



News Release

Flowserve Corporation Reports Third Quarter 2017 Results

11/01/17

DALLAS--(BUSINESS WIRE)--Nov. 1, 2017-- Flowserve Corporation (NYSE: FLS), a leading provider of flow control products and services for the global infrastructure markets, today announced its financial results for the third quarter ended September 30, 2017.

Third Quarter 2017 Highlights (all comparisons to 2016 third quarter, unless otherwise noted)

- Reported Earnings Per Share (EPS) of \$0.36 and Adjusted EPS^[1] of \$0.37
 - Both Reported & Adjusted EPS include \$0.04 of certain discrete inventory and accounts receivable reserves
- Sales were \$883 million, down 6.6%, including an approximately 2% negative impact related to divested businesses
 - Aftermarket sales were \$439 million, up 6.4%, or 5.1% on a constant currency basis
- Reported gross and operating margins of 30.3% and 8.4%
 - Adjusted gross and operating margins^[2] were 31.9% and 9.3%
- Total bookings were \$893 million, down 6.9%, or 8.6% on a constant currency basis, and included approximately 2% negative impact related to divested

businesses

- Aftermarket bookings were \$454 million, or 51% of total bookings, up 0.5%, or down 0.8% on a constant currency basis
 - Total book-to-bill was 1.01
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- Backlog at September 30, 2017 was \$2.1 billion, up 12.5% versus 2016 year-end

“Flowserve’s third quarter results were largely in-line with our expectations for the period, although our results were impacted by natural disasters, working capital reserves and bookings headwinds from ongoing delays in customer final investment decisions,” said Scott Rowe, Flowserve’s president and chief executive officer. “Our aftermarket business remained resilient, delivering solid revenue growth and bookings stability in the quarter. While the Industrial Product Division (IPD) segment’s turnaround effort is progressing slower than we would like, we are confident that the new IPD team is driving the necessary actions to deliver future results. Looking ahead, we continue to expect seasonal improvement in the fourth quarter, including potentially increased Gulf Coast activity as customers address hurricane damage.”

Rowe added, “We are well positioned to pursue operational improvements throughout the company as part of the developing Flowserve 2.0 strategy. We believe our markets are at, or near, the bottom of the cycle, and that Flowserve will be better positioned to capitalize on growth opportunities as market conditions improve. We remain focused on our strategic approach to simplify our business model, be market led and customer focused, while driving an efficient, flexible cost structure and delivering value to our customers and shareholders throughout market cycles.”

Full Year 2017 Guidance

Flowserve narrowed its 2017 guidance ranges and now expects Reported and Adjusted^[3] EPS target ranges of \$1.05 to \$1.15 and \$1.30 to \$1.40, respectively. Both EPS target ranges are based on an expected 7 to 9 percent decline in revenues year-over-year. Adjusted EPS guidance also anticipates a fourth quarter tax rate, of approximately 30%, and excludes expected realignment expense, as well as the potential impact of below-the-line foreign currency effects and certain other discrete items.

Third Quarter 2017 Results Conference Call

Flowserve will host its conference call with the financial community on Thursday, November 2nd at 11:00 AM Eastern. Scott Rowe, 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.

- 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 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; 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; 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; 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.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended September 30,	
	2017	2016
Sales	\$ 883,380	\$ 945,939
Cost of sales	(615,848)	(667,960)
Gross profit	267,532	277,979
Selling, general and administrative expense	(206,295)	(281,261)
Gain on sale of businesses	9,864	-
Net earnings from affiliates	2,918	3,394
Operating income	74,019	112
Interest expense	(15,043)	(15,141)
Interest income	1,108	924
Other income, net	8,285	1,899
Earnings (loss) before income taxes	68,369	(12,206)
Provision for income taxes	(19,628)	(2,827)
Net earnings (loss), including noncontrolling interests	48,741	(15,033)

