



News Release

Flowserve Corporation Reports Fourth Quarter and Full Year 2016 Results; Issues 2017 Financial Guidance

02/16/17

DALLAS--(BUSINESS WIRE)--Feb. 16, 2017-- Flowserve Corporation (NYSE: FLS), a leading provider of flow control products and services for the global infrastructure markets, today reported its financial results for the fourth quarter and full year ended December 31, 2016.

Fourth Quarter 2016 Highlights

- Reported Earnings Per Share (EPS) of \$0.50 includes \$0.22 per share of adjusted items, as detailed below, and approximately \$0.03 per share of negative currency translation
 - Adjusted EPS^[1] was \$0.72 excluding the adjusted items but including the negative currency translation
 - Adjusted items include \$0.20 per share of realignment expenses and \$0.02 of purchase price accounting expenses and Brazil inventory write-down
- Sales were \$1.07 billion, down 14.7% on a constant currency basis
 - Aftermarket sales were \$502 million in the fourth quarter, down 8.7% on a constant currency basis
- Total bookings were \$908 million, down 4.2% on a constant currency basis

- Aftermarket bookings were \$446 million, or 49% of total bookings, flat with prior year on a constant currency basis
- Reported gross and operating margins of 31.0% and 10.0% increased 10 basis points and decreased 60 basis points, respectively
 - Adjusted gross and operating margins^[2] were 33.2% and 13.2% declined 20 basis points and 130 basis points, respectively

Full Year 2016 and Other Highlights

- Reported EPS of \$1.11 includes \$1.08 per share of adjusted items, as detailed below, and approximately \$0.09 per share of negative currency translation
 - Adjusted EPS^[1] was \$2.19 excluding the adjusted items but including the negative currency translation
 - Adjusted items include \$0.58 per share of realignment expenses, \$0.47 per share to reserve for certain Latin American non-cash exposures, \$0.05 of integration and purchase price accounting expenses and \$0.02 of below-the-line foreign exchange benefit
- Full year sales were \$3.99 billion, down 10.0% on a constant currency basis
 - Aftermarket sales were \$1.80 billion, down 5.9% on a constant currency basis
- Full year bookings were \$3.76 billion, representing a full year book-to-bill ratio of 94%
 - Full year aftermarket bookings were \$1.82 billion, or 49% of total bookings, flat with prior year on a constant currency basis
- Achieved approximately \$93 million of full year incremental cost savings from the realignment program, including \$12 million during the 2016 fourth quarter

- Backlog at December 31, 2016 was \$1.90 billion, down 12.7% versus prior year

“Flowserve delivered fourth quarter and full year 2016 results in-line with our expectations, supported by continued progress on our realignment program,” said Mark Blinn, Flowserve’s President and Chief Executive Officer. “Our focus on disciplined cost management and efficiency enhancing initiatives helped mitigate what continues to be a challenging industry environment. We were pleased to have experienced another quarter of generally stable crude prices and are encouraged by the general increased sense of optimism about the macroeconomic environment. These factors, however, have yet to translate into increased bookings levels, as customers remained cautious in new project awards and maintenance activities during the fourth quarter, and in their acceptance of completed project work. Importantly, for both the fourth quarter and for the full year, our aftermarket bookings stabilized relative to prior year levels, which is a positive development for Flowserve. We continue to achieve meaningful cost savings from our transformational realignment program and look forward to completing the vast majority of the \$400 million program in 2017.

“While we are cautiously optimistic that certain energy and industrial customers’ budgets may improve off current low levels, we are not anticipating a recovery in our 2017 planning due to continued geopolitical, end market and macro uncertainties. Accordingly, our near term focus remains on controlling what we can by improving our speed to market, enhancing our project execution, and completing our strategic realignment program. We believe that these initiatives will position the company successfully through cycles regardless of market conditions. We will remain disciplined in our approach to the work we pursue, and are confident that our actions will drive a leaner and more efficient operating platform. Flowserve remains well positioned to drive value for our shareholders over the long term.”

2017 Initial Guidance [3]

Flowserve is providing Reported and Adjusted EPS guidance for 2017, as well as certain other financial metrics, as shown in the table below.

