



## News Release

# Flowserve Corporation Reports Fourth Quarter and Full Year 2013 Results

02/18/14

[Flowserve-final2.pdf](#)

***Reports Fourth Quarter & Full Year 2013 EPS of \$1.01 and \$3.41, respectively***

***Adjusted Fourth Quarter 2013 EPS of \$1.10, excluding discrete charges/currency***

***Increased bookings, sales, gross profit, operating income and EPS year-over-year; margins improved***

***Announces 14.3% quarterly dividend increase to 16 cents per share***

***Reaffirms 2014 Full Year EPS Target Range of \$3.65 to \$4.00***

DALLAS--(BUSINESS WIRE)--Feb. 18, 2014-- Flowserve Corporation (NYSE:FLS), a leading provider of flow control products and services for the global infrastructure markets, announced today its financial results for the fourth quarter and full year 2013, and filed its 2013 Annual Report on Form 10-K with the Securities and Exchange Commission. The company also announced today a 14.3% increase in its quarterly dividend to 16 cents per share.

**Highlights of 2013 Fourth Quarter** (all comparisons versus prior year quarter, unless otherwise noted):

- Fully diluted EPS of \$1.01, up 7.4% compared to \$0.94 per share
  - Fourth quarter results include \$13.8 million in discrete realignment, acquisition, legal and severance charges and \$4.1 million of below-the-line FX currency effects
  - Excluding the discrete charges and currency effects, adjusted EPS of \$1.10 was up approximately 17%
- Bookings of \$1.25 billion, up 15.7%, or 17.1% on a constant currency basis
  - Original equipment bookings of \$722.0 million, up 21.6%, or 23.2% constant currency
  - Quarterly record aftermarket bookings of \$530.6 million, up 8.5%, or 9.6% constant currency
- Sales of \$1.39 billion, up 4.6%, or 5.2% on a constant currency basis
  - Original equipment sales of \$822.4 million, up 8.6%, or 8.8% constant currency
- Gross profit increased \$22.9 million to \$470.5 million, up 5.1%, or 6.5% excluding \$6.3 million of discrete charges in cost of sales
- Gross margin improved 20 basis points to 33.9%, or 60 basis points excluding the discrete charges in cost of sales
- SG&A expense as a percentage of sales increased 10 basis points to 18.8%, or decreased 50 basis points excluding \$7.5 million of discrete charges in SG&A
- Operating income increased \$10.1 million to \$212.9 million, up 5.0%, or 7.0% on a constant currency basis
  - Operating income increased approximately 11.8% excluding the total \$13.8 million of discrete charges
- Operating margin of 15.3%, or 16.3% excluding the discrete charges

**Highlights of 2013 Full Year** (all comparisons versus prior year, unless otherwise noted):

- Fully diluted EPS of \$3.41, up 20.1% compared to \$2.84 per share
- Bookings of \$4.88 billion, up 3.6%, or 4.2% on a constant currency basis
  - Original equipment bookings of \$2.89 billion, up 3.9%, or 4.4% constant currency
  - Aftermarket bookings of \$1.99 billion, up 3.0%, or 3.9% constant currency
- Sales of \$4.95 billion, up 4.3%, or 5.0% on a constant currency basis
  - Original equipment sales of \$2.98 billion, up 6.0%, or 6.5% constant currency
- Gross profit increased \$107.1 million to \$1.69 billion, up 6.8%, or 7.2% excluding fourth quarter 2013 discrete charges in cost of sales
- Gross margin improved 80 basis points to 34.1%, or 90 basis points excluding fourth quarter 2013 discrete charges in cost of sales
- SG&A spend as a percentage of sales increased 10 basis points to 19.5%, or was down 30 basis points excluding fourth quarter 2013 discrete charges and \$14.3 million of SG&A benefits in 2012
- Operating income increased \$84.5 million to \$760.3 million, up 12.5%, or 14.3% on a constant currency basis
  - Operating income increased approximately 14.5% excluding fourth quarter 2013 discrete charges
- Operating margin increased 110 basis points to 15.3%

