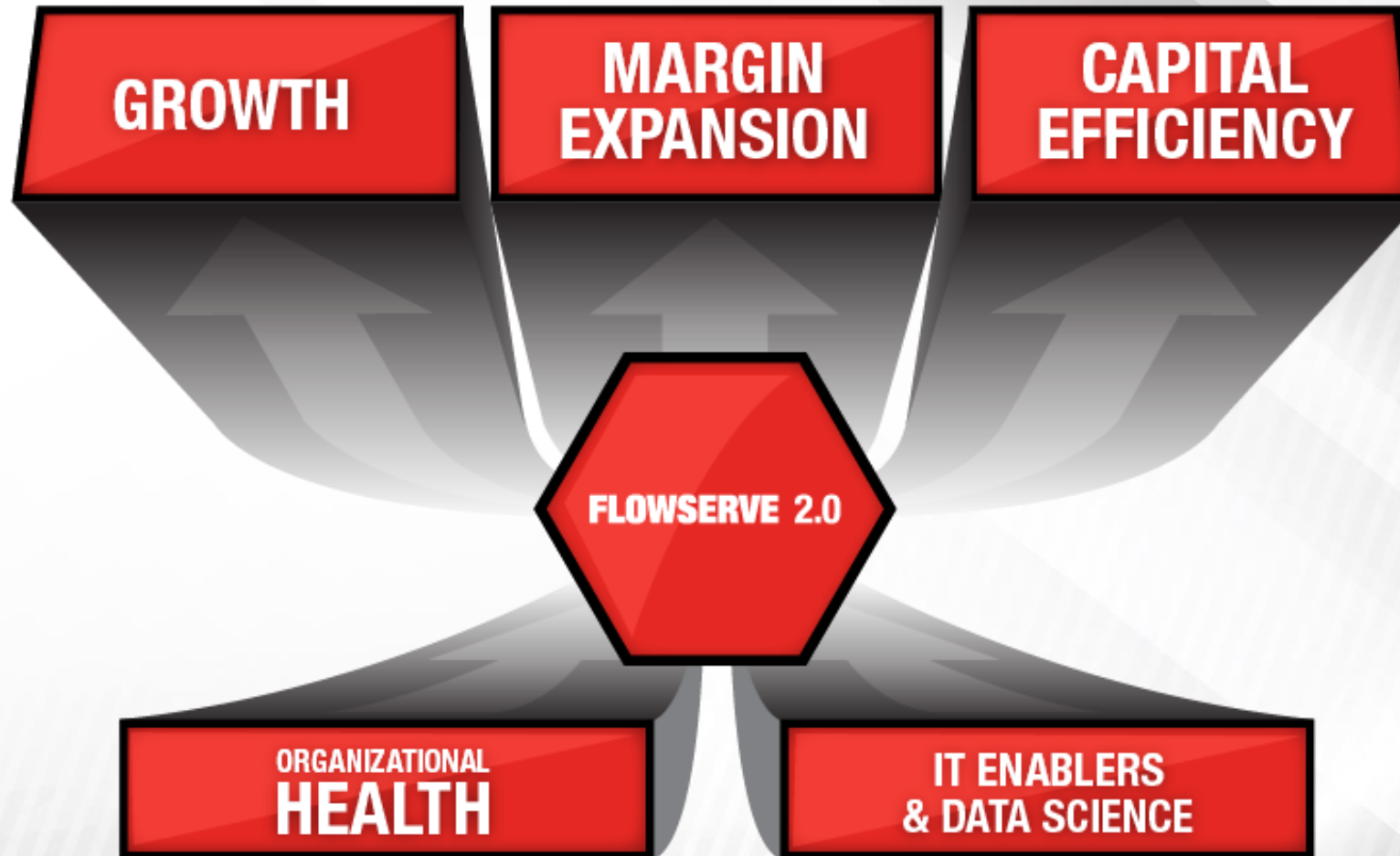
# Flowserve 2.0

*Scott Rowe, President and CEO*

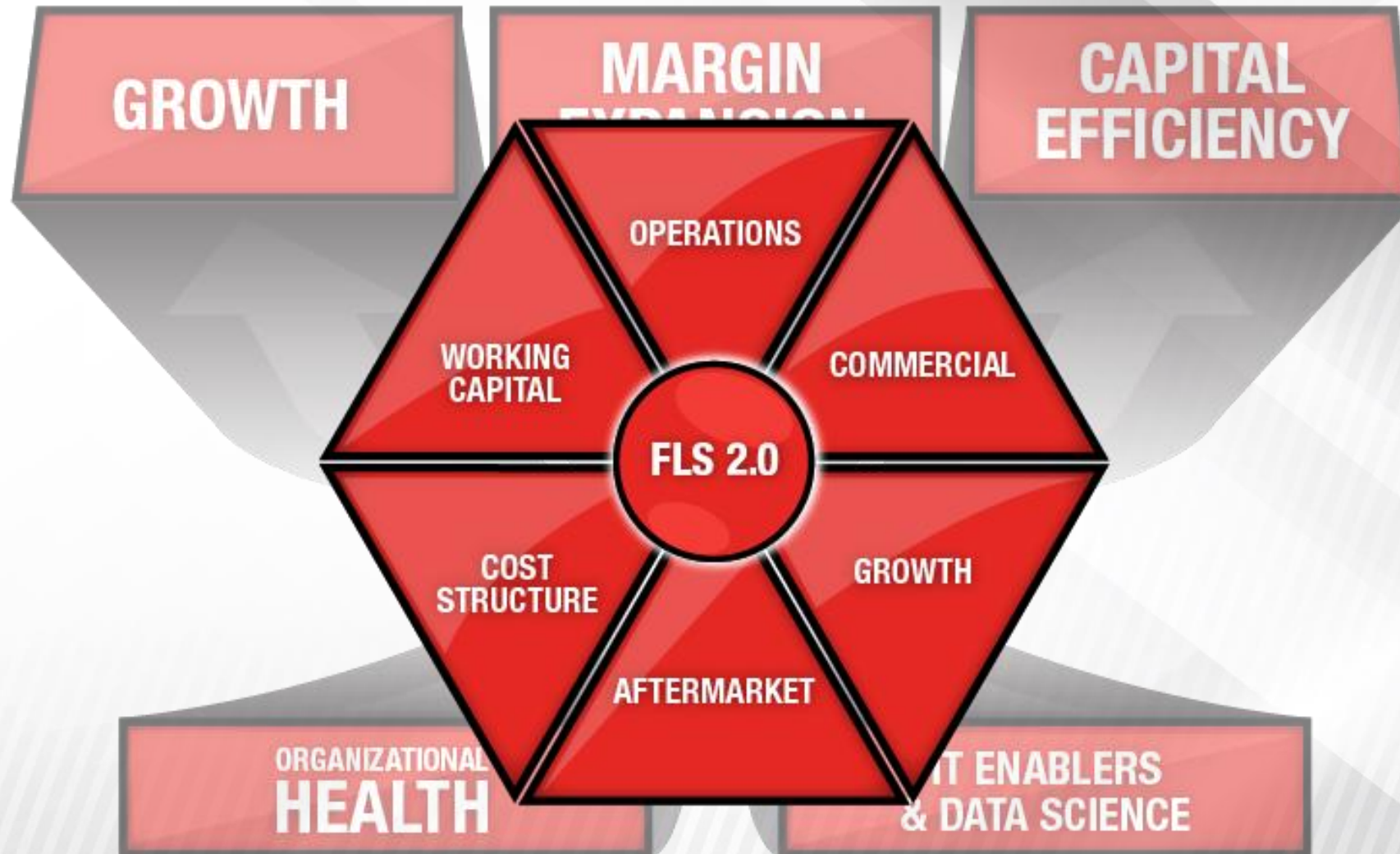






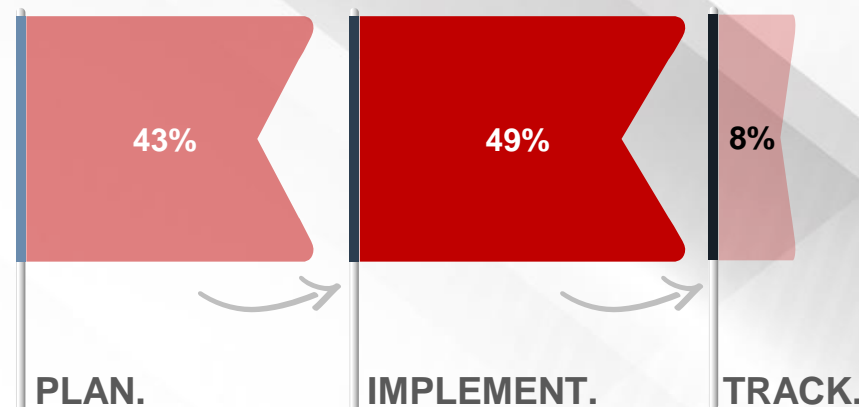






## Benefits by Workstream

Each workstream has clear targets to achieve towards total benefit



**Project Count by Phase.** We are progressing through Planning and moving into Implementation

1,913

Unique discussions on the Case for Change

5,392

Staff hours spent identifying and prioritizing individual projects

58

People working on Flowserve 2.0 FULL TIME

123

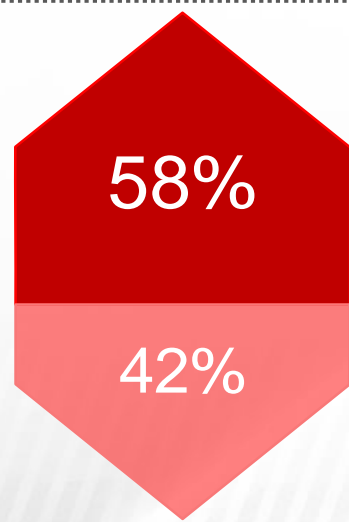
People working on Flowserve 2.0 projects as part of their role

## Working Capital Opportunities

Clear targets have been established to support overall PWC objective



## Portfolio Balance

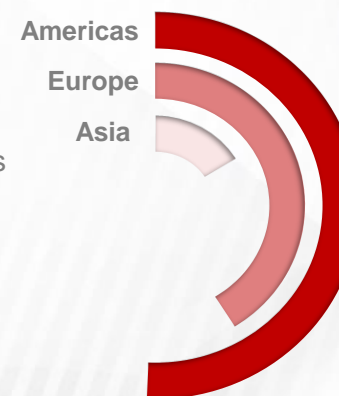


Projects where the primary focus is on **GROWTH**

Projects where the primary focus is on **COST REDUCTION**

## Staffing by Region

We are collaborating across regions to drive success as an enterprise



19

Newsletters published to the global organization

62

Town halls conducted in Flowserve units globally

293

Members of the global leadership team trained in Flowserve 2.0

415

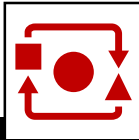
Individual commitments by managers and above





## GOVERNANCE

- Executive oversight of people, process, systems
- Organizational change management



## STRUCTURED PROCESS

- Phase-gate process for projects
- Standard deliverables



## CORE TEAM

- Dedicated Transformation Office
- Project-specific teams



## PORTFOLIO MANAGEMENT

- Time-phased trade-offs between cost and benefits
- Cancelling under-performing projects
- Adding new projects to maintain commitments



## TRANSPARENCY

- Standardized metrics for cost and benefits
- Internal and external benchmarking



## OPERATIONS

Step change improvement in manufacturing performance (delivery, quality and cost) through focused initiatives in supply chain and lean implementation

## Improve Manufacturing Performance



Drive operations productivity by implementing lean principles while reducing product lead times



Significantly improve supplier performance in quality, delivery and cost by centralizing category management and migrating to proactive supplier relationships



Implement standard operations playbooks that allow us to capitalize on our global breadth and scale



## Project Scope



An objective, data-driven assessment of manufacturing productivity and identification of sources of waste



Drive lean process improvements that streamline manufacturing operations to reduce costs and lead time while improving product quality



Dedicated team of cross-functional decision-makers with a mandate to take appropriate action



## Project Benefits

### Reducing Non-Value-Added Labor Content

↓ **50%**

NVA Labor Content

- Redesign assembly cell based on latest lean manufacturing principles
- Document standard work and implement cross-training for all production operations
- Level-load production schedules for optimization

### Reducing Cost of Poor Quality

↓ **20%**

Cost of Poor Quality

- Establish effective shop floor quality management to identify and quickly solve manufacturing issues
- Mistake-proof quotation and bill-of-material generation process
- Bottoms-up approach to escalate issues in real time

### Reducing Lead Time

↓ **40%**

Time to Deliver Product

- Implement sales & operations planning process from demand planning through supply chain to manufacturing operations
- Invest in technology to shorten cycle times

## Project Scope



Centralized organization structure that controls supplier selection and proliferation



Improved procurement process that reduces cycle times and improves supplier delivery



Enhanced spend analytics to quickly identify best-cost supplier performance



## Project Benefits

### Reducing Number of Suppliers

↓ **20%**

Approved Casting Vendors

- Enhanced process for supplier qualification and selection
- Consolidation based on performance, competitiveness and risk assessment

### Reducing Lead Times

↓ **20%**

Supplier Lead Time

- Unified purchasing process to improve control and execution
- Adoption of new foundry technologies
- Differentiated responsiveness to support the unique operational requirements of each customer

### Reducing Material Cost

↓ **14%**

Direct Material Cost

- Disciplined sourcing roadmap and localization plans
- Proactive management of supplier selection to increase use of best-cost-country sources
- Spend aggregation and supplier consolidation creating economies of scale





## COMMERCIAL

Reduce selling costs while improving customer experience and loyalty through simplifying, standardizing and improving commercial processes and tools

## Improve Sales Force Productivity



Organize sales teams regionally with a consolidated structure that results in improved spans of control and an ability to quote the entire product portfolio at each location