	2017 Target Range
Revenues	Down 6% to 11%
Reported Earnings Per Share	\$0.72 - \$1.02
Adjusted Earnings Per Share	\$1.55 - \$1.85
Net interest expense	\$60 - \$63 million
Tax rate (approximate)	30% – 31%

Flowserve's 2017 Adjusted EPS target range excludes expected realignment charges of approximately \$155 million, as well as the potential impact of below-the-line foreign currency effects and certain other discrete items. Both the Reported and the Adjusted EPS target range includes the expected revenue decline of approximately 6 to 11 percent year-over-year, and is based on year-end 2016 foreign currency rates, current commodity prices, expected bookings levels and market conditions, the reset of annual incentive performance goals and an expected merit compensation increase, an above-the-line foreign currency headwind^[4] of approximately 10 cents per share, net interest expense in the range of \$60 to \$63 million and a tax rate of 30 to 31 percent under current U.S. tax and regulatory policies.

"Flowserve's 2017 guidance reflects our beginning backlog entering the year, an expected increase in manufacturing facility under-absorption, customer's continued emphasis on price, and annual compensation headwinds," said Karyn Ovelmen, Flowserve's Executive Vice President and Chief Financial Officer. "Partially offsetting these items, we expect incremental cost savings from our realignment initiatives and relatively stable to increasing year-over-year aftermarket and book-and-ship work. We expect the quarterly phasing of our 2017 Reported and Adjusted EPS target ranges to reflect seasonality, although the traditional second half weighting is anticipated to be more pronounced this year, as the first quarter is expected to represent a substantially lower percentage of full year earnings than in past years due to expected lower revenues and elevated SG&A as compared to remaining 2017 quarters. Despite the current market challenges, we will continue to invest in our business, including executing on our realignment initiatives, to better position the company to drive long-term shareholder value."

Realignment Programs

In full year 2016 Flowserve expensed approximately \$104 million, including approximately \$34 million in the fourth quarter and recognized approximately \$12 million of incremental savings, bringing the full year incremental savings to \$93 million. We expect to largely complete the \$400 million program in 2017, including approximately \$155 million of expense and approximately \$70 million of additional savings, with total program savings of \$230 million expected to be achieved in 2018.

Segment Performance

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 2016 include:

Fourth Quarter and Full Year 2016 - Segment Results

(dollars in millions, comparison vs. 2015 fourth quarter and full year, unaudited)

	EPD		IPD		FCD	
	4th Qtr	Full Year	4th Qtr	Full Year	4th Qtr	Full Year
Bookings	\$ 437.0	\$ 1,823.8	\$ 188.5	\$ 797.7	\$ 304.1	\$ 1,216.8
- vs. prior year	-5.0%	-11.7%	-4.7%	-10.1%	-8.5%	-7.7%
- on constant currency	-2.0%	-8.0%	-3.5%	-9.0%	-7.2%	-6.0%
Sales	\$ 553.4	\$ 1,994.8	\$ 221.4	\$ 837.2	\$ 318.2	\$ 1,233.7
- vs. prior year	-19.9%	-11.7%	-13.5%	-14.7%	-12.6%	-12.8%
- on constant currency	-17.1%	-7.9%	-12.6%	-13.4%	-11.9%	-11.8%
Gross Profit	\$ 165.3	\$ 615.1	\$ 56.7	\$ 189.6	\$ 112.4	\$ 427.1
- vs. prior year	-21.5%	-17.6%	-17.8%	-20.9%	-4.9%	-14.2%
Gross Margin (% of sales)	29.9%	30.8%	25.6%	22.6%	35.3%	34.6%
- vs. prior year (in basis points)	-60	-220	-130	-180	280	-50
Operating Income	\$ 71.6	\$ 170.1	\$ 7.2	\$ 1.0	\$ 58.1	\$ 198.2
- vs. prior year	-25.6%	-48.3%	-37.4%	-96.7%	20.8%	-15.4%
- on constant currency	-21.2%	-44.0%	-29.6%	-89.1%	20.6%	-14.8%
Operating Margin (% of sales)	12.9%	8.5%	3.3%	0.1%	18.3%	16.1%
- vs. prior year (in basis points)	-100	-610	-120	-300	510	-50
Adjusted Operating Income *	\$ 91.8	\$ 292.1	\$ 16.9	\$ 45.7	\$ 60.9	\$ 211.8
- vs. prior year	-21.9%	-20.0%	-44.2%	-58.6%	-5.9%	-19.6%
- on constant currency	-18.4%	-16.2%	-41.3%	-56.5%	-6.0%	-19.0%
Adj. Oper. Margin (% of sales)*	16.6%	14.6%	7.6%	5.5%	19.1%	17.2%
- vs. prior year (in basis points)	-40	-160	-420	-570	130	-140
Backlog		\$ 966.8		\$ 373.5		\$ 584.5