Less: Net earnings attributable to noncontrolling interests	(1,136)	(808)
Net earnings (loss) attributable to Flowserve Corporation	<u>\$ 47,605</u>	<u>\$ (15,841)</u>

Net earnings per share attributable to Flowserve Corporation
common shareholders:

Basic	\$ 0.36	\$ (0.12)
Diluted	0.36	(0.12)
Cash dividends declared per share	\$ 0.19	\$ 0.19

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

Three Months Ended September 30, 2017

(Amounts in thousands, except per share data)	<u>As Reported</u> <u>(a)</u>	<u>Realignment</u> <u>(1)</u>	<u>Other</u> <u>Items</u>	<u>As</u> <u>Adjusted</u>
Sales	\$ 883,380	\$ -	\$ -	\$ 883,380
Gross profit	267,532	(14,220)	-	281,752
<i>Gross margin</i>	<i>30.3%</i>	-	-	<i>31.9%</i>
Selling, general and administrative expense	(206,295)	(2,571)	(1,189) (3)	(202,535)
Gain on sale of businesses	9,864	-	9,864 (4)	-
Operating income	74,019	(16,791)	8,675	82,135
<i>Operating income as a percentage of sales</i>	<i>8.4%</i>	-	-	<i>9.3%</i>
Interest and other expense, net	(5,650)	-	8,447 (5)	(14,097)
Earnings before income taxes	68,369	(16,791)	17,122	68,038
Provision for income taxes	(19,628)	1,953 (2)	(3,228) (6)	(18,353)
<i>Tax Rate</i>	<i>28.7%</i>	<i>11.6%</i>	<i>18.9%</i>	<i>27.0%</i>
Net earnings attributable to Flowserve Corporation	\$ 47,605	\$ (14,838)	\$ 13,894	\$ 48,549

Net earnings per share attributable to
Flowserve Corporation common

shareholders:

Basic	\$ 0.36	\$ (0.11)	\$ 0.11	\$ 0.37
Diluted	\$ 0.36	\$ (0.11)	\$ 0.11	\$ 0.37

Basic number of shares used for calculation	130,760	130,760	130,760	130,760
Diluted number of shares used for calculation	131,396	131,396	131,396	131,396

(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, partially offset by \$1.000 million of realignment expense recorded in provision for income taxes. Realignment expense in certain jurisdictions is not tax deductible.
- (3) Represents SIHI integration costs and purchase price adjustments ("PPA")
- (4) Represents gain related to the sale of Vogt business
- (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)	Three Months Ended September 30, 2016			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 945,939	\$ -	\$ -	\$ 945,939
Gross profit (loss)	277,979	(24,503)	(8,156) (3)	310,638
<i>Gross margin (loss)</i>	<i>29.4%</i>	<i>-</i>	<i>-</i>	<i>32.8%</i>
Selling, general and administrative expense	(281,261)	(6,983)	(76,163) (4)	(198,115)
Operating income	112	(31,486)	(84,319)	115,917
<i>Operating income (loss) as a percentage of sales</i>	<i>0.0%</i>	<i>-</i>	<i>-</i>	<i>12.3%</i>

Interest and other (expense)						
income, net	(12,318)	-	1,357	(5)	(13,675)	
(Loss) earnings before income taxes	(12,206)	(31,486)	(82,962)		102,242	
Provision for income taxes	(2,827)	4,203	(2)	22,107	(6)	(29,137)
<i>Tax Rate</i>	<i>-23.2%</i>	<i>13.3%</i>	<i>26.6%</i>		<i>28.5%</i>	

Net (loss) earnings attributable to Flowserve Corporation **\$ (15,841)** **\$ (27,283)** **\$ (60,855)** **\$ 72,297**

Net earnings per share attributable to Flowserve Corporation common shareholders:

Basic	\$ (0.12)	\$ (0.21)	\$ (0.47)	\$ 0.55
Diluted	\$ (0.12)	\$ (0.21)	\$ (0.46)	\$ 0.55