Clearly define sales channels to better utilize a balance of e-commerce, distribution and direct sales while expanding reach in under-served markets



Improve share-of-wallet at priority accounts through improved customer experience, shorter quotation cycle times and sales effectiveness



## Capture Greater OE Market Share



Define a set of priority market segments based on objective outside-in analysis of segment size and growth potential

Grow market share through better definition of attractive markets and focused efforts in specialty segments



Capture greater market share of selected market segments by focusing on opportunities with highest economic and strategic impact

Grow operating margins through proactive management of pricing discipline



Improve operating margins through selective and targeted price increases and controlling discount structure using advanced analytics



## Project Scope



Redesigned multistage pumps and gate valves to meet current market needs



Revised customer terms and conditions in-line with market expectations while appropriately managing risk



New processes and organizational structure aimed at improving competitiveness while leveraging existing capacity and capabilities



## Project Benefits

### Reduced Quotation Lead Times

**↓ 50%**

Time to Release Quotations

- Streamlined commercial organization with co-located resources
- Configured equipment packages and prices
- Standardized terms and conditions

### Reduced Manufacturing Lead Times

**↓ 15%**

Time to Deliver Equipment

- Simplified manufacturing process
- Relocated assembly and test activities to United States for speed and customer proximity

### Won First Orders

**↑ \$12M**

New Orders

- Won new orders for original equipment and aftermarket services
- Additional \$18 million in quotations outstanding



## AFTERMARKET

Grow market share of our customer's MRO spend through improved focus on customer experience, responsiveness and optimized resource deployment

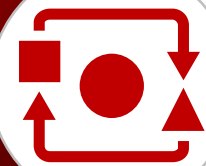
## Capture Greater Share of Parts and Service Spending



Deploy commercial intensity program to generate incremental revenue of parts and services on our existing installed base



Extend the range of value-based services provided through global QRC network, including reliability-based offerings, retrofits and upgrades, and LifeCycle Advantage programs



Implement standard QRC operating model and playbook to leverage best practices and global scale



## Project Features



Prioritization of accounts using data-based customer segmentation



Enhanced site-level analytics using market intelligence, installed base data and Flowserve KPI metrics



Dedicated team of cross-functional decision-makers with a mandate to take appropriate quick action



## Project Benefits (South Texas Pilot)

### Enhanced customer intimacy

**↑ 30%**

Increase in Valuable Time With Customers

- Increased Sales Engineers' time spent on customer-facing activities
- Increased understanding of customers' operational challenges to develop differentiated services

### Improved Responsiveness

**↓ 25%**

Reduction in Cycle Times

- Differentiated cycle times and responsiveness to support the unique operational requirements
- Empowered local Flowserve associates to better serve our customers

### Increased share of wallet

**↑ 20%**

Increase in Focused Account MRO Spend

- Partnered with customers to improve reliability and reduce overall maintenance spend
- Demonstrated increased market share of MRO-related spend for pilot customers



## COST STRUCTURE

Reduce product costs through rigorous product rationalization and Design-to-Value principles

Reduce general and administrative overhead by simplifying and standardizing functional processes

## Reduce Product Cost and Corporate Overhead



Rationalize product lines to reduce product line complexity and de-proliferate options and variants



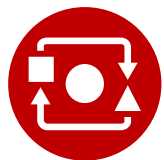
Reduce product cost by eliminating unvalued features, reducing the number of parts, and reducing material volume using latest design tools and techniques



Reduce overhead complexity and cost by streamlining legal entities, migrating to shared services and optimizing business processes



## Project Features



Cross functional process to redesign core products to reduce cost while focusing on features that customers are willing to pay a premium for



Dedicated team to focus on the intersection of design, manufacturability, strategic sourcing and serviceability



Aligned project priorities with enterprise strategy for growth



## Project Benefits

### Reduced number of options and variants

**↓ 57%**

Product Variants

- Used voice of customer to align product features and offerings with the market needs
- Developed simplified modular design to enable the use of configuration tools

### Reduced number of unique parts

**↓ 43%**

Unique Parts across all Variants

- Reduced investment in inventory through reduction in part count and standardization of design
- Leveraged innovative manufacturing methods to ease assembly and improve lead time

### Reduced total delivered cost

**↓ 42%**

Fully-Loaded Manufacturing Cost

- Improved product gross margins through reduction in supply chain, manufacturing, assembly and logistics costs
- Improved market share in a cost competitive market



## WORKING CAPITAL

Improve primary working capital performance through newly created team, improved processes and enhanced systems



## Optimize Inventory, Payables and Receivables

Reduce excess inventory levels through synchronizing purchasing activities with demand forecast, reducing safety stock levels and rationalizing parts across sites



Reduce accounts receivable through better visibility and oversight and improved work flows in invoicing, project documentation and dispute resolution



Manage accounts payable through implementing common, enterprise-wide terms and governance of purchasing processes



## Project Features



An integrated approach to reducing inventory through demand planning, governance and manufacturing planning



Driving transparency and discipline in measurement and reporting



Alignment of unit goals and targets with capital efficiency targets



## Project Benefits

### Reducing Raw Materials

**↓ 9%**  
Raw Material Inventory

- Inventory for active/forecast customer orders only
- Master data management to allocate common parts across multiple facilities
- Clearly defined product lead times

### Reducing Obsolete/Slow-Moving Inventory (OSMI)

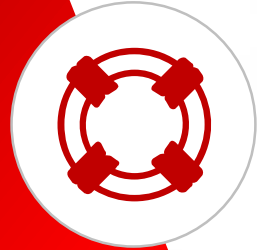
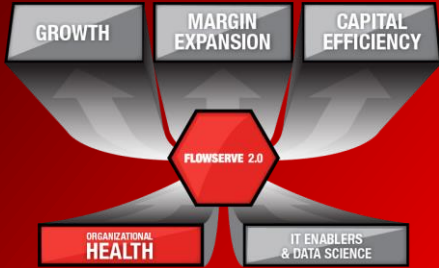
**↓ 10%**  
Reduction in OSMI

- Accurate sales forecast by product and plant
- Improved inventory management systems to ensure accurate part counts
- Dedicated planners/schedulers at all core manufacturing sites

### Reducing Overall Inventory

**↑ 20%**  
Inventory Turns

- Business process toolkit for inventory optimization with standard work
- Inventory dashboard to monitor improvement
- Planning and inventory management playbook and governance model



## Improving Our Company Culture

Making Flowserve 2.0 a part of the way we THINK, ACT and OPERATE requires addressing organizational health in parallel to processes and tools

We are embedding health priority practices into every project within transformation





## Project Features



Proactive change management program that focuses on employee involvement and accelerating adoption of change



Investing in face-to-face leadership development to build capabilities, improve feedback and enhance communications



## Project Benefits

### Employee Pride



**300bps**

Employees who are Proud to work at FLS

- Recognizing associates for their role in early successes
- Connecting change efforts to our purpose and values

### Employee Optimism



**1,500bps**

Employees who are Confident in our future

- Engaging leaders in debate over solutions and implementation path to drive buy-in
- Investing in bringing people together to share ideas and build leadership networks

### Employee Engagement

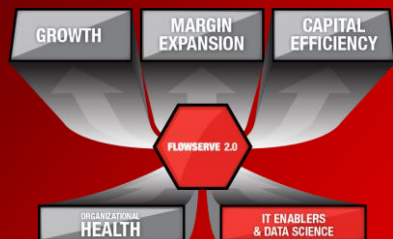


**500bps**

Employees who are Engaged in their role

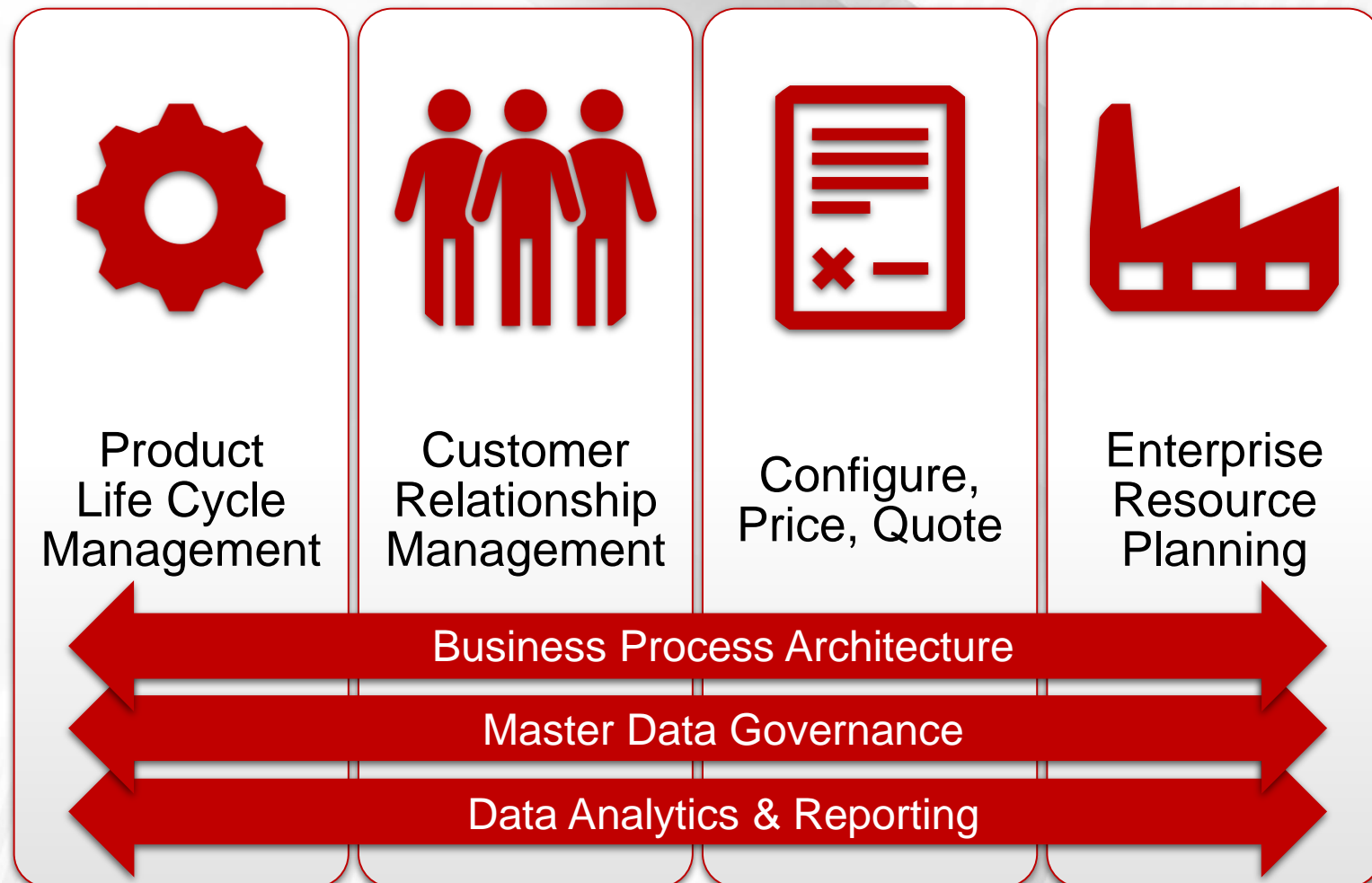
- Investing in talent development
- Ensuring messaging is cascaded consistently
- Empowering managers to driving change

## Accelerating Impact and Improving Decision-Making



Enterprise-wide systems and solutions to drive process optimization and visibility

Commitment to data governance and data analytics to make better and faster business decisions



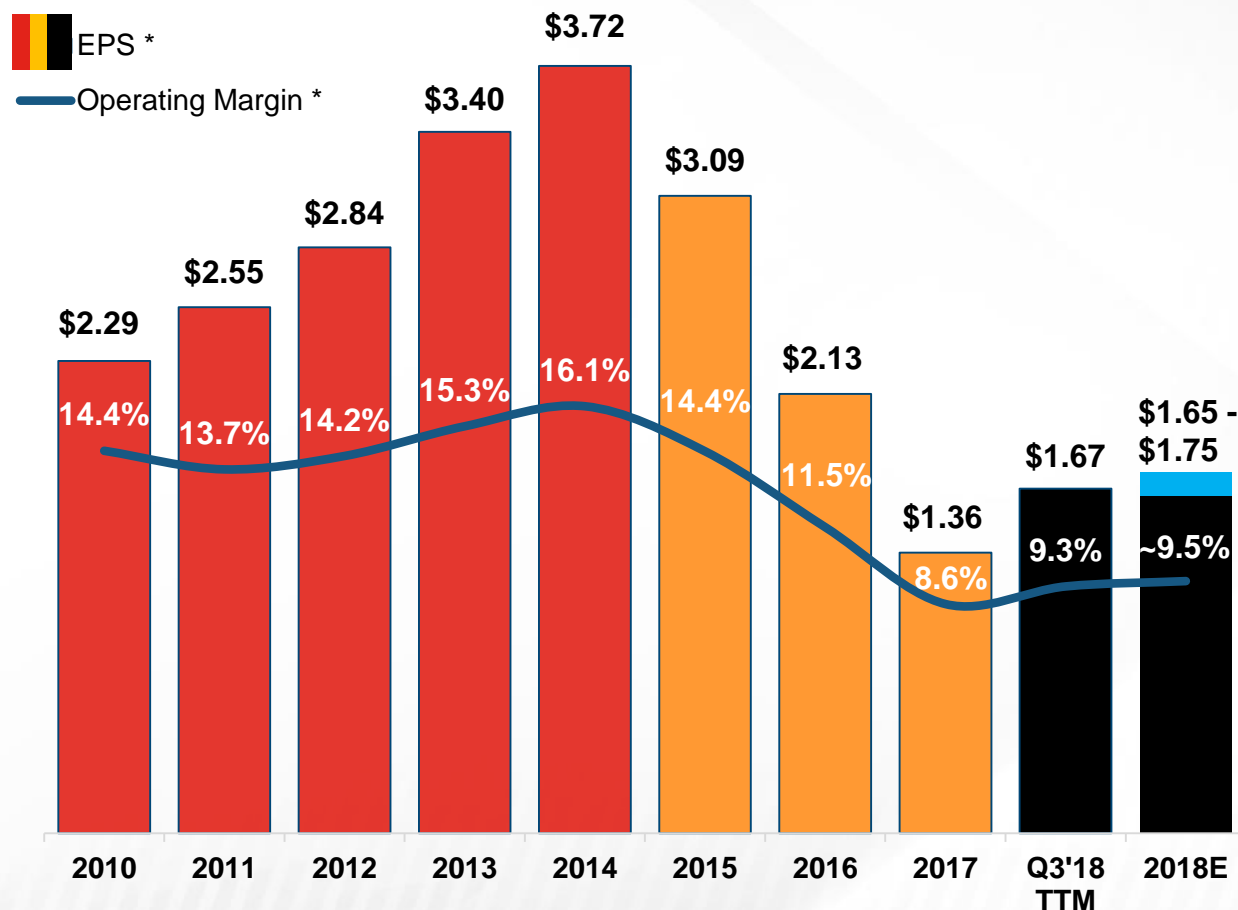




# Financials & 2022 Targets

*Lee Eckert, SVP & CFO*





## Industry Timeline

### 2010-2014: Post Financial Crisis

- Recovery period post-financial crisis
- Reasonable capital investment and solid maintenance spend
- Excess capacity in the Flow Control industry limited pricing power