*Adjusted Operating Income and Adjusted Operating Margin exclude realignment charges, purchase price accounting charges, acquisition related costs and other specific discrete items

Quarterly Dividend Announced

Flowserve announced today that its Board of Directors has authorized the payment of a quarterly cash dividend of \$0.19 per share on the company's outstanding shares of common stock. The dividend is payable on April 7, 2017, to shareholders of record as of the close of business on March 24, 2017.

While Flowserve currently intends to pay regular quarterly cash dividends for the foreseeable future, any future dividends, whether at this \$0.19 per share quarterly rate or otherwise, will be reviewed individually and declared by the Board at its discretion, dependent upon the Board's assessment of the company's financial condition and business outlook at the applicable time.

Fourth Quarter 2016 Results Conference Call

Flowserve will host its conference call with the financial community on Friday, February 17th 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 under the "Investor Relations" section.

[1] See Reconciliation of Non-GAAP Measures table for detailed reconciliation of reported results to adjusted measures.

[2] Adjusted gross and operating margins are calculated by dividing adjusted gross profit and operating income, respectively, by revenues. Adjusted gross profit and adjusted operating income are derived by excluding the adjusted items. See reconciliation of Non-GAAP Measures table for detailed reconciliation.

[3] Adjusted 2017 EPS will exclude the Company's realignment expenses, the impact from other specific one-time events and below-the-line foreign currency effects and utilizes year-end 2016 FX rates and approximately 131 million fully diluted shares.

[4] FX headwind is calculated by comparing the difference between the actual average FX rates of 2016 and the year-end 2016 spot rates both as applied to our 2017 expectations, divided by the number of shares expected for 2017.

About Flowserve

Flowserve Corp. is one of the world's leading providers of fluid motion and control products and services. Operating in more than 55 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.

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 global economic conditions and the potential for unexpected cancellations or delays of customer orders in our reported backlog; our dependence on our customers' ability to make required capital investment and maintenance expenditures; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; our ability to execute and realize the expected financial benefits from our strategic manufacturing optimization and realignment initiatives; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; increased aging and slower collection of receivables, particularly in Latin America and other emerging markets; our exposure to fluctuations in foreign currency exchange rates, including in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our ability to anticipate and manage cybersecurity risk, including the risk of potential business disruptions or financial losses; our relative geographical

profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; and other factors described from time to time in our filings with the Securities and Exchange Commission.

All forward-looking statements included in this news release 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.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except par value)	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 367,162	\$ 366,444
Accounts receivable, net	894,749	988,391
Inventories, net	919,251	995,565
Prepaid expenses and other	150,199	125,410
Total current assets	2,331,361	2,475,810
Property, plant and equipment, net	723,628	758,427
Goodwill	1,205,054	1,223,986

Deferred taxes	87,178	69,327
Other intangible assets, net	214,527	228,777
Other assets, net	181,014	224,330
Total assets	<u>\$ 4,742,762</u>	<u>\$ 4,980,657</u>

LIABILITIES AND EQUITY

Current liabilities:

Accounts payable	\$ 412,087	\$ 491,378
Accrued liabilities	680,689	796,764
Debt due within one year	85,365	60,434
Total current liabilities	<u>1,178,141</u>	<u>1,348,576</u>
Long-term debt due after one year	1,485,258	1,560,562
Retirement obligations and other liabilities	410,168	387,786
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	491,848	494,961
Retained earnings	3,632,163	3,587,120
Treasury shares, at cost – 46,980 and 47,703 shares, respectively	(2,078,527)	(2,106,785)
Deferred compensation obligation	8,507	10,233
Accumulated other comprehensive loss	(626,748)	(540,043)
Total Flowserve Corporation shareholders' equity	<u>1,648,234</u>	<u>1,666,477</u>
Noncontrolling interests	20,961	17,256
Total equity	<u>1,669,195</u>	<u>1,683,733</u>
Total liabilities and equity	<u>\$ 4,742,762</u>	<u>\$ 4,980,657</u>