"I am pleased with our solid finish to 2013 and the continued momentum we demonstrated through the fourth quarter. We expect to leverage our disciplined customer focus, business synergies and improving operating platform to further capitalize on anticipated growth opportunities in 2014," said

Mark Blinn, Flowserve's president and chief executive officer. "Key takeaways from our 2013 fourth quarter and full year results include:

- The 'One Flowserve' strategy continues to produce results through increasing leverage of our complete flow control platform, global network of QRCs, customer relationships and centers of excellence;
- Ongoing operational excellence initiatives, pricing discipline and improved backlog quality delivered margin improvements and supported solid EPS growth for both reporting periods;
- Additional internal initiatives and operational strategies represent continued earnings opportunity;
- Strong fourth quarter original equipment bookings growth, across all segments, combined with a record level of aftermarket bookings;
- Continued bidding discipline remains paramount, as initial large project opportunities are highly competitive;
- Aftermarket strategies and run-rate original equipment projects again contributed to increased sales and gross profits, and strengthened our foundation of recurring, higher-margin activity;
- Strong full year operating leverage with gross and operating margin flow-through delivered by all segments;
- IPD operating margin increase of 200 and 180 basis points for the fourth quarter and full year, respectively, demonstrates continued progress and a solidified operating platform to pursue growth;
- Diversity in geographic exposure, business mix, customer base and end-markets remains a major strength;
- Focused SG&A management, with normalized spend up only slightly over 3-year period;
- Returned over \$535 million in capital to shareholders through dividends and share repurchases;

- Constant focus on asset optimization led to the joint venture transactions, realignment activity and Innomag bolt-on acquisition during 2013; and,
- While some uncertainty remains within the global economy, the strength of our business model and the energy markets we serve provide confidence for our long-term earnings growth outlook.”

“In summary, our employees’ commitment and execution of our end-user strategies, combined with our disciplined capital allocation approach, drove another year of solid financial performance and value creation for Flowserve shareholders.”

### **Financial Performance and Guidance**

“For the full year 2013, Flowserve leveraged single-digit revenue growth, cost containment and operating synergies into solid gross and operating margin improvements, which along with our share count reduction, delivered EPS growth over 20%,” commented Mike Taff, Flowserve’s senior vice president and chief financial officer. “Continued commitment to our strategies yielded a reported operating margin improvement of 110 basis points to 15.3%. The 2013 operating margin delivered, a year ahead of schedule, the lower end of our 150-to-250 basis point operating margin improvement goal with continued opportunity for further growth in 2014.”

“We also returned over \$535 million of capital to our shareholders during 2013, as we executed on our capital structure policies to increase the efficiency of our balance sheet, while at the same time pursuing profitable growth investments and accretive, bolt-on acquisitions, such as Innomag. Our Board of Directors further emphasized our commitment to shareholders through their recent approval of a 14.3% increase to our quarterly dividend, the fourth consecutive annual double digit increase.”

“Looking forward to 2014, we expect a solid year-over-year increase in EPS, built on 3-to-6% revenue growth, an improved backlog of work, continued operating improvements, cost leverage and our capital allocation policy. This formula provides confidence in reaffirming our 2014 EPS target range of \$3.65 to \$4.00 per share. Similar to recent years, our earnings should reflect traditional seasonality with earnings weighted to the second half of the year. Absent any transactional gains, such as those that increased EPS in the first quarters of 2012 and 2013, we expect that over 80% of our full year 2014 target range will be generated during the final three quarters of the year.”

**Operational Commentary and Segment Performance** (all comparisons versus prior year unless otherwise noted)

“I am pleased with the operational improvements we made throughout 2013, as we continued to deliver improvements on key metrics such as on-time delivery, past-due backlog, cost of quality and low-cost sourcing,” said Tom Pajonas, senior vice president and chief operating officer. “The impressive leverage and flow-through delivered across the segments further highlights that our strategies, including ‘One Flowserve,’ operational excellence and customer focus, continue to capitalize on the synergies between our segments. While opportunities for improvement remain, we believe our platforms are solidly positioned as the cycle begins to gain momentum.”