### 2015-2017: Industrial Recession

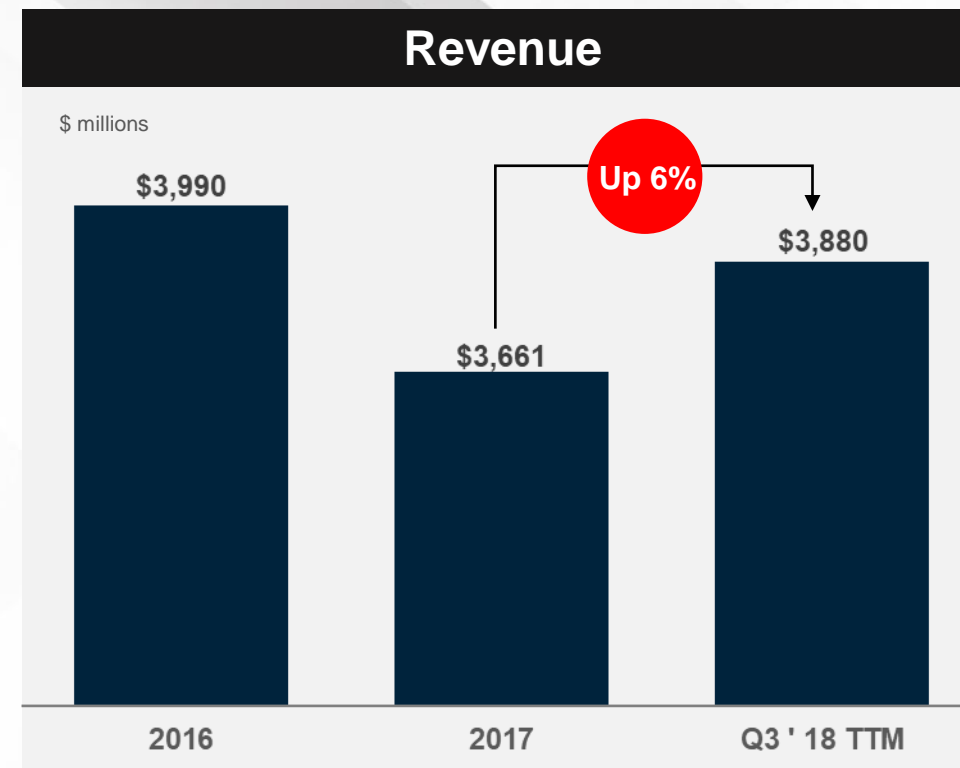
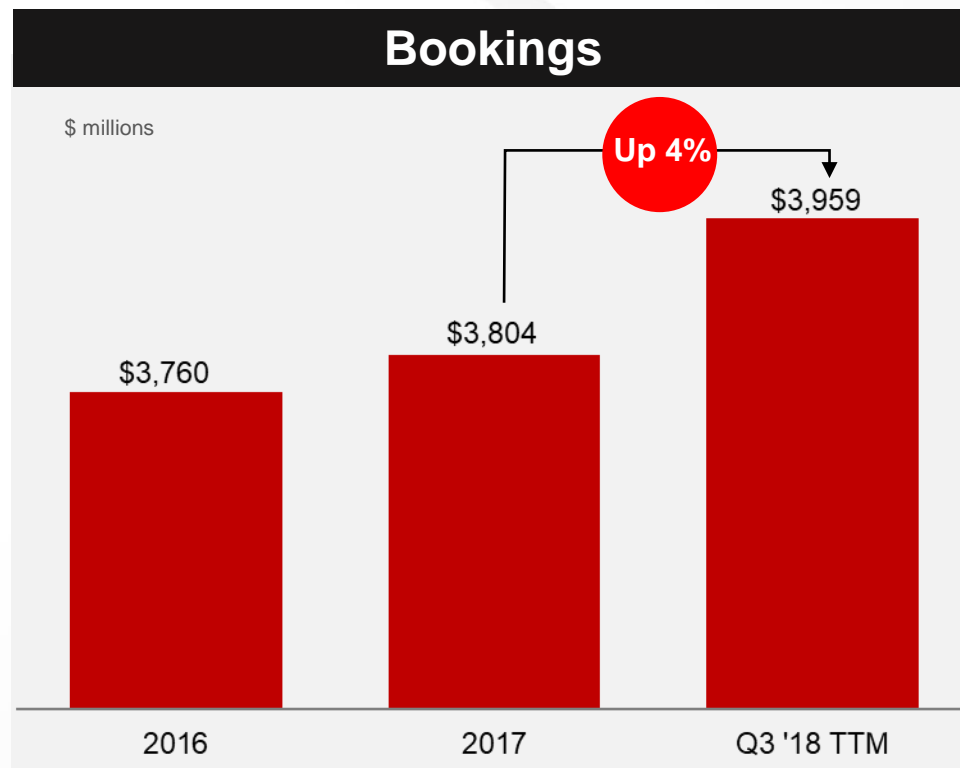
- Deep cuts in capital investment and deferred maintenance spend
- Flowserve introduced and largely completed significant realignment program to reduce fixed manufacturing costs and footprint
- Unable to reduce costs as quickly as market fell – lack of flexibility

### 2018+: Stabilization and Growth

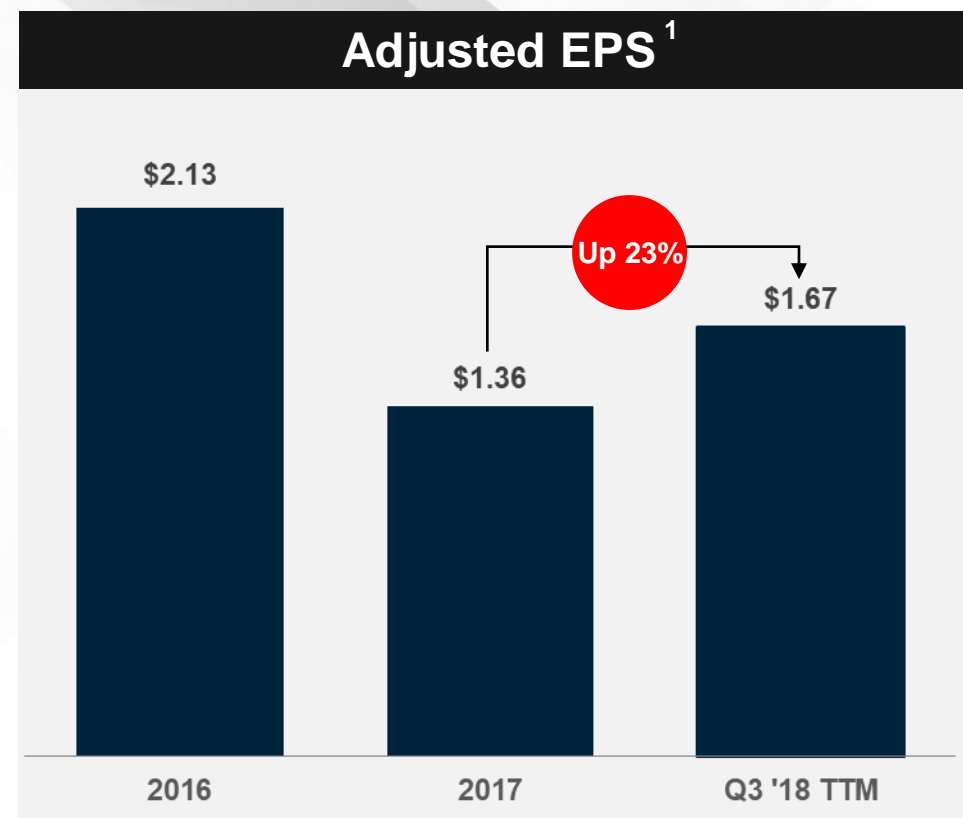
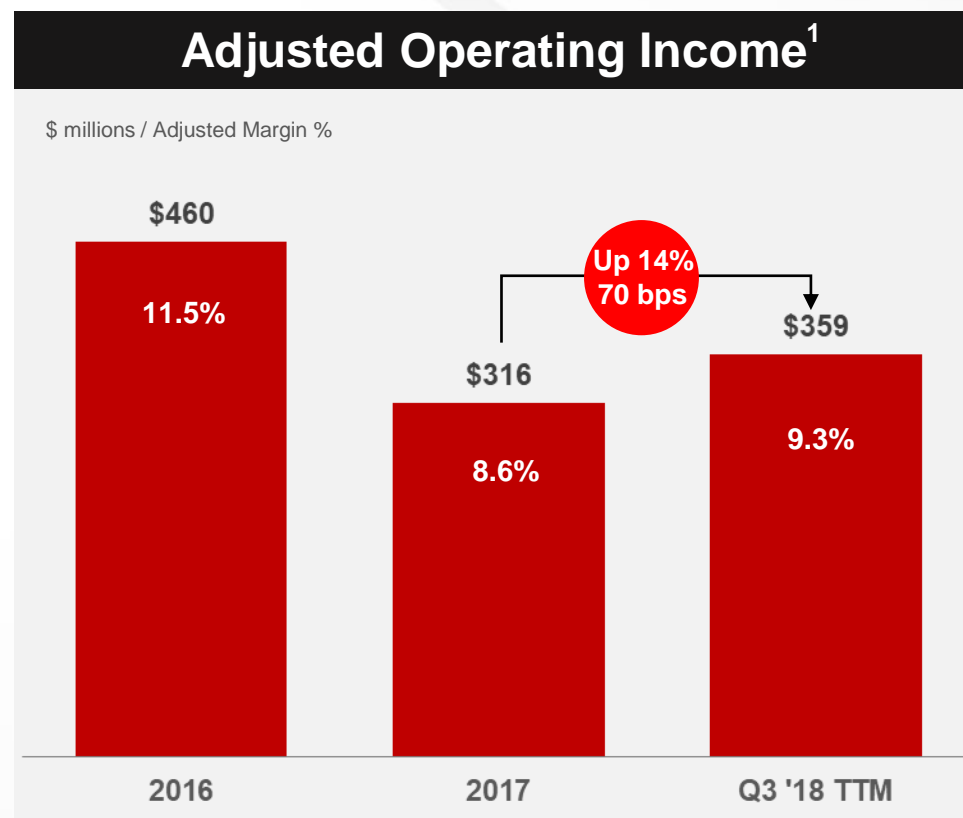
- Flowserve 2.0 transformation to drive more efficient operating model, above market growth and improved operational excellence, and build the platform for M&A
- Focused on cash flow improvement and shareholder value creation