Basic number of shares used for calculation	130,299	130,558	130,558	130,558
Diluted number of shares used for calculation	130,299	131,102	131,102	131,102

(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, partially offset by \$5.400 million of realignment expense recorded in provision for income taxes
- (3) Represents Brazil inventory write-down of \$6.290 million and Venezuela inventory reserve of \$1.866 million
- (4) Represents Venezuela accounts receivable reserve of \$73.533 million and SIHI integration costs/purchase price adjustments ("PPA") of \$2.630 million
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above. There is no tax impact associated with the Brazil inventory write-down.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended September	
	30,	
(Amounts in thousands, except per share data)	2017	2016

Sales	\$ 2,626,762	\$ 2,919,553
Cost of sales	(1,845,796)	(2,015,755)
Gross profit	780,966	903,798
Selling, general and administrative expense	(681,181)	(747,513)
Gain on sale of businesses	141,158	-
Net earnings from affiliates	9,027	8,522
Operating income	249,970	164,807
Interest expense	(44,689)	(44,982)
Interest income	2,373	2,243
Other (expense) income, net	(11,602)	1,070
Earnings before income taxes	196,052	123,138
Provision for income taxes	(85,836)	(49,518)
Net earnings, including noncontrolling interests	110,216	73,620
Less: Net earnings attributable to noncontrolling interests	(1,682)	(1,222)
Net earnings attributable to Flowserve Corporation	\$ 108,534	\$ 72,398

Net earnings per share attributable to Flowserve Corporation
common shareholders:

Basic	\$ 0.83	\$ 0.56
Diluted	0.83	0.55

Cash dividends declared per share	\$ 0.57	\$ 0.57
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**RECONCILIATION OF NON-GAAP
MEASURES
(Unaudited)**

(Amounts in thousands, except per share data)	Nine Months Ended September 30, 2017			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 2,626,761	\$ -	\$ -	\$2,626,761
Gross profit	780,965	(33,371)	(16,928) (3)	831,264
<i>Gross margin</i>	29.7%	-	-	31.6%
Selling, general and administrative expense	(681,180)	(25,636)	(29,683) (4)	(625,861)
Gain on sale of business	141,158	-	141,158 (5)	-

Operating income	249,970	(59,007)	94,547	214,430
<i>Operating income as a percentage of sales</i>	<i>9.5%</i>	<i>-</i>	<i>-</i>	<i>8.2%</i>
Interest and other expense, net	(53,919)	-	(9,671) (6)	(44,248)
Earnings before income taxes	196,051	(59,007)	84,876	170,182
Provision for income taxes	(85,836)	12,642 (2)	(42,726) (7)	(55,752)
<i>Tax Rate</i>	<i>43.8%</i>	<i>21.4%</i>	<i>50.3%</i>	<i>32.8%</i>

Net earnings attributable to

Flowserve Corporation **\$ 108,534** **\$ (46,365)** **\$ 42,150** **\$ 112,749**

Net earnings per share attributable to Flowserve Corporation common shareholders:

Basic	\$ 0.83	\$ (0.35)	\$ 0.32	\$ 0.86
Diluted	\$ 0.83	\$ (0.35)	\$ 0.32	\$ 0.86

Basic number of shares used for calculation	130,685	130,685	130,685	130,685
Diluted number of shares used for calculation	131,338	131,338	131,338	131,338

(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
- (3) Represents reserve for costs incurred related to a contract to supply oil and gas platform equipment to an end user in Latin America
- (4) Represents \$3.204 million of SIHI integration costs and purchase price adjustments ("PPA"), \$26.042 million of Brazil property, plant and equipment impairment charge and \$0.437 million reserve for costs incurred related to a contract to supply oil and gas platform equipment to an end user in Latin America
- (5) Represents gain related to the sale of Gestra and Vogt businesses
- (6) Represents below-the-line foreign exchange impacts
- (7) Includes tax impact of items above. There is no tax impact associated with the Brazil property, plant and equipment impairment charge