“I am also encouraged by our strong fourth quarter bookings and, in particular, the strength of original equipment orders, driven by continued run-rate activity. Regarding the larger original equipment order opportunities, we remain encouraged by the size and number of infrastructure projects progressing through pre-FEED and FEED stages, including a growing list of projects officially awarded to EPC firms. Our larger original equipment bookings typically follow this process, so the vast majority of our opportunities are still on the horizon. We anticipate that bidding opportunities for early larger projects will remain competitive. As such, we will maintain our focus on discipline and selectivity to ensure a high quality backlog.”

Flowserve reports its operations through three segments: Engineered Product Division (EPD), Industrial Product Division (IPD) and Flow Control Division (FCD). Key financial highlights of segment performance for the fourth quarter and full year of 2013 include:

*Fourth Quarter and Full Year 2013 - Segment Results*

(dollars in millions, comparison vs. 2012 fourth quarter and full year, unaudited)

	EPD		IPD		FCD	
	4th Qtr	Full Year	4th Qtr	Full Year	4th Qtr	Full Year
Bookings	\$ 632.2	\$ 2,474.1	\$ 247.4	\$ 889.1	\$ 412.6	\$ 1,661.9
- vs. prior year	13.2%	4.3%	19.7%	-7.8%	16.5%	8.8%
- on constant currency	16.3%	5.9%	18.7%	-8.2%	16.2%	8.5%
Sales	\$ 721.1	\$ 2,537.1	\$ 277.6	\$ 950.2	\$ 426.2	\$ 1,615.7
- vs. prior year	1.0%	5.6%	4.6%	-0.4%	7.4%	3.8%
- on constant currency	3.2%	7.4%	3.1%	-0.9%	6.4%	3.4%
Gross Profit	\$ 243.9	\$ 861.3	\$ 73.3	\$ 245.3	\$ 150.8	\$ 579.2

- vs. prior year	1.7%	6.2%	11.4%	6.5%	6.0%	7.0%
Gross Margin (% of sales)	33.8%	33.9%	26.4%	25.8%	35.4%	35.8%
- vs. prior year (in basis points)	20	10	160	170	-50	100
Operating Income	\$ 126.5	\$ 423.3	\$ 38.6	\$ 115.7	\$ 71.2	\$ 308.0
- vs. prior year	3.9%	6.9%	21.8%	16.3%	3.2%	21.5%
- on constant currency	8.0%	8.9%	18.6%	15.2%	3.2%	23.5%
Operating Margin (% of sales)	17.5%	16.7%	13.9%	12.2%	16.7%	19.1%
- vs. prior year (in basis points)	40	20	200	180	-70	280
Backlog		1,311.4		\$ 530.1		\$ 769.6

### **Increase in Quarterly Dividend**

Flowserve announced today that its Board of Directors has authorized the payment of a quarterly cash dividend of \$0.16 per share on the company's outstanding shares of common stock. This dividend represents a 14.3% increase compared to the \$0.14 per share amount paid in January 2014.

The dividend is payable on April 11, 2014, to shareholders of record as of the close of business on March 28, 2014.

While Flowserve currently intends to pay regular quarterly cash dividends for the foreseeable future, any future dividends, whether at this \$0.16 per share quarterly rate or otherwise, will be reviewed individually and declared by the Board at its discretion, dependent on the Board's assessment of the company's financial condition and business outlook at the applicable time.

### **Fourth Quarter and Full Year 2013 Results Conference Call**

Flowserve will host its conference call with the financial community on Wednesday, February 19<sup>th</sup> at 11:00 AM Eastern. Mark Blinn, president and chief executive officer, as well as other members of the management team will be presenting. The call can be accessed by shareholders and other interested parties at [www.flowserve.com](http://www.flowserve.com) under the "Investor Relations" section.

### **About Flowserve**

Flowserve Corp. is one of the world's leading providers of fluid motion and control products and services. Operating in more than 50 countries, the company produces engineered and industrial pumps, seals and valves as well as a range of related flow management services. More information about Flowserve can be obtained by visiting the company's Web site at [www.flowserve.com](http://www.flowserve.com).