**Flowserve has proven its ability to deliver and is on a path to do so again**



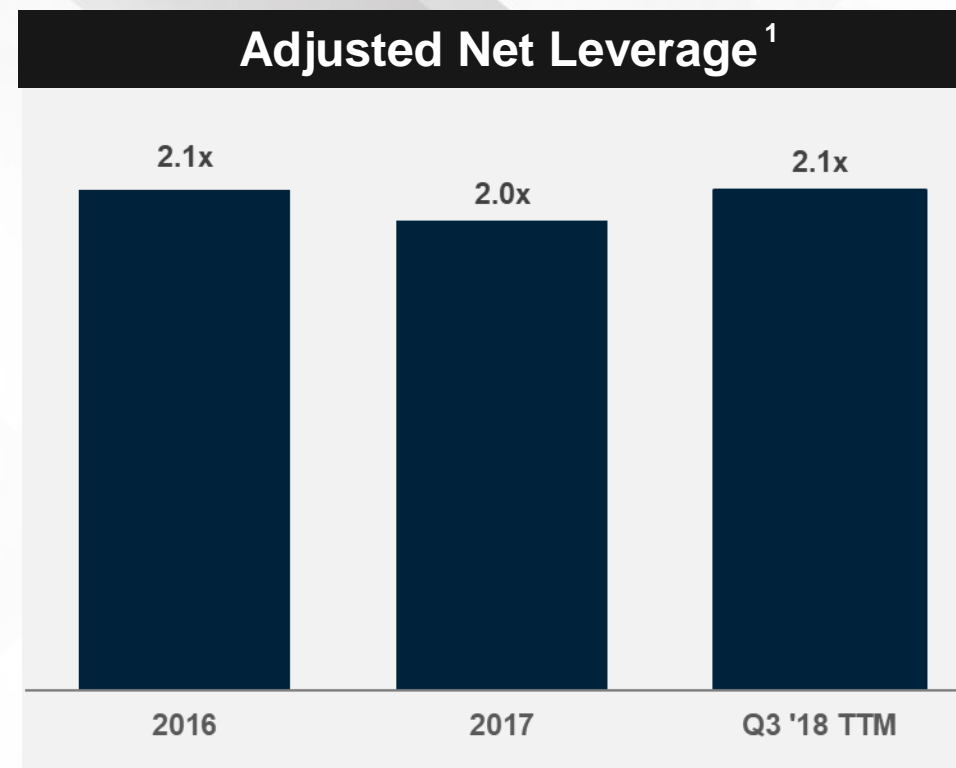
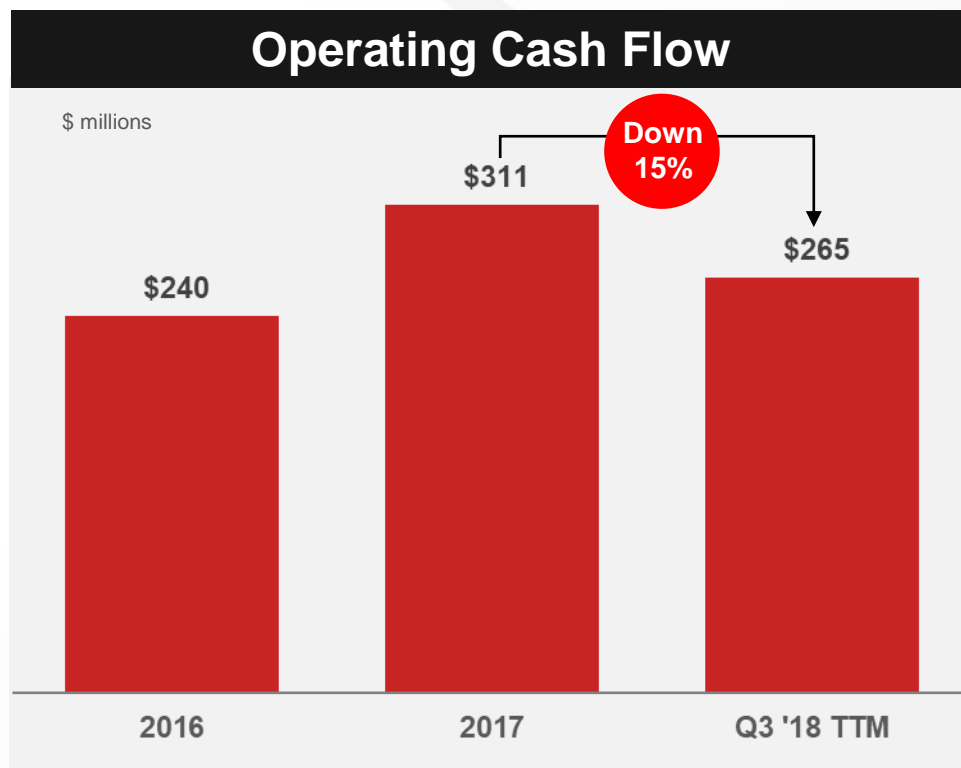


- Solid year-to-date bookings growth includes strong aftermarket bookings and growth in all core end-markets with exception of power
- Strong year-to-date sales growth on backlog conversion and improved manufacturing execution



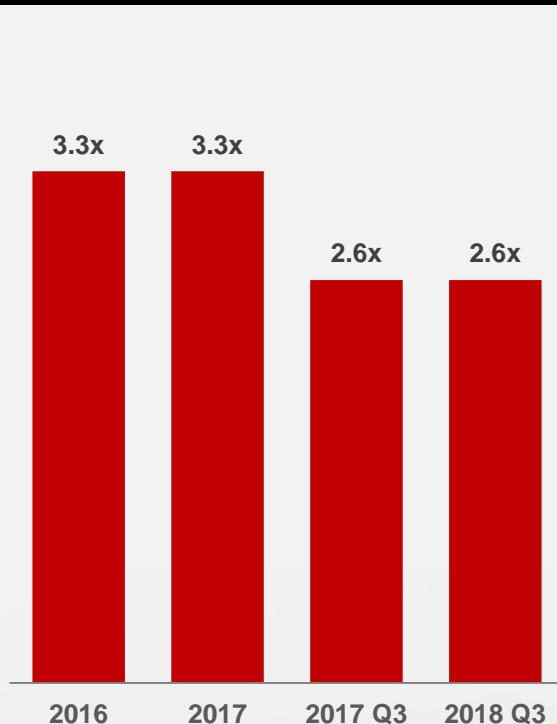
- Year-to-date adjusted operating margin improvement on execution, sales leverage and improved backlog quality, partially offset by compensation headwinds



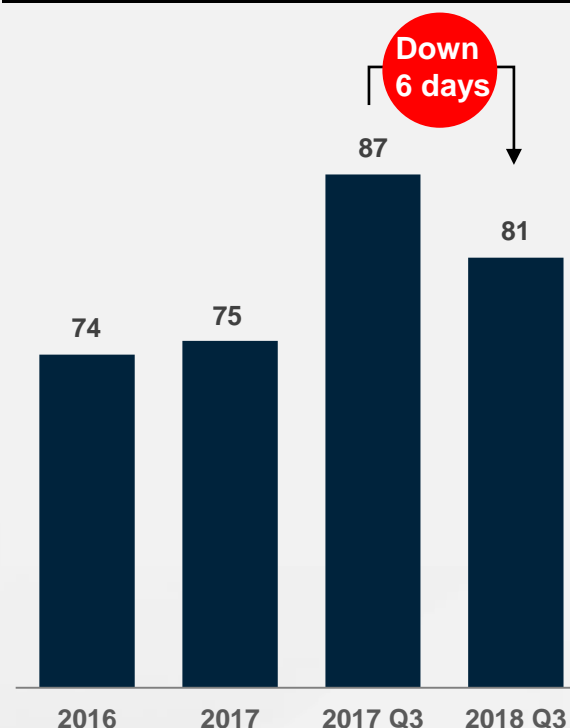


- Year-to-date operating cash flow down due to weak Q1, partially mitigated by strong Q2 and Q3
- Expect seasonally strong Q4 2018 cash generation
- Adjusted net leverage is stable, including strong cash position

## Inventory Turns<sup>1</sup>



## DSO<sup>1</sup>



## 2018 Situation

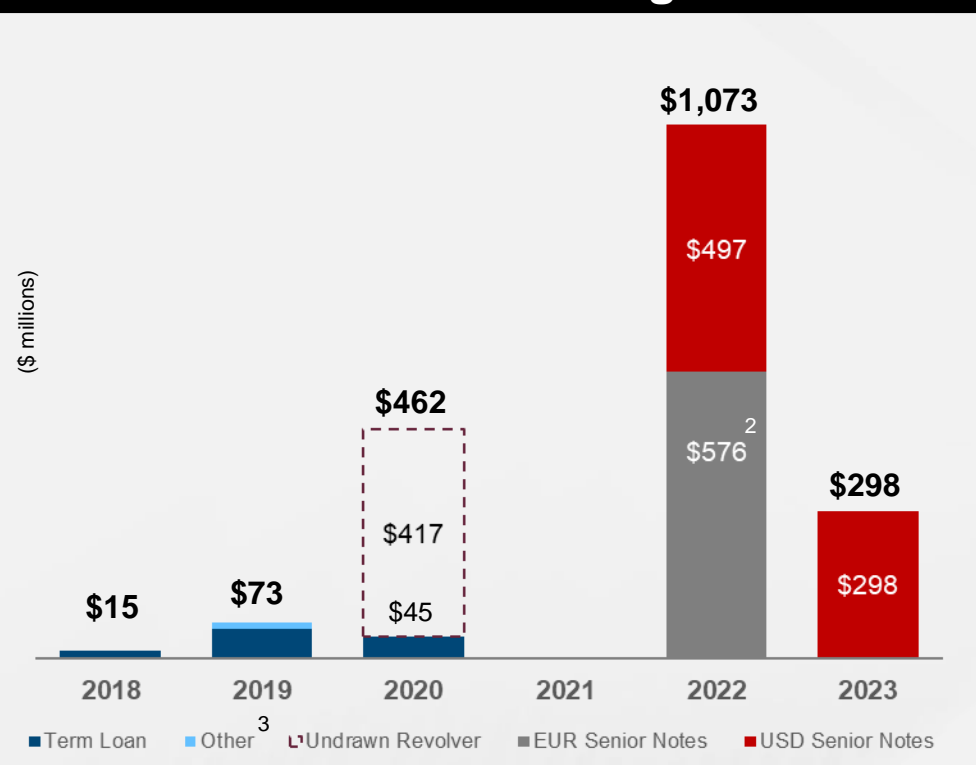
- Inventory performance impacted by inefficient sales and operating planning
- Reduction in year-to-date DSO driven by substantial manual effort
- Working capital remains elevated and requires systemic improvement
- Several workstreams of Flowserve 2.0 dedicated to working capital improvement

## Focus areas for enhanced cash flow performance

<sup>1</sup> Inventory and A/R amounts as reported on an ASC 605 basis for comparability



## Debt Outstanding <sup>1</sup>



## Overview

- Solid balance sheet with significant liquidity
- Cash balance at September 30 was ~\$530 million
- Liquidity enhanced by ~\$420 million of capacity under the revolving credit facility
- Average interest expense on \$1.4 billion of notes is ~2.7%
- Revolving credit facility expected to refinance next year
  - No outstanding borrowings as of September 30
- Senior notes mature in 2022 and 2023

**Capital structure highlighted by significant liquidity, low-cost debt and no major near-term maturities**

<sup>1</sup> Debt outstanding as of Q3 2018, net of unamortized discount and debt issuance costs

<sup>2</sup> Represents dollar value of 1.25% 2022 €500 million senior notes. While fully hedged, the increased balance is due to translation impacts given the Euro's appreciation

<sup>3</sup> Includes capital lease obligations and subsidiary debt

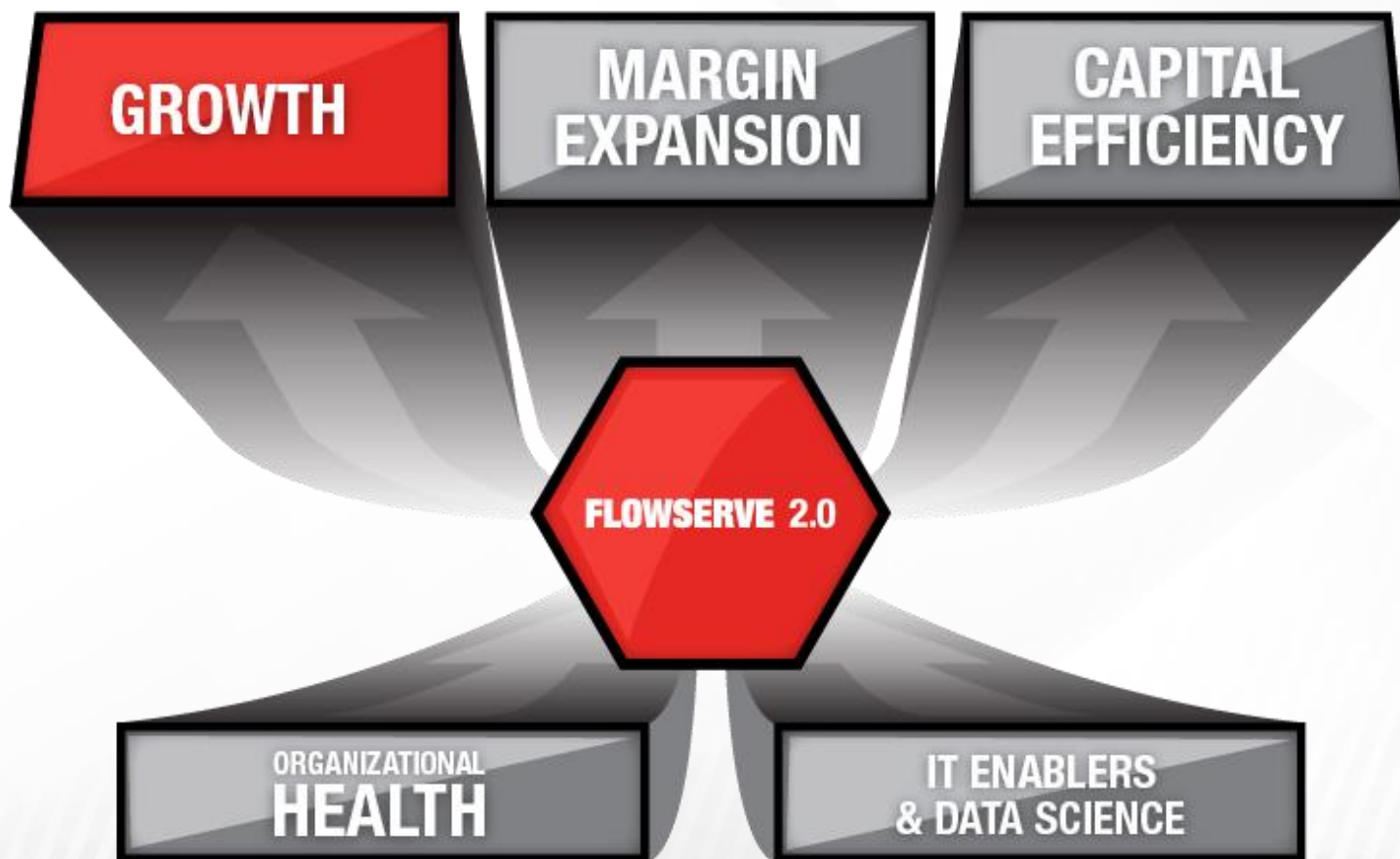
- **Flowserve has demonstrated ability to flex capital deployment to changing market conditions**
- **Our dual purpose is maximizing shareholder returns while maintaining financial flexibility**
- **Flowserve's near-term capital priorities include:**
  - Invest in Flowserve 2.0 transformation, including enterprise-wide IT solutions
  - Pursue organic growth initiatives
  - Continue returning capital to shareholders
- **Flowserve will continue to take an opportunistic approach to M&A under the right circumstances**