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

Nine Months Ended September 30, 2016

(Amounts in thousands, except per share data)	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 2,919,553	\$ -	\$ -	\$2,919,553
Gross profit	903,798	(42,910)	(12,744) (3)	959,452
<i>Gross margin</i>	<i>31.0%</i>	-	-	<i>32.9%</i>
 Selling, general and administrative expense	 (747,514)	 (22,185)	 (79,594) (4)	 (645,735)
Operating income	164,806	(65,095)	(92,338)	322,239
<i>Operating income as a percentage of sales</i>	<i>5.6%</i>	-	-	<i>11.0%</i>
 Interest and other expense, net	 (41,668)	 -	 2,467 (5)	 (44,135)
Earnings before income taxes	123,138	(65,095)	(89,871)	278,104
Provision for income taxes	(49,516)	14,548 (2)	22,856 (6)	(86,920)
<i>Tax Rate</i>	<i>40.2%</i>	<i>22.3%</i>	<i>25.4%</i>	<i>31.3%</i>
 Net earnings attributable to Flowserve Corporation	 \$ 72,398	 \$ (50,547)	 \$ (67,015)	 \$ 189,960
 Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 0.56	\$ (0.39)	\$ (0.51)	\$ 1.46
Diluted	\$ 0.55	\$ (0.39)	\$ (0.51)	\$ 1.45
 Basic number of shares used for calculation	 130,385	 130,385	 130,385	 130,385
Diluted number of shares used for calculation	130,907	130,907	130,907	130,907

(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, partially offset by \$5.400 million of realignment expense recorded in provision for income taxes
- (3) Represents Brazil inventory write-down of \$10.878 million and Venezuela inventory reserve of \$1.866 million
- (4) Represents Venezuela accounts receivable reserve of \$73.533 million and SIHI integration costs/purchase price adjustments ("PPA") of \$6.061 million
- (5) Represents below-the-line foreign exchange impacts
- (6) Includes tax impact of items above. There is no tax impact associated with the Brazil inventory write-down.

CONDENSED CONSOLIDATED BALANCE SHEETS**(Unaudited)**

	September 30, 2017	December 31, 2016
(Amounts in thousands, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 502,143	\$ 367,162
Accounts receivable, net of allowance for doubtful accounts of \$65,106 and \$51,920, respectively	851,246	882,638
Inventories, net	951,598	897,690
Prepaid expenses and other	134,023	150,199
Total current assets	<u>2,439,010</u>	<u>2,297,689</u>
Property, plant and equipment, net of accumulated depreciation of \$967,458 and \$882,151, respectively	673,555	724,805
Goodwill	1,211,544	1,205,054
Deferred taxes	93,638	83,722
Other intangible assets, net	212,425	214,527
Other assets, net	203,968	183,126
Total assets	<u>\$ 4,834,140</u>	<u>\$ 4,708,923</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 360,844	\$ 412,087
Accrued liabilities	706,838	680,986
Debt due within one year	80,635	85,365
Total current liabilities	<u>1,148,317</u>	<u>1,178,438</u>