### **Note regarding Non-GAAP financial measures**

This earnings release contains certain non-GAAP financial measures. An additional reconciliation of such non-GAAP financial measures to their most directly comparable GAAP financial measures is contained within the appendix to the company's fourth quarter 2013 earnings presentation, which can be found on [www.flowserve.com](http://www.flowserve.com) under the "Investor Relations" section.

**SAFE HARBOR STATEMENT:** This news release 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 the global financial markets and the availability of capital 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 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; 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 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 news release are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statement.

## CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 363,804	\$ 304,252
Accounts receivable, net	1,155,327	1,103,724
Inventories, net	1,060,670	1,086,663
Deferred taxes	157,448	151,093
Prepaid expenses and other	110,133	94,484
Total current assets	<u>2,847,382</u>	<u>2,740,216</u>
Property, plant and equipment, net	716,289	654,179
Goodwill	1,107,551	1,053,852
Deferred taxes	19,533	26,706
Other intangible assets, net	160,548	150,075
Other assets, net	185,430	185,930
Total assets	<u>\$ 5,036,733</u>	<u>\$ 4,810,958</u>

## LIABILITIES AND EQUITY

### Current liabilities:

Accounts payable	\$ 612,092	\$ 616,900
Accrued liabilities	861,010	906,593
Debt due within one year	72,678	59,478
Deferred taxes	12,319	7,654
Total current liabilities	<u>1,558,099</u>	<u>1,590,625</u>
Long-term debt due after one year	1,127,619	869,116
Retirement obligations and other liabilities	473,894	456,742
Shareholders' equity:		
Common shares, \$1.25 par value	220,991	220,991
Shares authorized – 305,000		
Shares issued – 176,793 and 176,793, respectively		
Capital in excess of par value	476,218	467,856
Retained earnings	2,985,391	2,579,308
Treasury shares, at cost – 39,630 and 32,389 shares, respectively	(1,600,266)	(1,164,496)
Deferred compensation obligation	9,522	10,870
Accumulated other comprehensive loss	(221,477)	(224,310)
Total Flowserve Corporation shareholders' equity	<u>1,870,379</u>	<u>1,890,219</u>
Noncontrolling interests	6,742	4,256
Total equity	<u>1,877,121</u>	<u>1,894,475</u>
Total liabilities and equity	<u>\$ 5,036,733</u>	<u>\$ 4,810,958</u>

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Year Ended December 31,		
	2013	2012	2011
Sales	\$ 4,954,619	\$ 4,751,339	\$ 4,510,201
Cost of sales	(3,266,524)	(3,170,388)	(2,996,555)
Gross profit	<u>1,688,095</u>	<u>1,580,951</u>	<u>1,513,646</u>
Selling, general and administrative expense	(966,829)	(922,125)	(914,080)
Net earnings from affiliates	39,017	16,952	19,111
Operating income	<u>760,283</u>	<u>675,778</u>	<u>618,677</u>
Interest expense	(54,413)	(43,520)	(36,181)
Interest income	1,431	954	1,581
Other (expense) income, net	(14,280)	(21,647)	3,678
Earnings before income taxes	<u>693,021</u>	<u>611,565</u>	<u>587,755</u>
Provision for income taxes	<u>(204,701)</u>	<u>(160,766)</u>	<u>(158,524)</u>

Net earnings, including noncontrolling interests	488,320	450,799	429,231
Less: Net earnings attributable to noncontrolling interests	(2,790)	(2,460)	(649)
Net earnings attributable to Flowserve Corporation	<u>\$ 485,530</u>	<u>\$ 448,339</u>	<u>\$ 428,582</u>

Net earnings per share attributable to Flowserve Corporation common shareholders:

Basic	\$ 3.43	\$ 2.86	\$ 2.57
Diluted	3.41	2.84	2.55

Cash dividends declared per share	\$ 0.56	\$ 0.48	\$ 0.43
-----------------------------------	---------	---------	---------