**Flowserve is investing in the platform for growth and value creation**



Guidance Assumptions	2018 Initial Guidance	2018 Reiterated Guidance
Revenue Guidance	3% - 6%	5% - 7%
Reported EPS Guidance	\$0.95 - \$1.15	\$0.75 - \$0.85
Adjusted EPS Guidance	\$1.50 - \$1.70	\$1.65 - \$1.75
EUR Rate	1.22	2018 Q4 - 1.15
Adjusted Tax Rate	27% - 28%	27% - 28%
Capital Expenditures	\$80 - \$90 million	\$70 - \$80 million

**2019 guidance to be provided in February earnings release**



## Revenue Growth



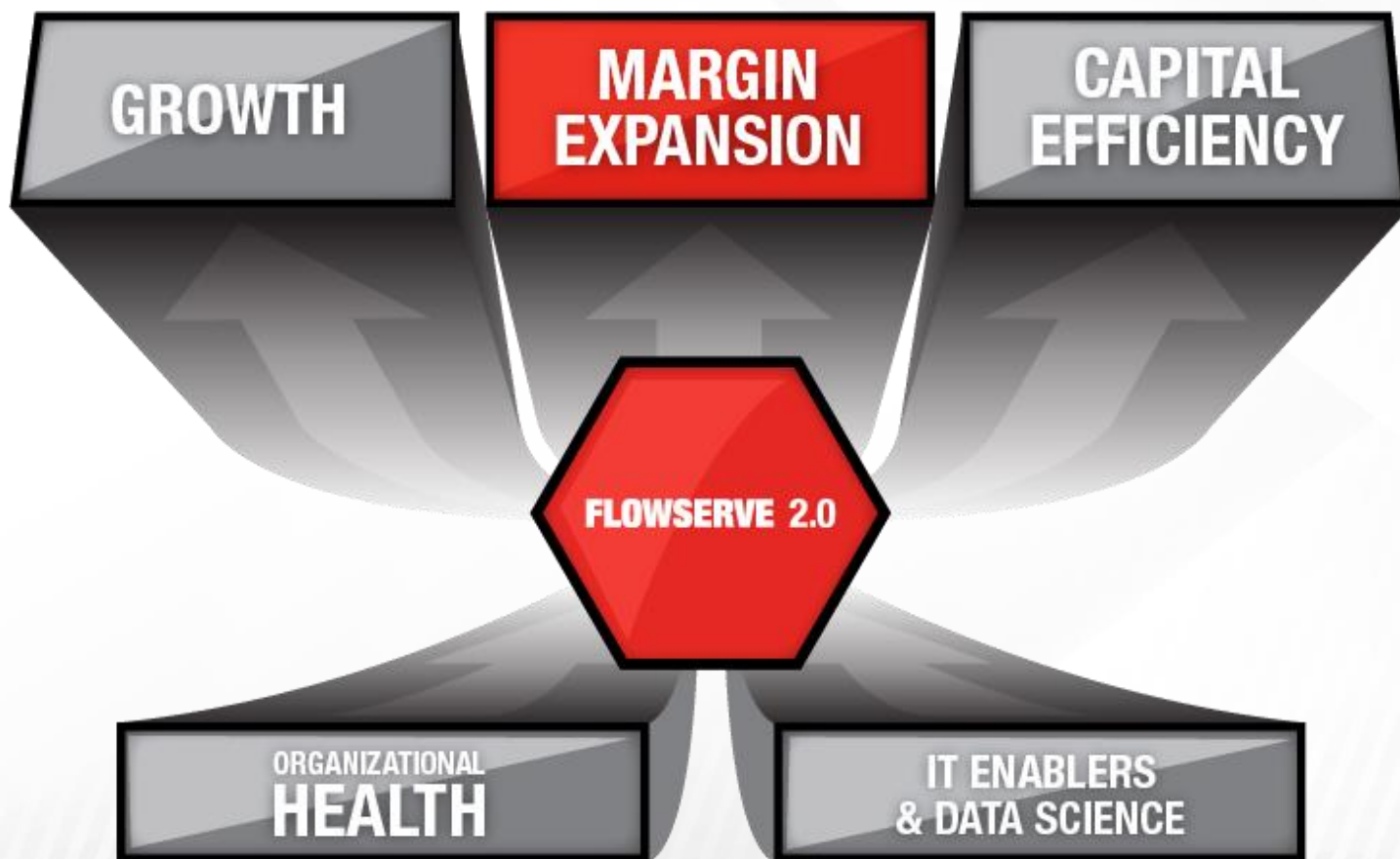
# +2%

above industry growth rate

### *Key Flowserve 2.0 workflow examples:*

- Selection and prioritization of target markets
- Strategic pricing
- Commercial process enablers
- Increased QRC utilization
- LifeCycle Advantage agreements



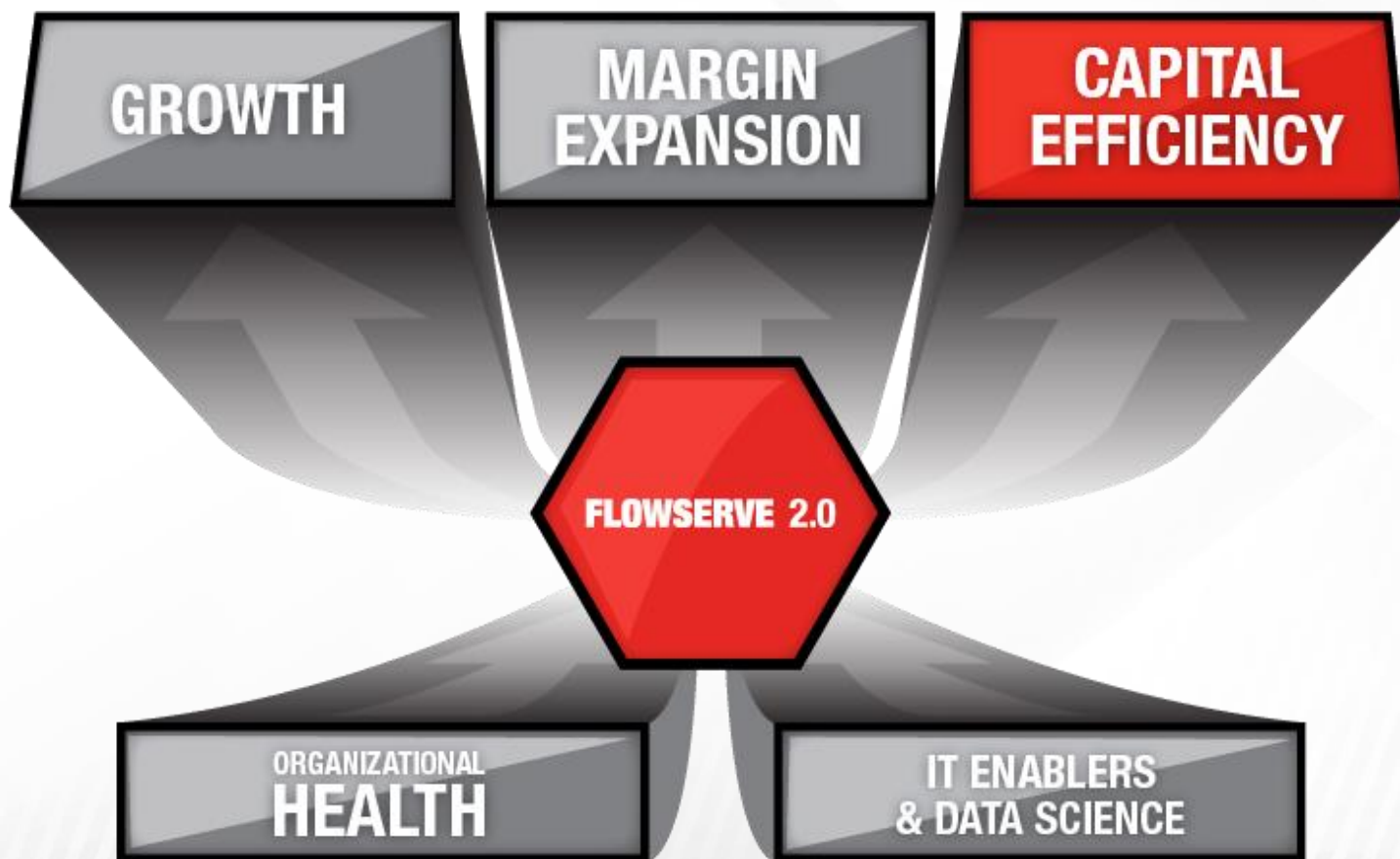


## Operating Margin



### *Key Flowserve 2.0 workstream examples:*

- Design-to-Value
- Operational efficiency via lean manufacturing
- Supply chain optimization
- Shared services
- Growth leverage on fixed costs



Free Cash Flow



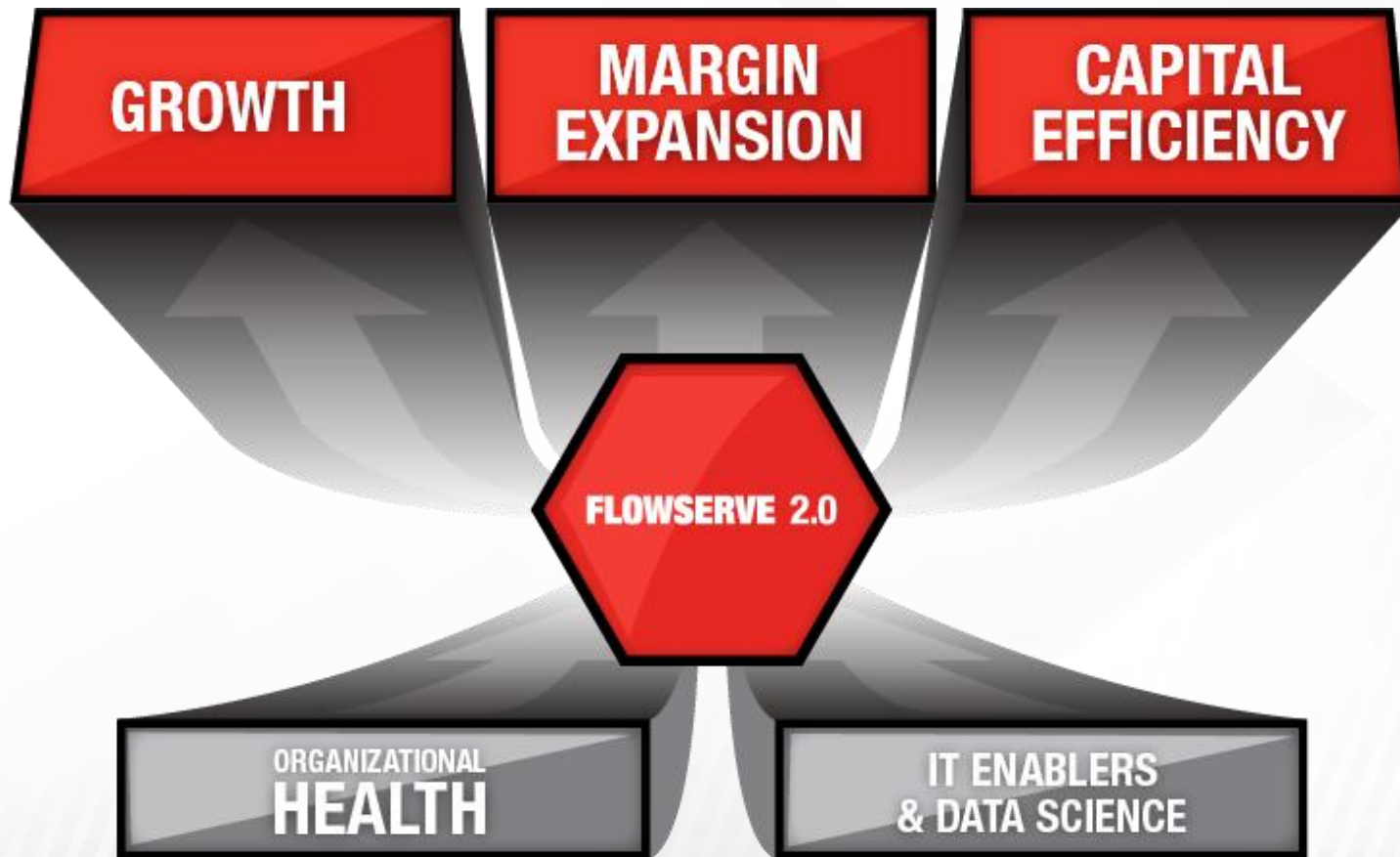
**100%+**

of Net Income

*Key Flowserve 2.0 workstream examples:*

- Instill systemic A/R processes
- Improve inventory management
- Deploy sales and operations planning
- Leverage enterprise investments