Long-term debt due after one year	1,506,057	1,485,258
Retirement obligations and other liabilities	412,137	407,839
Shareholders' equity:		
Common shares, \$1.25 par value	220,991	220,991
Shares authorized – 305,000		
Shares issued – 176,793		
Capital in excess of par value	488,249	491,848
Retained earnings	3,634,750	3,598,396
Treasury shares, at cost – 46,503 and 46,980 shares, respectively	(2,061,054)	(2,078,527)
Deferred compensation obligation	6,256	8,507
Accumulated other comprehensive loss	(540,504)	(624,788)
Total Flowserve Corporation shareholders' equity	<u>1,748,688</u>	<u>1,616,427</u>
Noncontrolling interests	18,941	20,961
Total equity	<u>1,767,629</u>	<u>1,637,388</u>
Total liabilities and equity	<u>\$ 4,834,140</u>	<u>\$ 4,708,923</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in thousands)	Nine Months Ended	
	September 30,	
	2017	2016
Cash flows – Operating activities:		
Net earnings, including noncontrolling interests	\$ 110,216	\$ 73,620
Adjustments to reconcile net earnings to net cash provided		
(used) by operating activities:		
Depreciation	75,177	74,875
Amortization of intangible and other assets	12,767	12,424
(Gain) loss on dispositions of businesses	(141,158)	7,664
Stock-based compensation	20,291	29,966
Latin America accounts receivable reserve	-	73,451
Foreign currency, asset impairment and other non-cash		
adjustments	24,696	(1,037)
Change in assets and liabilities:		
Accounts receivable, net	63,835	69,818
Inventories, net	(20,355)	(31,462)
Prepaid expenses and other	43,546	(58,743)
Other assets, net	(21,090)	(19,512)
Accounts payable	(68,012)	(98,782)
Accrued liabilities and income taxes payable	(6,702)	(82,318)

Retirement obligations and other	(18,720)	7,821
Net deferred taxes	(2,131)	13,155
Net cash flows provided by operating activities	<u>72,360</u>	<u>70,940</u>
Cash flows – Investing activities:		
Capital expenditures	(40,620)	(64,475)
Proceeds from disposal of assets	2,977	632
Proceeds from (payments for) dispositions of businesses	208,775	(5,064)
Net cash flows provided (used) by investing activities	<u>171,132</u>	<u>(68,907)</u>
Cash flows – Financing activities:		
Payments on long-term debt	(45,000)	(45,000)
Proceeds under other financing arrangements	6,234	24,701
Payments under other financing arrangements	(12,560)	(12,060)
Payments related to tax withholding for stock-based compensation	(6,287)	(10,267)
Payments of dividends	(74,412)	(72,960)
Other	(4,189)	1,325
Net cash flows used by financing activities	<u>(136,214)</u>	<u>(114,261)</u>
Effect of exchange rate changes on cash	27,703	6,654
Net change in cash and cash equivalents	134,981	(105,574)
Cash and cash equivalents at beginning of period	367,162	366,444
Cash and cash equivalents at end of period	<u>\$ 502,143</u>	<u>\$ 260,870</u>

SEGMENT INFORMATION

(Unaudited)

ENGINEERED PRODUCT DIVISION

(Amounts in millions, except percentages)

	Three Months Ended September 30,	
	2017	2016
Bookings	\$ 432.5	\$ 497.5
Sales	424.2	458.5
Gross profit	136.5	140.2
Gross profit margin	32.2%	30.6%
Segment operating income (loss)	51.8	(22.0)
Segment operating income (loss) as a percentage of sales	12.2%	(4.8%)

INDUSTRIAL PRODUCT DIVISION

(Amounts in millions, except percentages)

	Three Months Ended September 30,	
	2017	2016
Bookings	\$ 196.9	\$ 189.6
Sales	189.7	203.3
Gross profit	39.3	30.5
Gross profit margin	20.7%	15.0%
Segment operating loss	(3.6)	(17.1)

Segment operating loss as a percentage of sales	(1.9%)	(8.4%)
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FLOW CONTROL DIVISION (Amounts in millions, except percentages)	Three Months Ended September 30,	
	2017	2016
Bookings	\$ 285.9	\$ 291.9
Sales	287.7	299.3
Gross profit	91.7	108.0
Gross profit margin	31.9%	36.1%
Segment operating income	48.5	53.7
Segment operating income as a percentage of sales	16.9%	17.9%

SEGMENT INFORMATION

(Unaudited)