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Three Months Ended December 31,	
	2013	2012
Sales	\$ 1,389,440	\$ 1,328,211
Cost of sales	(918,968)	(880,649)
Gross profit	470,472	447,562
Selling, general and administrative expense	(260,552)	(248,547)
Net earnings from affiliates	2,974	3,738
Operating income	212,894	202,753
Interest expense	(16,151)	(13,644)
Interest income	555	227
Other (expense) income, net	(5,601)	502
Earnings before income taxes	191,697	189,838
Provision for income taxes	(49,703)	(47,901)
Net earnings, including noncontrolling interests	141,994	141,937
Less: Net earnings attributable to noncontrolling interests	(912)	(335)
Net earnings attributable to Flowserve Corporation	<u>\$ 141,082</u>	<u>\$ 141,602</u>

Net earnings per share attributable to Flowserve Corporation common shareholders:

Basic	\$ 1.01	\$ 0.95
Diluted	1.01	0.94

Cash dividends declared per share	\$ 0.14	\$ 0.12
-----------------------------------	---------	---------

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2013	2012	2011
Cash flows – Operating activities:			
Net earnings, including noncontrolling interests	\$ 488,320	\$ 450,799	\$ 429,231
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	90,695	88,572	90,653
Amortization of intangible and other assets	15,697	18,654	16,908
Loss on amendment and early extinguishment of debt	439	1,293	-
Net loss (gain) on the disposition of assets	956	(10,521)	(149)
Gain on sale of equity investment in affiliate	(12,995)	-	-
Gain on remeasurement of acquired assets	(15,315)	-	-
Excess tax benefits from stock-based payment arrangements	(10,111)	(11,207)	(5,668)
Stock-based compensation	35,757	35,403	32,090
Net earnings from affiliates, net of dividends received	(6,168)	(8,535)	(5,213)
Change in assets and liabilities, net of acquisitions:			
Accounts receivable, net	(53,823)	(35,074)	(243,118)
Inventories, net	28,616	(72,706)	(139,754)
Prepaid expenses and other	(6,824)	(4,863)	(12,227)
Other assets, net	(18,002)	2,393	(3,629)
Accounts payable	(12,331)	18,179	45,845
Accrued liabilities and income taxes payable	(65,702)	90,773	(6,901)
Retirement obligations and other liabilities	(3,145)	(21,553)	6,682
Net deferred taxes	31,695	(24,477)	13,463
Net cash flows provided by operating activities	487,759	517,130	218,213
Cash flows – Investing activities:			
Capital expenditures	(139,090)	(135,539)	(107,967)
Payments for acquisitions, net of cash acquired	(76,801)	(3,996)	(90,505)
Proceeds from disposal of assets	1,653	16,933	4,269
Proceeds from (contributions to) equity investments in affiliates	46,240	(3,825)	-
Net cash flows used by investing activities	(167,998)	(126,427)	(194,203)
Cash flows – Financing activities:			
Excess tax benefits from stock-based payment arrangements	10,111	11,207	5,668
Payments on long-term debt	(25,000)	(480,000)	(25,000)
Proceeds from issuance of senior notes	298,596	498,075	-
Proceeds from issuance of long-term debt	-	400,000	-
Payments of deferred loan costs	(3,744)	(9,901)	-
Borrowings under other financing arrangements, net	(401)	5,807	1,581
Repurchases of common shares	(458,310)	(771,942)	(150,000)
Payments of dividends	(76,897)	(73,765)	(69,557)
Other	(179)	(8,403)	(1,648)

Net cash flows used by financing activities	(255,824)	(428,922)	(238,956)
Effect of exchange rate changes on cash	(4,385)	5,115	(5,277)
Net change in cash and cash equivalents	59,552	(33,104)	(220,223)
Cash and cash equivalents at beginning of year	304,252	337,356	557,579
Cash and cash equivalents at end of year	<u>\$ 363,804</u>	<u>\$ 304,252</u>	<u>\$ 337,356</u>
Income taxes paid (net of refunds)	<u>\$ 195,532</u>	<u>\$ 158,433</u>	<u>\$ 113,921</u>
Interest paid	43,506	33,625	32,368

## CONSOLIDATED QUARTERLY FINANCIAL DATA

(Amounts in millions, except per share data)