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended December 31,	
(Amounts in thousands, except per share data)	2016	2015
Sales	\$ 1,074,648	\$ 1,287,687
Cost of sales	(741,262)	(889,942)
Gross profit	<u>333,386</u>	<u>397,745</u>
Selling, general and administrative expense	(228,239)	(264,574)
Net earnings from affiliates	2,701	3,594
Operating income	<u>107,848</u>	<u>136,765</u>
Interest expense	(15,154)	(17,557)

Interest income	561	561
Other income (expense), net	1,209	(9,911)
Earnings before income taxes	94,464	109,858
Provision for income taxes	(27,477)	(37,397)
Net earnings, including noncontrolling interests	66,987	72,461
Less: Net earnings attributable to noncontrolling interests	(1,854)	(1,089)
Net earnings attributable to Flowserve Corporation	<u>\$ 65,133</u>	<u>\$ 71,372</u>

Net earnings per share attributable to Flowserve Corporation
common shareholders:

Basic	\$ 0.50	\$ 0.55
Diluted	0.50	0.54
Cash dividends declared per share	\$ 0.19	\$ 0.18

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Year Ended December 31,		
	2016	2015	2014
Sales	\$ 3,991,462	\$ 4,561,030	\$ 4,877,885
Cost of sales	(2,759,908)	(3,073,712)	(3,163,268)
Gross profit	1,231,554	1,487,318	1,714,617
Selling, general and administrative expense	(965,322)	(971,611)	(936,900)
Net earnings from affiliates	11,223	9,861	12,115
Operating income	277,455	525,568	789,832
Interest expense	(60,137)	(65,270)	(60,322)
Interest income	2,804	2,065	1,680
Other income (expense), net	3,301	(40,167)	2,000
Earnings before income taxes	223,423	422,196	733,190
Provision for income taxes	(75,286)	(148,922)	(208,305)
Net earnings, including noncontrolling interests	148,137	273,274	524,885
Less: Net earnings attributable to noncontrolling interests	(3,077)	(5,605)	(6,061)
Net earnings attributable to Flowserve Corporation	<u>\$ 145,060</u>	<u>\$ 267,669</u>	<u>\$ 518,824</u>

Net earnings per share attributable to Flowserve
Corporation common shareholders:

Basic	\$ 1.11	\$ 2.01	\$ 3.79
Diluted	1.11	2.00	3.76

Cash dividends declared per share	\$	0.76	\$	0.72	\$	0.64
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RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended December 31, 2016			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 1,074,648	\$ -	\$ -	\$1,074,648
Gross profit	333,386	(22,003)	(1,439) (3)	356,828
<i>Gross margin</i>	<i>31.0%</i>	-	-	<i>33.2%</i>
Selling, general and administrative expense	(228,239)	(7,837)	(3,254) (4)	(217,148)
Operating income	107,848	(29,840)	(4,693)	142,381
<i>Operating income as a percentage of sales</i>	<i>10.0%</i>	-	-	<i>13.2%</i>
Interest and other (expense) income, net	(13,384)	-	323 (5)	(13,707)
Earnings before income taxes	94,464	(29,840)	(4,370)	128,674
Provision for income taxes	(27,477)	4,057 (2)	909 (6)	(32,443)
<i>Tax Rate</i>	<i>29.1%</i>	<i>13.6%</i>	<i>20.8%</i>	<i>25.2%</i>
Net earnings attributable to Flowserve Corporation	\$ 65,133	\$ (25,783)	\$ (3,461)	\$ 94,377
Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 0.50	\$ (0.20)	\$ (0.03)	\$ 0.72
Diluted	\$ 0.50	\$ (0.20)	\$ (0.03)	\$ 0.72
Basic number of shares used for calculation	130,573	130,573	130,573	130,573

Diluted number of shares used for calculation	131,180	131,180	131,180	131,180
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(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above offset by \$4.000 million of realignment expense recorded in provision for income taxes
- (3) Represents Brazil inventory write-down of \$1.439 million
- (4) Represents SIHI integration costs/purchase price adjustments ("PPA") of \$3.254 million
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above

**RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)**

(Amounts in thousands, except per share data)	Twelve Months Ended December 31, 2016			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 3,991,462	\$ -	\$ -	\$3,991,462
Gross profit	1,231,554	(64,913)	(17,369) (3)	1,313,836
<i>Gross margin</i>	<i>30.9%</i>	-	-	<i>32.9%</i>
Selling, general and administrative expense	(965,322)	(30,022)	(72,507) (4)	(862,793)
Operating income	277,455	(94,935)	(89,876)	462,266
<i>Operating income as a percentage of sales</i>	<i>7.0%</i>	-	-	<i>11.6%</i>
Interest and other (expense) income, net	(54,033)	-	3,791 (5)	(57,824)
Earnings before income taxes	223,422	(94,935)	(86,085)	404,442
Provision for income taxes	(75,286)	18,605 (2)	20,475 (6)	(114,366)
<i>Tax Rate</i>	<i>33.7%</i>	<i>19.6%</i>	<i>23.8%</i>	<i>28.3%</i>

Net earnings attributable to Flowserve

Corporation	\$ 145,059	\$ (76,330)	\$ (65,610)	\$ 286,999
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Net earnings per share attributable to Flowserve Corporation common shareholders:

Basic	\$ 1.11	\$ (0.59)	\$ (0.50)	\$ 2.20
Diluted	\$ 1.11	\$ (0.58)	\$ (0.50)	\$ 2.19

Basic number of shares used for calculation

130,432	130,432	130,432	130,432
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Diluted number of shares used for calculation

130,975	130,975	130,975	130,975
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(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs
- (2) Includes tax impact of items above offset by \$9.400 million of realignment expense recorded in provision for income taxes
- (3) Represents Brazil inventory write-down of \$15.503 million and Venezuela inventory reserve of \$1.866 million
- (4) Represents Venezuela accounts receivable reserve of \$63.192 million and SIHI integration costs/purchase price adjustments ("PPA") of \$9.315 million
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2016	2015	2014
Cash flows – Operating activities:			
Net earnings, including noncontrolling interests	\$ 148,137	\$ 273,274	524,885
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	99,897	99,501	93,307
Amortization of intangible and other assets	16,855	27,586	16,970
Loss (gain) on divestitures of businesses	7,664	-	(13,403)

Excess tax benefits from stock-based payment arrangements	(2,477)	(6,813)	(8,587)
Stock-based compensation	30,213	34,816	42,675
Latin America accounts receivable reserve and inventory write-downs	80,570	-	-
Foreign currency and other non-cash adjustments	(6,168)	72,888	39,627
Change in assets and liabilities, net of acquisitions:			
Accounts receivable, net	37,695	50,441	(79,655)
Inventories, net	30,877	(26,232)	(35,519)
Prepaid expenses and other	(26,221)	(12,822)	(4,479)
Other assets, net	(20,310)	6,646	(25,311)
Accounts payable	(69,831)	(113,639)	50,752
Accrued liabilities and income taxes payable	(97,668)	33,425	(27,561)
Retirement obligations and other liabilities	16,372	(21,456)	(7,905)
Net deferred taxes	(18,011)	487	4,364
Net cash flows provided by operating activities	<u>227,594</u>	<u>418,102</u>	<u>570,160</u>
Cash flows – Investing activities:			
Capital expenditures	(89,699)	(181,861)	(132,619)
Payments for acquisition, net of cash acquired	-	(353,654)	-
Proceeds from disposal of assets	3,294	10,220	1,731
(Payments) proceeds for divestitures of businesses	(5,064)	-	46,805
Net cash flows used by investing activities	<u>(91,469)</u>	<u>(525,295)</u>	<u>(84,083)</u>
Cash flows – Financing activities:			
Excess tax benefits from stock-based payment arrangements	2,477	6,813	8,587
Payments on long-term debt	(60,000)	(45,000)	(40,000)
Proceeds from issuance of senior notes	-	526,332	-
Payments of deferred loan costs	-	(5,108)	-
Proceeds under other financing arrangements	35,680	9,426	19,285
Payments under other financing arrangements	(12,636)	(34,949)	(20,502)
Repurchases of common shares	-	(303,651)	(246,504)
Payments of dividends	(97,746)	(93,650)	(85,118)
Other	1,386	99	(2,604)
Net cash flows (used) provided by financing activities	<u>(130,839)</u>	<u>60,312</u>	<u>(366,856)</u>
Effect of exchange rate changes on cash	(4,568)	(37,025)	(32,675)
Net change in cash and cash equivalents	<u>718</u>	<u>(83,906)</u>	<u>86,546</u>
Cash and cash equivalents at beginning of year	<u>366,444</u>	<u>450,350</u>	<u>363,804</u>
Cash and cash equivalents at end of year	<u>\$ 367,162</u>	<u>\$ 366,444</u>	<u>\$ 450,350</u>
Income taxes paid (net of refunds)	<u>\$ 151,191</u>	<u>\$ 152,536</u>	<u>\$ 159,520</u>
Interest paid	57,393	57,030	58,269