ENGINEERED PRODUCT DIVISION (Amounts in millions, except percentages)	Nine Months Ended September 30,	
	2017	2016
Bookings	\$ 1,357.2	\$ 1,387.5
Sales	1,276.6	1,444.2
Gross profit	403.8	459.5
Gross profit margin	31.6%	31.8%
Segment operating income	106.9	97.4
Segment operating income as a percentage of sales	8.4%	6.7%

INDUSTRIAL PRODUCT DIVISION (Amounts in millions, except percentages)	Nine Months Ended September 30,	
	2017	2016
Bookings	\$ 616.6	\$ 609.5
Sales	559.9	615.8
Gross profit	98.1	128.5
Gross profit margin	17.5%	20.9%
Segment operating loss	(46.0)	(10.4)
Segment operating loss as a percentage of sales	(8.2%)	(1.7%)

FLOW CONTROL DIVISION (Amounts in millions, except percentages)	Nine Months Ended September 30,	
	2017	2016
Bookings	\$ 911.2	\$ 913.8
Sales	843.5	915.5
Gross profit	277.4	315.0
Gross profit margin	32.9%	34.4%
Segment operating income	254.1	140.5
Segment operating income as a percentage of sales	30.1%	15.3%

Third Quarter and Year-to-Date 2017 - Segment Results

(dollars in millions, comparison vs. 2016 third quarter and year-to-date, unaudited)

	EPD		IPD		FCD	
	3rd Qtr	YTD	3rd Qtr	YTD	3rd Qtr	YTD
Bookings	\$ 432.5	\$1,357.2	\$ 196.9	\$ 616.6	\$285.9	\$911.2
- vs. prior year	-13.1%	-2.2%	3.9%	1.2%	-2.1%	-0.3%
- on constant currency	-14.4%	-1.9%	1.5%	1.3%	-3.8%	-0.1%
Sales	\$ 424.2	\$1,276.6	\$ 189.7	\$ 559.9	\$287.7	\$843.5
- vs. prior year	-7.5%	-11.6%	-6.7%	-9.1%	-3.9%	-7.9%
- on constant currency	-8.7%	-11.3%	-8.7%	-8.9%	-5.7%	-7.9%
Gross Profit	\$ 136.5	\$ 403.8	\$ 39.3	\$ 98.1	\$ 91.7	\$277.4
- vs. prior year	-2.6%	-12.1%	28.9%	-23.7%	-15.1%	-11.9%
Gross Margin (% of sales)	32.2%	31.6%	20.7%	17.5%	31.9%	32.9%
- vs. prior year (in basis points)	160	-20	570	-340	-420	-150
Operating Income / (Loss)	\$ 51.8	\$ 106.9	\$ (3.6)	\$ (46.0)	\$ 48.5	\$254.1
- vs. prior year	335.5%	9.8%	78.9%	-342.3%	-9.7%	80.9%
- on constant currency	331.0%	12.0%	82.8%	-339.5%	-10.6%	83.0%
Operating Margin (% of sales)	12.2%	8.4%	-1.9%	-8.2%	16.9%	30.1%
- vs. prior year (in basis points)	1700	170	650	-650	-100	1480
Adjusted Operating Income / (Loss)						
*	\$ 59.5	\$ 153.3	\$ (0.7)	\$ (3.3)	\$ 44.8	\$125.7
- vs. prior year	-10.5%	-25.7%	-111.7%	-113.4%	-20.8%	-17.0%
- on constant currency	-12.0%	-24.6%	-100.7%	-112.2%	-21.7%	-15.0%
Adj. Oper. Margin (% of sales)*	14.0%	12.0%	-0.4%	-0.6%	15.6%	14.9%
- vs. prior year (in basis points)	-50	-230	-340	-460	-330	-160
Backlog	\$1,079.7		\$ 437.0		\$659.8	

* Adjusted Operating Income and Adjusted Operating Margin exclude realignment charges, below-the-line FX impacts and other specific discrete items

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