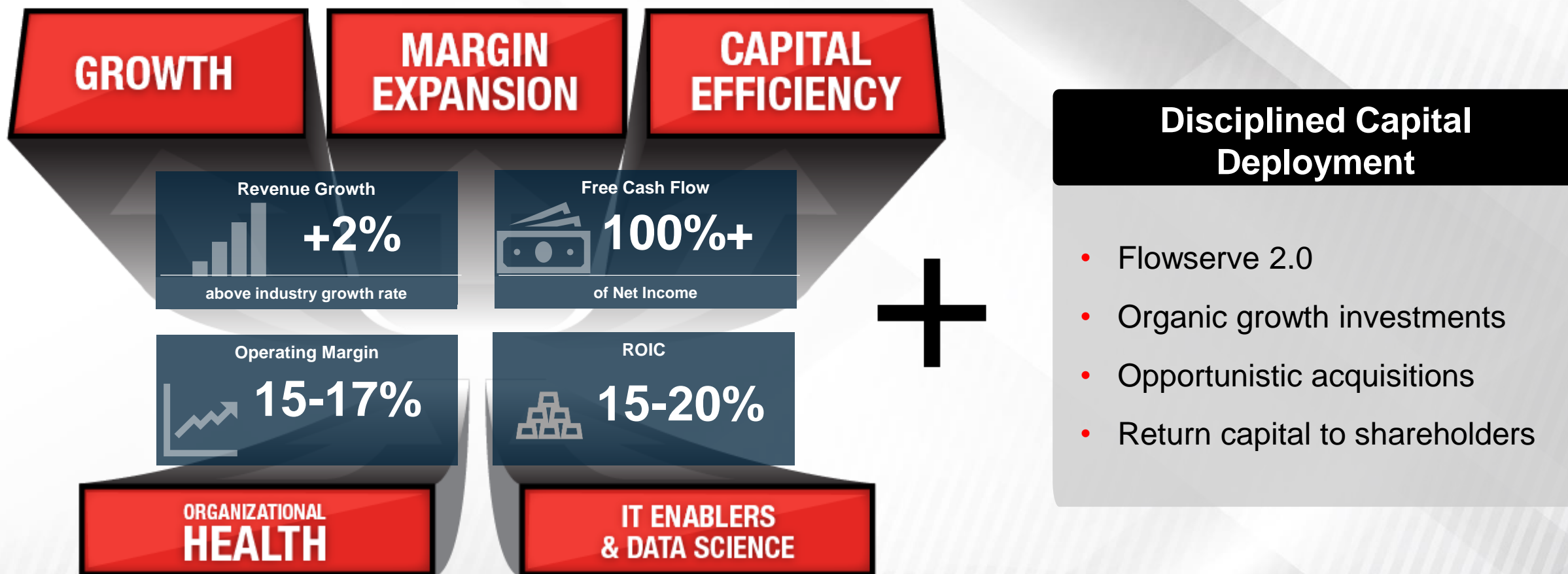


ROIC



**15-20%**

- Growth, margin expansion and capital efficiency drive improved returns
- Key metric for Flowserve 2.0
- Aligns Flowserve with shareholders







THINK  
BEYOND

Wrap-Up and Conclusion



## Company Overview



**Distinguished history of flow control expertise with a heritage of more than 225 years**



**Diversified business model – geographies, end markets and products**

## End Markets



**Recovering end markets, evidenced by year-over-year increased bookings**



**Significant installed base provides recurring aftermarket opportunities**

## Transformation Agenda



**Transforming Flowserve to unlock full potential and capitalize on opportunities in any market environment**

## Financial Strength

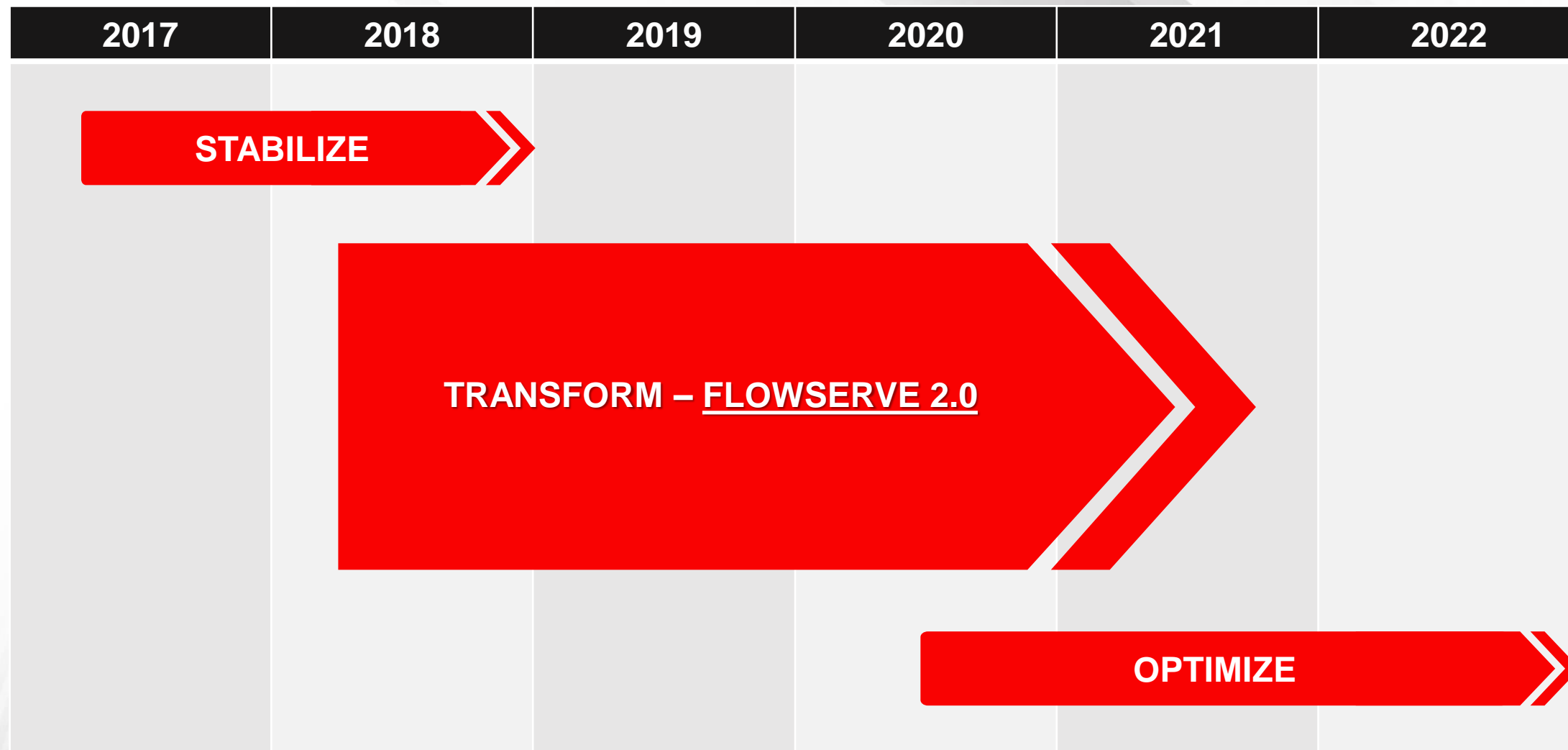


**Strong financials and cash flow generation, with meaningful improvement expected**



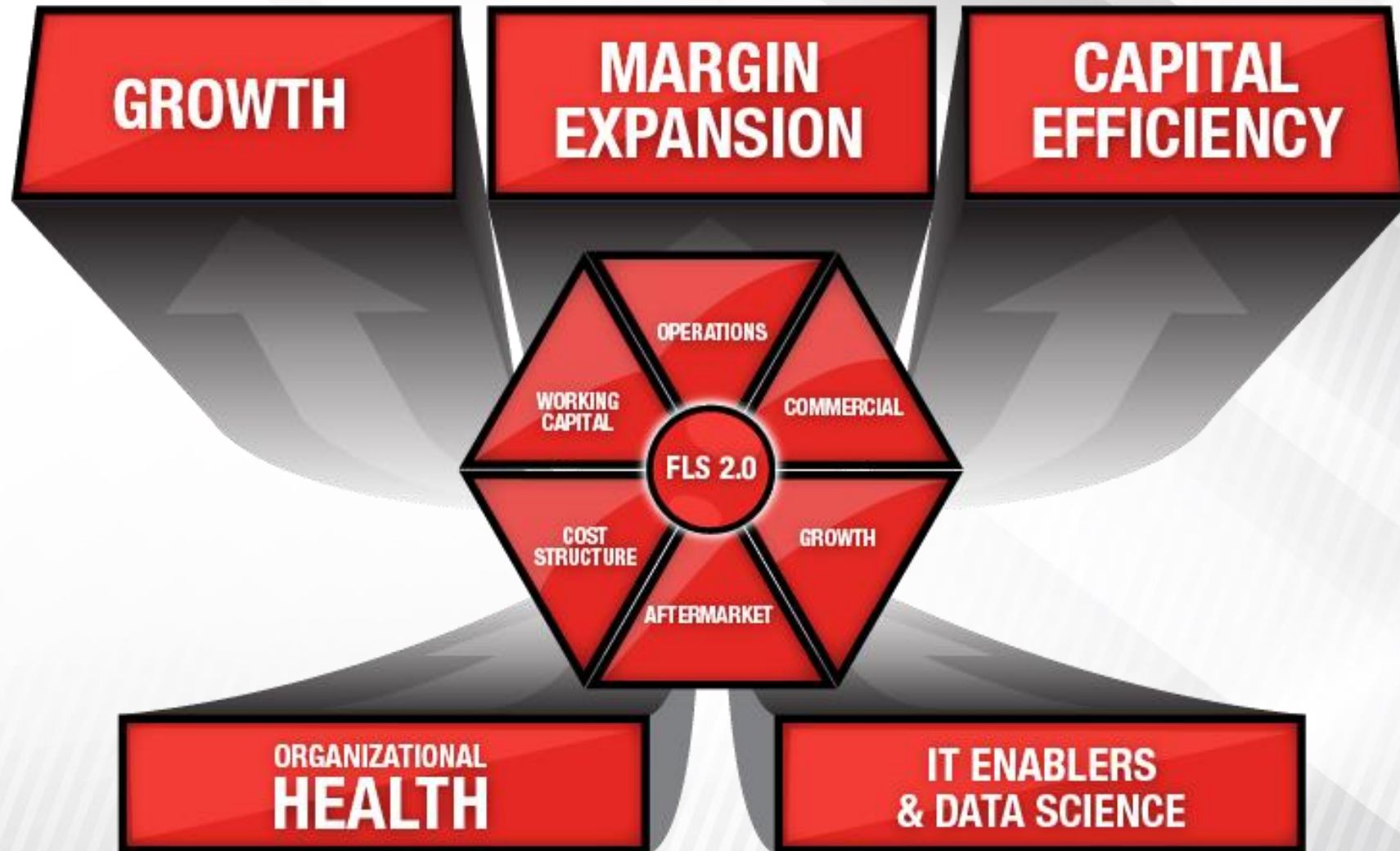
**Disciplined yet opportunistic capital allocation approach**