CONSOLIDATED QUARTERLY FINANCIAL DATA

(Unaudited)

(Amounts in millions, except per share data)

Quarter	2016			
	4th	3rd	2nd	1st
Sales	\$1,074.8	\$ 943.3	\$1,026.2	\$ 947.2
Gross profit	333.5	265.4	324.7	308.0
Earnings (loss) before income taxes	94.4	(15.1)	88.1	56.0
Net earnings (loss) attributable to Flowserve Corporation	65.1	(20.9)	63.0	37.9
Earnings per share (1):				
Basic	\$ 0.50	(\$0.16)	\$ 0.48	\$ 0.29
Diluted	\$ 0.50	(\$0.16)	\$ 0.48	\$ 0.29

Quarter	2015			
	4th	3rd	2nd	1st
Sales	\$1,287.7	\$1,096.5	\$1,162.2	\$1,014.6
Gross profit	397.7	388.8	369.1	331.7
Earnings before income taxes	109.8	146.6	107.6	58.2
Net earnings attributable to Flowserve Corporation	71.4	93.6	75.0	27.7
Earnings per share (1):				
Basic	\$ 0.55	\$ 0.71	\$ 0.56	\$ 0.21
Diluted	\$ 0.54	\$ 0.70	\$ 0.56	\$ 0.20

(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

(Unaudited)

ENGINEERED PRODUCT DIVISION

(Amounts in millions, except percentages)

	Three Months Ended December 31,	
	2016	2015
Bookings	\$ 437.0	\$ 460.0
Sales	553.4	690.6
Gross profit	165.3	210.5
Gross profit margin	29.9%	30.5%
Operating income	71.6	96.2
Operating margin	12.9%	13.9%

INDUSTRIAL PRODUCT DIVISION

Three Months Ended December 31,

(Amounts in millions, except percentages)

	2016	2015
Bookings	\$ 188.5	\$ 197.7
Sales	221.4	256.1
Gross profit	56.7	69.0
Gross profit margin	25.6%	26.9%
Operating income	7.2	11.5
Operating margin	3.3%	4.5%

FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

	Three Months Ended December 31,	
	2016	2015
Bookings	\$ 304.1	\$ 332.4
Sales	318.2	364.0
Gross profit	112.4	118.2
Gross profit margin	35.3%	32.5%
Operating income	58.1	48.1
Operating margin	18.3%	13.2%

SEGMENT INFORMATION

ENGINEERED PRODUCT DIVISION

(Amounts in millions, except percentages)

	Year Ended December 31,		
	2016	2015	2014
Bookings	\$ 1,823.8	\$ 2,065.6	\$ 2,832.8
Sales	1,994.8	2,260.0	2,564.6
Gross profit	615.1	746.4	892.5
Gross profit margin	30.8%	33.0%	34.8%
Operating income	170.1	329.0	447.2
Operating margin	8.5%	14.6%	17.4%

INDUSTRIAL PRODUCT DIVISION

(Amounts in millions, except percentages)

	Year Ended December 31,		
	2016	2015	2014
Bookings	\$ 797.7	\$ 887.2	\$ 781.0
Sales	837.2	981.9	805.9
Gross profit	189.6	239.7	221.0
Gross profit margin	22.6%	24.4%	27.4%
Operating income	1.0	30.2	107.0
Operating margin	0.1%	3.1%	13.3%

FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

	Year Ended December 31,		
	2016	2015	2014
Bookings	\$ 1,216.8	\$ 1,318.5	\$ 1,665.2

Sales	1,233.7	1,415.5	1,615.7
Gross profit	427.1	497.5	603.0
Gross profit margin	34.6%	35.1%	37.3%
Operating income	198.2	234.4	322.8
Operating margin	16.1%	16.6%	20.0%

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<http://www.businesswire.com/news/home/20170216006282/en/>

Source: Flowserve Corporation

Flowserve Corporation

Investor Contacts:

Jay Roueche, 972-443-6560

Vice President, IR & Treasurer

or

Mike Mullin, 972-443-6636

Director, Investor Relations

or

Media Contact:

Lars Rosene, 972-443-6644

Vice President, Global Communications and Public Affairs