Quarter	2013			
	4th	3rd	2nd	1st
Sales	\$ 1,389.4	\$ 1,229.1	\$ 1,239.5	\$ 1,096.6
Gross profit	470.5	422.7	421.6	373.3
Earnings before income taxes	191.7	182.4	171.3	147.6
Net earnings attributable to Flowserve Corporation	141.1	126.3	120.4	97.8
Earnings per share (1):				
Basic	\$ 1.01	\$ 0.90	\$ 0.85	\$ 0.68
Diluted	1.01	0.90	0.84	0.67

  

Quarter	2012			
	4th	3rd	2nd	1st
Sales	\$ 1,328.2	\$ 1,165.9	\$ 1,182.2	\$ 1,075.0
Gross profit	447.6	389.6	384.6	359.2
Earnings before income taxes	189.8	144.6	148.1	129.1
Net earnings attributable to Flowserve Corporation	141.6	106.3	107.3	93.1
Earnings per share (1):				
Basic	\$ 0.95	\$ 0.70	\$ 0.66	\$ 0.57
Diluted	0.94	0.69	0.66	0.56

(1) Earnings per share is computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in weighted average quarterly shares outstanding.

## SEGMENT INFORMATION

ENGINEERED PRODUCT DIVISION

Three Months Ended December 31,

(Amounts in millions, except percentages)

	2013	2012
Bookings	\$ 632.2	\$ 558.4
Sales	721.1	714.2
Gross profit	243.9	239.8
Gross profit margin	33.8%	33.6%
Operating income	126.5	121.8
Operating margin	17.5%	17.1%

#### INDUSTRIAL PRODUCT DIVISION

(Amounts in millions, except percentages)

	Three Months Ended December 31,	
	2013	2012
Bookings	\$ 247.4	\$ 206.7
Sales	277.6	265.5
Gross profit	73.3	65.8
Gross profit margin	26.4%	24.8%
Operating income	38.6	31.7
Operating margin	13.9%	11.9%

#### FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

	Three Months Ended December 31,	
	2013	2012
Bookings	\$ 412.6	\$ 354.2
Sales	426.2	396.9
Gross profit	150.8	142.3
Gross profit margin	35.4%	35.9%
Operating income	71.2	69.0
Operating margin	16.7%	17.4%

### SEGMENT INFORMATION

#### ENGINEERED PRODUCT DIVISION

(Amounts in millions, except percentages)

	Year Ended December 31,		
	2013	2012	2011
Bookings	\$ 2,474.1	\$ 2,373.1	\$ 2,333.5
Sales	2,537.1	2,403.1	2,321.4
Gross profit	861.3	811.2	803.4
Gross profit margin	33.9%	33.8%	34.6%
Operating income	423.3	396.1	395.2
Operating margin	16.7%	16.5%	17.0%

#### INDUSTRIAL PRODUCT DIVISION

(Amounts in millions, except percentages)

	Year Ended December 31,		
	2013	2012	2011
Bookings	\$ 889.1	\$ 964.3	\$ 905.4

Sales	950.2	953.9	878.2
Gross profit	245.3	230.3	197.5
Gross profit margin	25.8%	24.1%	22.5%
Operating income	115.7	99.5	62.9
Operating margin	12.2%	10.4%	7.2%

#### FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

	Year Ended December 31,		
	2013	2012	2011
Bookings	\$ 1,661.9	\$ 1,526.8	\$ 1,603.0
Sales	1,615.7	1,557.1	1,473.3
Gross profit	579.2	541.4	511.5
Gross profit margin	35.8%	34.8%	34.7%
Operating income	308.0	253.4	233.3
Operating margin	19.1%	16.3%	15.8%

Source: Flowserve Corporation

#### Flowserve Contacts

##### Investor Contacts:

Jay Roueche, 972-443-6560

Vice President, Treasurer & Investor Relations

or

Mike Mullin, 972-443-6636

Director, Investor Relations

or

##### Media Contact:

Lars Rosene, 972-443-6644

Vice President, Global Communications & Public Affairs