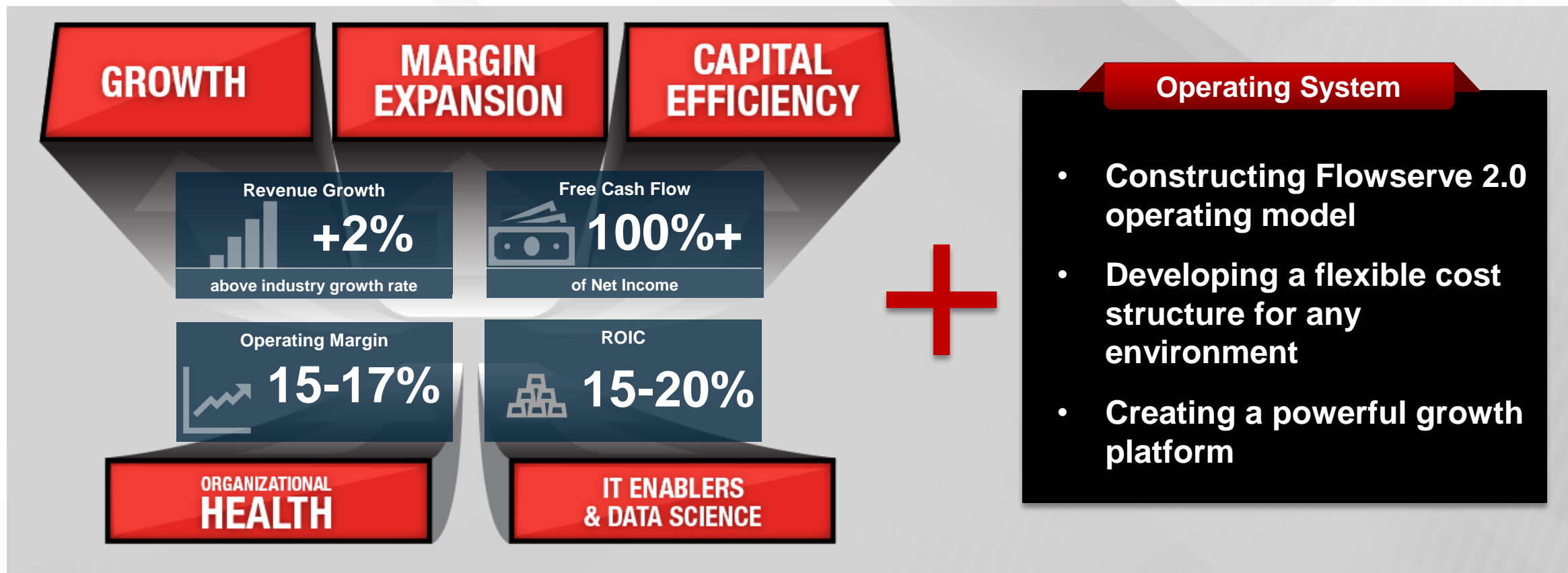












Building a sustainable enterprise

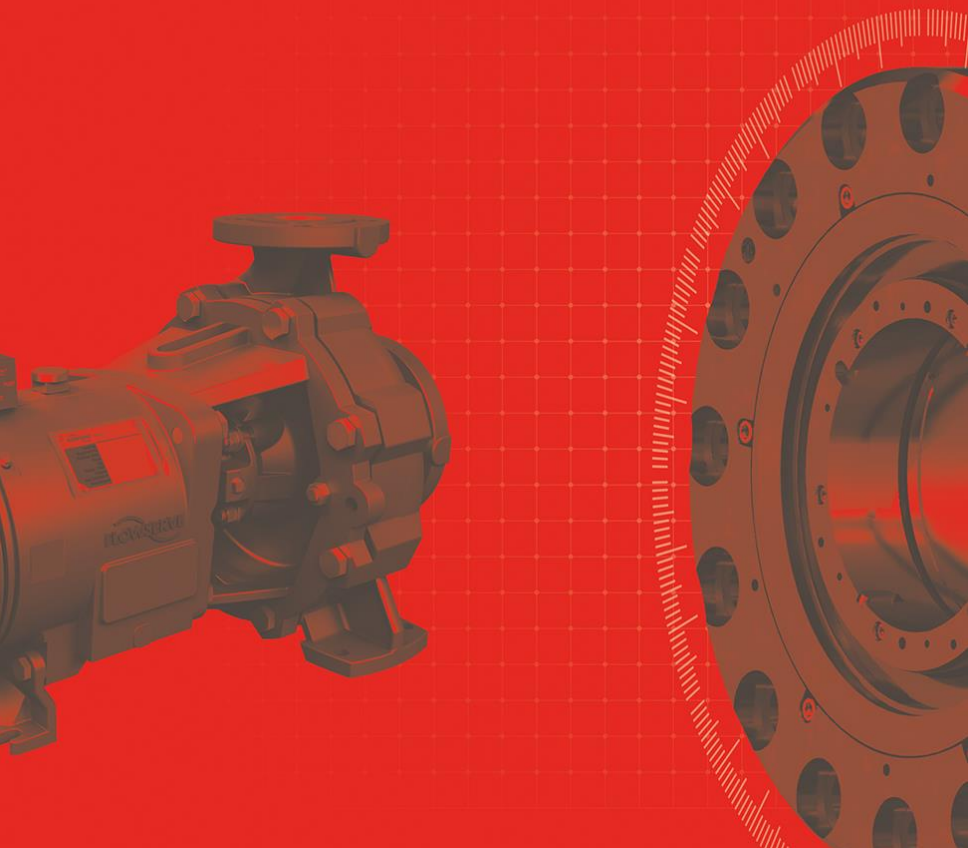




- Engaged and empowered global Flowserve associates
- Long-term, trust-based customer relationships
- Differentiated product and service technology
- Defined and integrated operating models and playbooks
- Enterprise-wide business systems
- Platform for growth
- Flexible and nimble cost structure
- Superior financial performance



## Questions & Answers







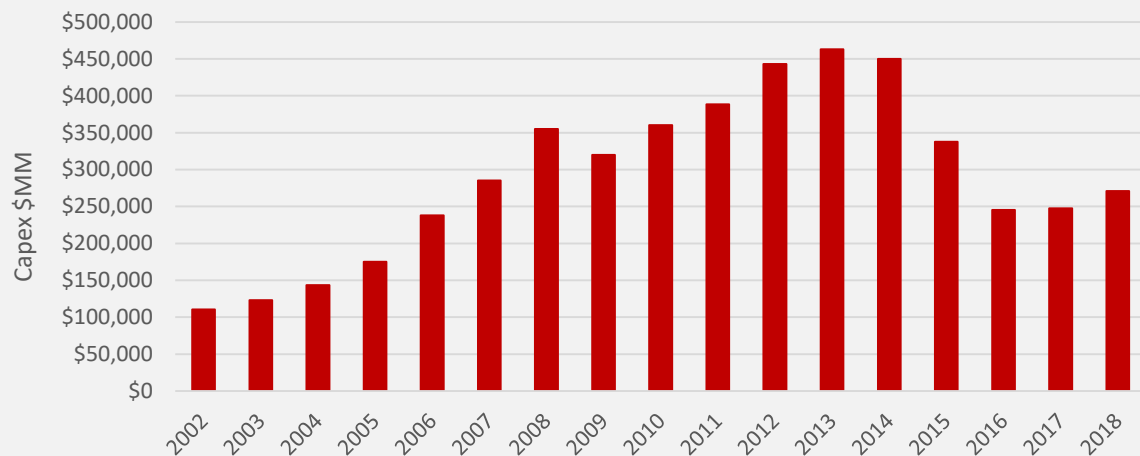
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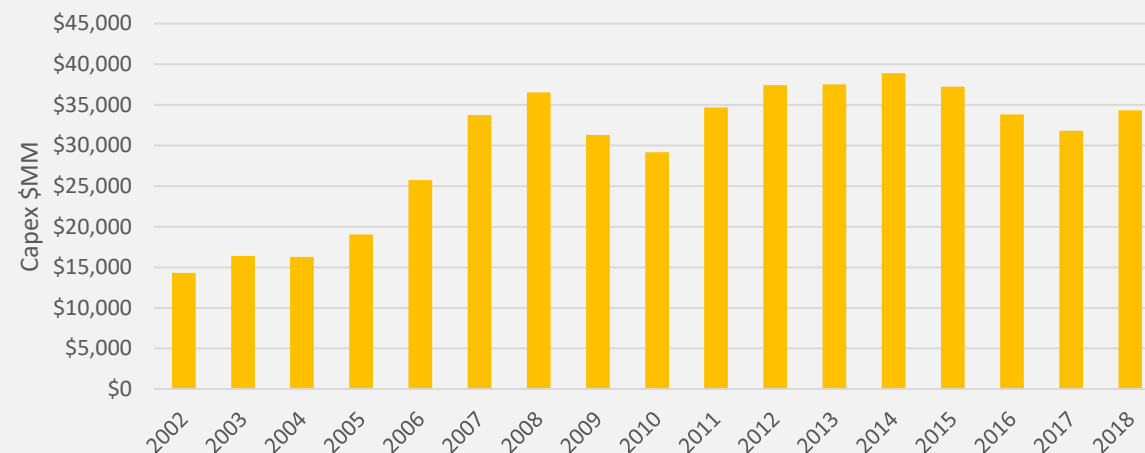
Appendix



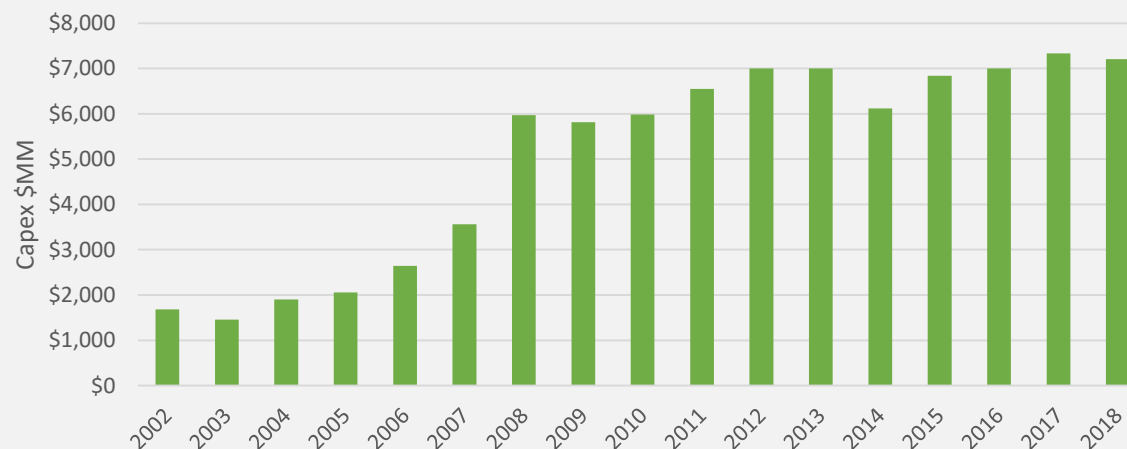
## Oil & Gas



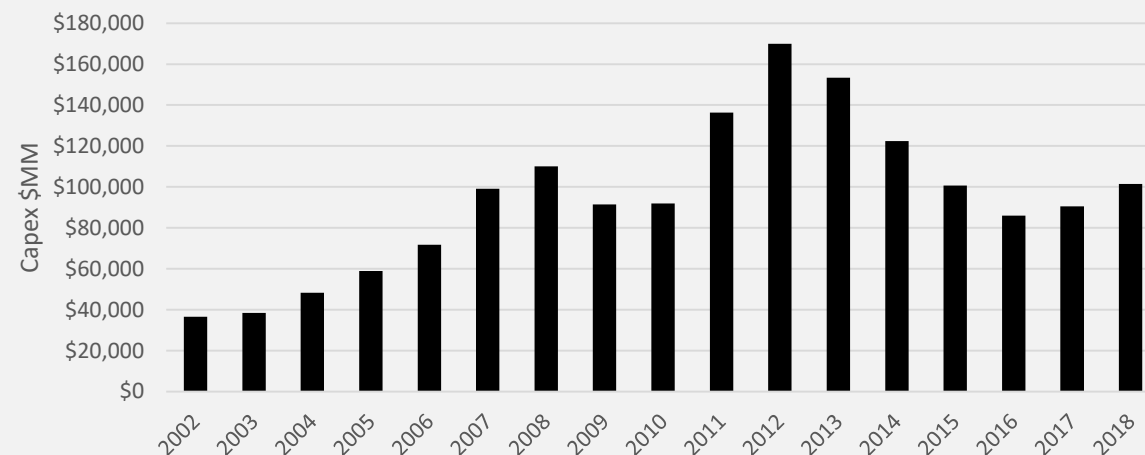
## Chemical



## Power Generation



## General Industries





# Reconciliation of Non-GAAP Measures

(Unaudited)

(Amounts in millions, except per share data)	Twelve Months Ended December 31, 2017			Trailing Twelve Months Ended September 30, 2018		
	As Reported (a)	Adjustments	As Adjusted	As Reported (a)	Adjustments	As Adjusted
Sales	\$ 3,660.8	\$ -	\$ 3,660.8	\$ 3,879.9	\$ -	\$ 3,879.9
Operating income	335.4	19.3 (1)	316.1	239.9	(119.3) (4)	359.2
Operating income as a percentage of sales	9.2%		8.6%	6.2%		9.3%
Other (expense) income, net	(16.1)	(13.9) (2)	2.2	(19.3)	(20.7) (5)	(1.4)
Earnings (loss) before income taxes	263.0	5.4	257.6	164.7	(140.0)	304.7
Provision for income taxes	(258.7)	(181.3) (3)	(77.4)	(209.8)	(128.2) (6)	(81.6)
Tax Rate	98.4%	NM	30.0%	127.4%	91.6%	26.8%
<b>Net earnings (loss) attributable to Flowserve Corporation</b>	<b>\$ 2.7</b>	<b>\$ (175.9)</b>	<b>\$ 178.6</b>	<b>\$ (49.3)</b>	<b>\$ (268.2)</b>	<b>\$ 218.9</b>
Diluted earnings per share	\$ 0.02	\$ (1.34)	\$ 1.36	\$ (0.38)	\$ (2.05)	\$ 1.67

(a) Reported in conformity with U.S. GAAP

(1) Includes \$71.2 million of realignment charges, \$4.4 million of PPA expense, \$29.0 million of asset impairment charges, \$17.3 million reserve for Latin America oil and gas contract and \$141.3 million gain on sale of businesses

(2) Includes \$13.9 million of below-the-line foreign exchange impacts

(3) Includes tax impact of footnotes (1) and (2), a \$115.3 million tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and certain tax valuation allowances totalling \$43.1 million

(4) Includes \$55.6 million of realignment charges, \$1.2 million of PPA expense, \$2.9 million of Latin America charges, \$17.4 million of IPD asset write-down, \$7.5 million loss on sale of businesses and \$34.7 million of discrete corporate items

(5) Includes \$20.7 million of below-the-line foreign exchange impacts

(6) Includes tax impact of footnotes (4) and (5), a \$115.3 million tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and certain tax valuation allowances totalling \$43.1 million

# Reconciliation of Non-GAAP Measures

(Unaudited)

(Amounts in millions, except per share data)	Twelve Months Ended December 31, 2015			Twelve Months Ended December 31, 2016		
	As Reported (a)	Adjustments	As Adjusted	As Reported (a)	Adjustments	As Adjusted
Sales	\$ 4,557.8	\$ -	\$ 4,557.8	\$ 3,990.5	\$ -	\$ 3,990.5
Operating income (loss)	514.7	(139.9) (1)	654.6	268.0	(192.3) (4)	460.3
Operating income (loss) as a percentage of sales	11.3%		14.4%	6.7%		11.5%
Other (expense) income, net	(39.1)	(42.3) (2)	(3.2)	2.3	2.8 (5)	0.5
Earnings (loss) before income taxes	412.4	(182.2)	594.6	212.9	(189.5)	402.4
Provision for income taxes	(148.4)	26.8 (3)	(175.2)	(77.4)	42.4 (6)	(119.8)
Tax Rate	36.0%	14.7%	29.5%	36.3%	22.4%	29.8%
<b>Net earnings (loss) attributable to Flowserve Corporation</b>	<b>\$ 258.4</b>	<b>\$ (155.4)</b>	<b>\$ 413.8</b>	<b>\$ 132.5</b>	<b>\$ (147.1)</b>	<b>\$ 279.6</b>
Diluted earnings per share	\$ 1.93	\$ (1.16)	\$ 3.09	\$ 1.01	\$ (1.12)	\$ 2.13

(a) Reported in conformity with U.S. GAAP

(1) Includes \$108.1 million of realignment charges, \$23.0 million of PPA expense, \$11.6 million of acquisition costs, \$6.8 million gain from reversal of contingent consideration related to acquisition of Innomag and \$4.1 million of other discrete charges

(2) Includes \$23.8 million of below-the-line foreign exchange impacts and \$18.5 million of Venezuela remeasurement loss

(3) Includes tax impact of items in footnotes (1) and (2)

(4) Includes \$87.3 million of realignment charges, \$9.3 million of PPA expense, \$14.5 million of Latin America charges, \$73.5 million of Venezuela accounts receivable reserves and \$7.7 million loss on sale of a business

(5) Includes \$2.8 million of below-the-line foreign exchange impacts

(6) Includes tax impact of items in footnotes (4) and (5)



# Reconciliation of Non-GAAP Measures – FCD

(Unaudited)

(Amounts in millions)	Trailing Twelve Months Ended September 30, 2018		
	As Reported	Adjustments	As Adjusted
Sales	\$ 1,234.5	\$ -	\$ 1,234.5
Operating income (loss)	203.8	(6.2) (1)	210.0
<i>Operating income (loss) as a percentage of sales</i>	16.5%		17.0%

	Twelve Months Ended December 31, 2017		
	As Reported	Adjustments	As Adjusted
Sales	\$ 1,188.1	\$ -	\$ 1,188.1
Operating income (loss)	321.2	126.8 (2)	194.4
<i>Operating income (loss) as a percentage of sales</i>	27.0%		16.4%

	Twelve Months Ended December 31, 2016		
	As Reported	Adjustments	As Adjusted
Sales	\$ 1,233.7	\$ -	\$ 1,233.7
Operating income (loss)	198.6	(13.6) (3)	212.2
<i>Operating income (loss) as a percentage of sales</i>	16.1%		17.2%

	Twelve Months Ended December 31, 2015		
	As Reported	Adjustments	As Adjusted
Sales	\$ 1,415.5	\$ -	\$ 1,415.5
Operating income (loss)	233.6	(28.9) (4)	262.5
<i>Operating income (loss) as a percentage of sales</i>	16.5%		18.5%

(1) Includes \$6.4 million of realignment charges and \$0.2 million of gain on sale of business

(2) Includes \$14.5 million of realignment charges and \$141.3 million gain on sale of businesses

(3) Includes \$11.4 million of realignment charges, \$1.7 million of Venezuela accounts receivable reserves and \$0.5 million of Brazil inventory write-down

(4) Includes \$28.9 million of realignment charges

(Amounts in millions)

## Trailing Twelve Months Ended September 30, 2018

	As Reported	Adjustments	As Adjusted
Sales	\$ 1,913.5	\$ -	\$ 1,913.5
Operating income (loss)	197.7	(35.3) (1)	233.0
<i>Operating income (loss) as a percentage of sales</i>	10.3%		12.2%

## Twelve Months Ended December 31, 2017

	As Reported	Adjustments	As Adjusted
Sales	\$ 1,775.4	\$ -	\$ 1,775.4
Operating income (loss)	156.8	(54.6) (2)	211.4
<i>Operating income (loss) as a percentage of sales</i>	8.8%		11.9%

## Twelve Months Ended December 31, 2016

	As Reported	Adjustments	As Adjusted
Sales	\$ 1,996.0	\$ -	\$ 1,996.0
Operating income (loss)	167.4	(129.5) (3)	296.9
<i>Operating income (loss) as a percentage of sales</i>	8.4%		14.9%

## Twelve Months Ended December 31, 2015

	As Reported	Adjustments	As Adjusted
Sales	\$ 2,256.8	\$ -	\$ 2,256.8
Operating income (loss)	320.0	(36.3) (4)	356.3
<i>Operating income (loss) as a percentage of sales</i>	14.2%		15.8%

(1) Includes \$32.4 million of realignment charges and \$2.9 million of asset impairment charges in Mexico

(2) Includes \$26.0 million of Brazil impairment, \$25.7 million of realignment charges and \$2.9 million of asset impairment charges in Mexico

(3) Includes \$36.7 million of realignment charges, \$72.9 million of Venezuela asset reserves, \$12.2 million for Brazil inventory write-down and \$7.7 million loss on sale of business

(4) Includes \$33.7 million of realignment charges, \$2.2 million Venezuela remeasurement and \$0.4 million of inventory write-down



# Reconciliation of Non-GAAP Measures – IPD

(Unaudited)

(Amounts in millions)

Trailing Twelve Months Ended September 30, 2018			
	As Reported	Adjustments	As Adjusted
Sales	\$ 818.3	\$ -	\$ 818.3
Operating income (loss)	(28.7)	(35.5) (1)	6.8
<i>Operating income (loss) as a percentage of sales</i>	-3.5%		0.8%

Twelve Months Ended December 31, 2017			
	As Reported	Adjustments	As Adjusted
Sales	\$ 775.2	\$ -	\$ 775.2
Operating income (loss)	(49.5)	(47.1) (2)	(2.4)
<i>Operating income (loss) as a percentage of sales</i>	-6.4%		-0.3%

Twelve Months Ended December 31, 2016			
	As Reported	Adjustments	As Adjusted
Sales	\$ 835.1	\$ -	\$ 835.1
Operating income (loss)	(6.4)	(44.6) (3)	38.2
<i>Operating income (loss) as a percentage of sales</i>	-0.8%		4.6%

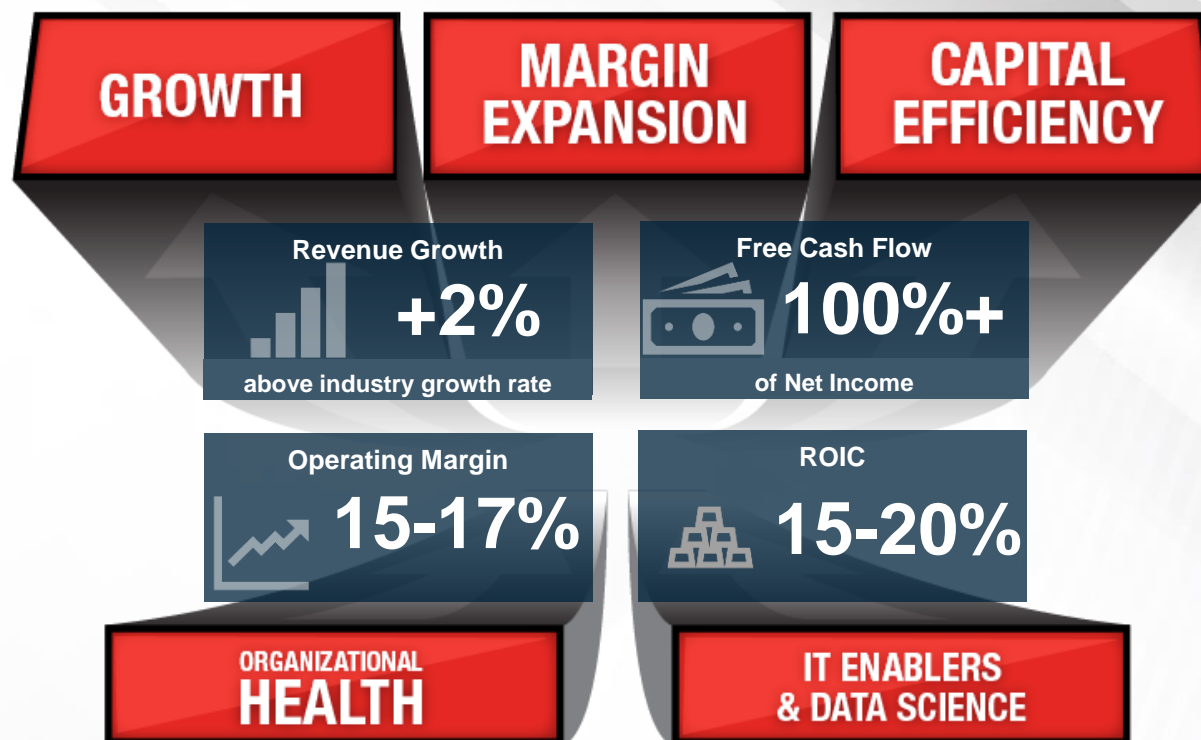
Twelve Months Ended December 31, 2015			
	As Reported	Adjustments	As Adjusted
Sales	\$ 981.9	\$ -	\$ 981.9
Operating income (loss)	29.1	(80.1) (4)	109.2
<i>Operating income (loss) as a percentage of sales</i>	3.0%		11.1%

(1) Includes \$9.2 million of realignment charges, \$17.4 million asset write-down, \$7.7 million loss on sale of business and \$1.2 million of PPA

(2) Includes \$25.3 million of realignment charges, \$4.4 million of PPA and \$17.4 million charge to reserve for contract in Latin America

(3) Includes \$34.6 million of realignment charges, \$9.3 million of PPA and \$0.7 of Venezuela inventory and accounts receivable reserves

(4) Includes \$45.5 million of realignment charges, \$23.0 million of PPA, \$11.6 million of acquisition costs



*Key assumptions include: no significant macroeconomic, geopolitical or terrorist-related disruptions that could have a material impact on our business and industry; ongoing modestly positive global GDP growth; inflation and interest rates at current levels or below; commodity prices, including crude oil, at current levels or above; foreign exchange rates at approximate current levels; organic performance (i.e. excludes impact of potential acquisitions or divestitures); achieving planned project timing and benefits of Flowserve 2.0 initiatives; Flowserve's "industry growth rate" is between +/- 3% per year; customers' capital and maintenance spending generally at current levels or above; and, limited impact from trade agreements and associated tariffs. Flowserve also encourages the reading of its "Risk Factors" as disclosed in our filings with the U.S. Securities and Exchange Commission for other factors that could impact our forward-looking targets.*





## SCOTT ROWE

President and Chief Executive Officer

*R. Scott Rowe*, has served as President and Chief Executive Officer since April 2017. Prior to joining Flowserve, Mr. Rowe served as President of the Cameron Group, a position he assumed in April 2016 following the merger between Schlumberger and Cameron International Corporation, formerly a NYSE-listed leading provider of flow management equipment, systems and services to the worldwide oil and gas industry. At Cameron, Mr. Rowe served in a variety of progressive roles during his 14-year career, culminating as its President and CEO. Before joining Cameron in 2002, Rowe was with Varco International and previously served in the U.S. Army.



## LEE S. ECKERT

Senior Vice President, Chief Financial Officer

Lee Eckert has served as Senior Vice President, Chief Financial Officer since October 2017. Prior to joining Flowserve, Mr. Eckert served as Senior Vice President and Chief Financial Officer of CHC Group Ltd., a position he assumed in July 2015. Prior to joining CHC, Mr. Eckert served as chief financial officer of the U.S. division of National Grid Plc. from June 2011 to September 2014, and, from June 2006 to June 2011, he served in various executive roles at MeadWestvaco Corporation.



## DAVID J. WILSON

President, Engineered and Industrial Pumps

*David J. Wilson* has served as President, Industrial Products Division since September 2017. He was employed previously with SPX Flow, Inc. as President, Industrial until January 2017. Prior to SPX Flow, Inc.'s spin-off from SPX Corporation, David was previously President, Flow Technology – industrial, of SPX Corporation. Prior to his most recent position at SPX Corporation, he held various senior positions within the organization from 1998 to 2014.



## JOHN LENANDER

President, Flow Control Division

John Lenander has served as President, Flow Control Division, since March 2016. He has served in multiple roles since joining the company in 2006, including positions of increasing responsibility in Global Sales and, prior to his current role, Vice President/General Manager of the Oil & Gas Sector. Before joining Flowserve, he served as Vice President, Sales, for Dresser Flow Control, holding various sales management roles at Dresser for 10 years. He began his career in the Flow Control industry with Cooper Cameron.



## **KIRK R. WILSON**

President, Aftermarket Services & Solutions

*Kirk R. Wilson* has served as President of Aftermarket Services & Solutions since September 2015. He has served in various roles since joining the Company in 1987, most recently as President, Services and Solutions Operations from January 2012 to September 2015, as Vice President and General Manager, Integrated Solutions Group from 2008 to 2011 and Vice President, Marketing for the Pump Division from 2004 to 2008.



## **ERIC J. VAN GEMEREN**

Chief Transformation Officer

*Eric J. van Gemeren* has served as Chief Transformation Officer since March 2018. Prior to his current role, Eric served as Vice President of Marketing and Technology from 2017. Since joining the company in 2004, Eric has served in various roles within Engineering, Marketing, Channel Management, Strategy, and M&A. Prior to Flowserve, Eric spent five years in Management Consulting and 16 years in uniformed military service with the Royal Canadian Navy.



## **JOHN (JAY) E. ROUECHE, III**

Vice President, Investor Relations and Treasurer

*John E. (Jay) Roueche, III* has served as Vice President, Investor Relations and Treasurer, for Flowserve since October 2012. In addition, he served as Interim Chief Financial Officer for Flowserve from February 2017 to October 2017. Prior to joining the company, he was the Vice President, Investor Relations and Treasurer, of McDermott International, Inc., a leading engineering, procurement, construction, and installation company, from August 2010 until October 2012. From April 2006 to August 2010, he served as Vice President, Investor Relations and Corporate Communications of McDermott International, Inc. In the preceding years, he served in progressive accounting and finance roles with Pennzoil-Quaker State Company, Pennzoil Company and Shell Oil Company.