FLOWSERVE

Flowserve

February 9, 2012

Experience In Motion

Special Note

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The forward-looking statements included in this presentation 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, particularly in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities; 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 foreign subsidiaries autonomously conducting limited business operations and sales in certain countries identified by the U.S. State Department as state sponsors of terrorism; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; and other factors described from time to time in our filings with the Securities and Exchange Commission.

All forward-looking statements included in this presentation release are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statement.

Successful Repositioning Through Cycle

- We responded quickly to the challenges of the financial crisis and cyclical downturn and are well positioned to profitably grow
  - **Managed costs and margins with successful completion of realignment program, operational excellence and disciplined project pursuit**
  - **Shifted manufacturing capacity, aftermarket initiatives and people to growing emerging markets**
  - **Strategic localization investments in building out our QRC network and supporting our customers around the world delivered our strongest aftermarket quarter in Q3 2011**
- We see continued growth in emerging markets and improved environment in North America
  - **Long cycle bid selectivity has stabilized margins in backlog and we expect improvement going forward**
  - **Short cycle business volumes improved in oil and gas, chemical and general industries markets, pricing followed**
- Large backlog, realigned platform, increased aftermarket, global presence and broad product capabilities have us well positioned for 2012 and beyond

Additional Key Operating Milestones for 2011

- Advanced ***One Flowserve*** initiative
  - **COO structure brings all operations under one leader**
  - **Follows successful combination of pumps and seals**
  - **Leverage end user strategy across all businesses**
- Improving financial performance
  - **Solid bookings, revenue and earnings growth**
  - **Realignment execution and continued cost reduction**
- Continued strong organization adds new independent board member and new CFO
- Returned $220 million in cash to shareholders in the form of share repurchases and dividends
- Acquired Lawrence Pumps

Driving disciplined profitable growth and creating shareholder value

Balanced Portfolio Serving Growing Global Markets

Engineered Product Division (EPD)

- **Designs, manufactures and services highly-engineered pumps and pump systems, mechanical seals and systems, and related services**

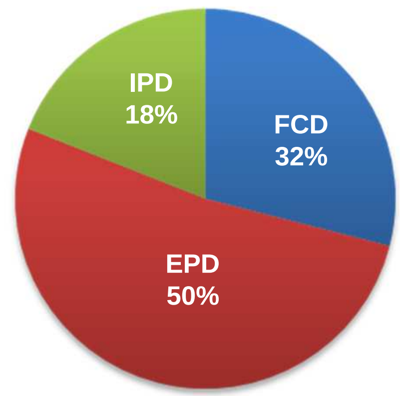
Industrial Product Division (IPD)

- **Designs, manufactures, distributes and services a broad portfolio of pumps configured to specifications, pump systems and related services**

Flow Control Division (FCD)

- **Designs, manufactures, distributes and services a broad portfolio of industrial valve and automation solutions and related services**

Est. 2011 Sales Mix

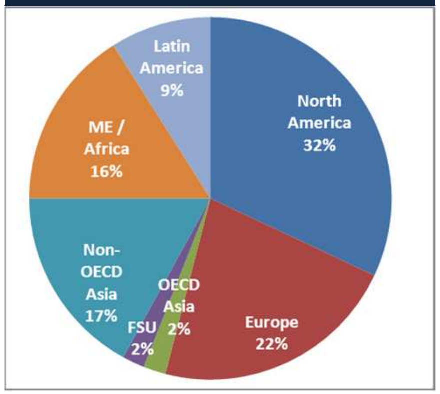


We pursue a strategy of industry diversity:

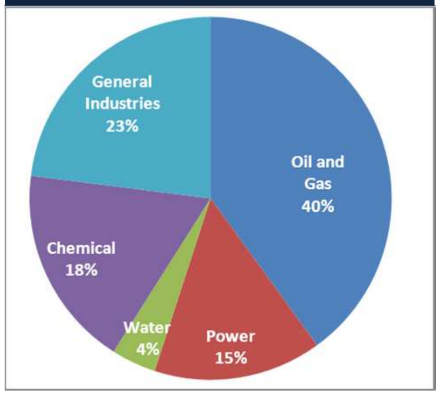
Industry Leading Solutions

Diverse End Markets and Geography Bookings and Sales

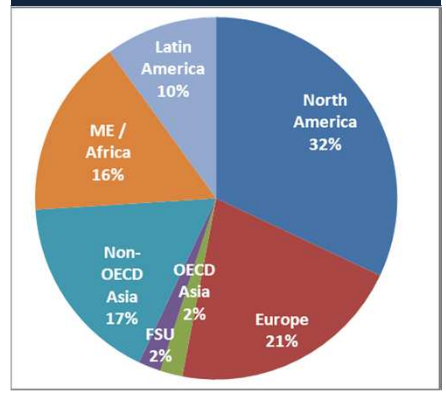
3Q11 TTM Sales by Geography



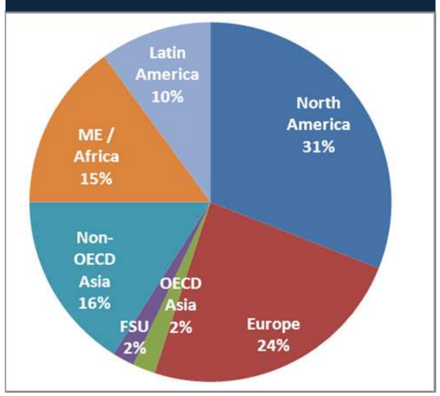
3Q11 TTM Bookings by End Market



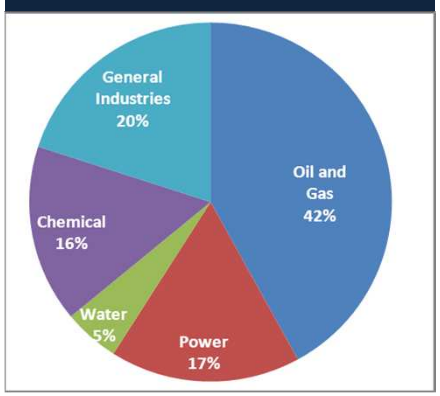
3Q11 TTM Bookings by Geography



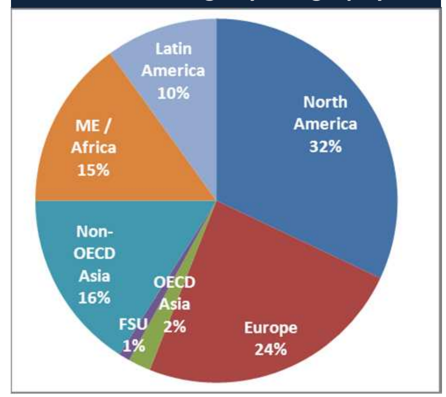
2010 Sales by Geography



2010 Bookings by End Market



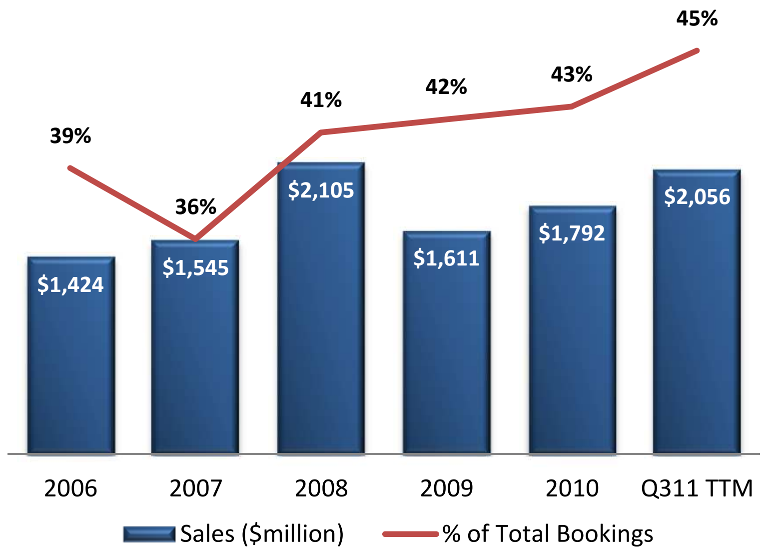
2010 Bookings by Geography



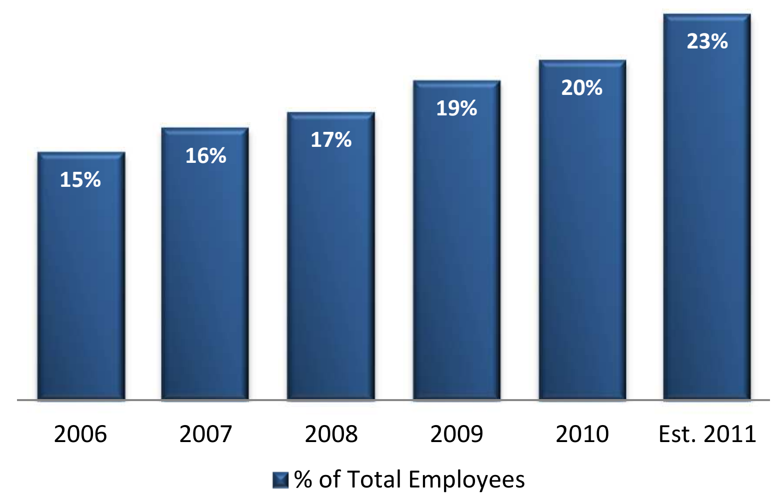
2011 bookings increased 10.2% and shifted towards Asia, Middle East and Africa

Repositioned to Capture Accelerating Emerging Market Growth

Bookings Growth in Emerging Markets



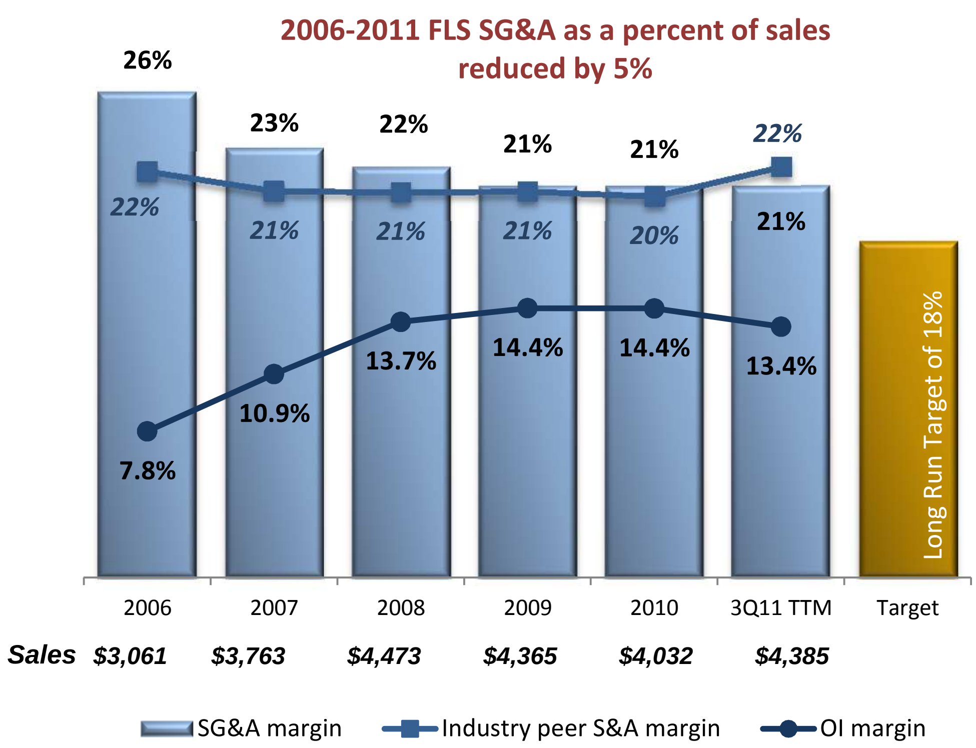
Employee Growth in Emerging Markets



Strategic localization has driven investment in higher growth, developing regions to meet increased local demand and growing content requirements

Realignment Driving Efficiency

SG&A as % of Sales



Source: Company filings, FactSet
Note: Industry peer group includes: CAM, EMR, TYC, SPW, Smiths Group, CR, KSB, ITT, Sulzer

- Achieved 560 bps improvement in operating margin over the past 5 years
  - Challenging project pricing impact beginning in 2010
  - Backlog pricing stabilized in 2011 with increased selectivity of projects
- Over $90M spent on realignment during 2009, 2010 and 2011 to achieve structural savings and scale the business
- Expect to realize ~$120M annual run rate savings
- Increased investment in compliance capabilities and improved risk management
- Balanced approach to expense management during period of growth

Successful management of costs and margins through the cycle positions us well for margin expansion

One Flowserve To Our Global Customers

EPD IPD FCD + Aftermarket

Common Customers

Shell, Shaw, FLUOR, ConocoPhillips, VALERO, ExxonMobil, Chevron, JE JACOBS ENGINEERING, DOW, BR PETROBRAS, أرامكو السعودية Saudi Aramco

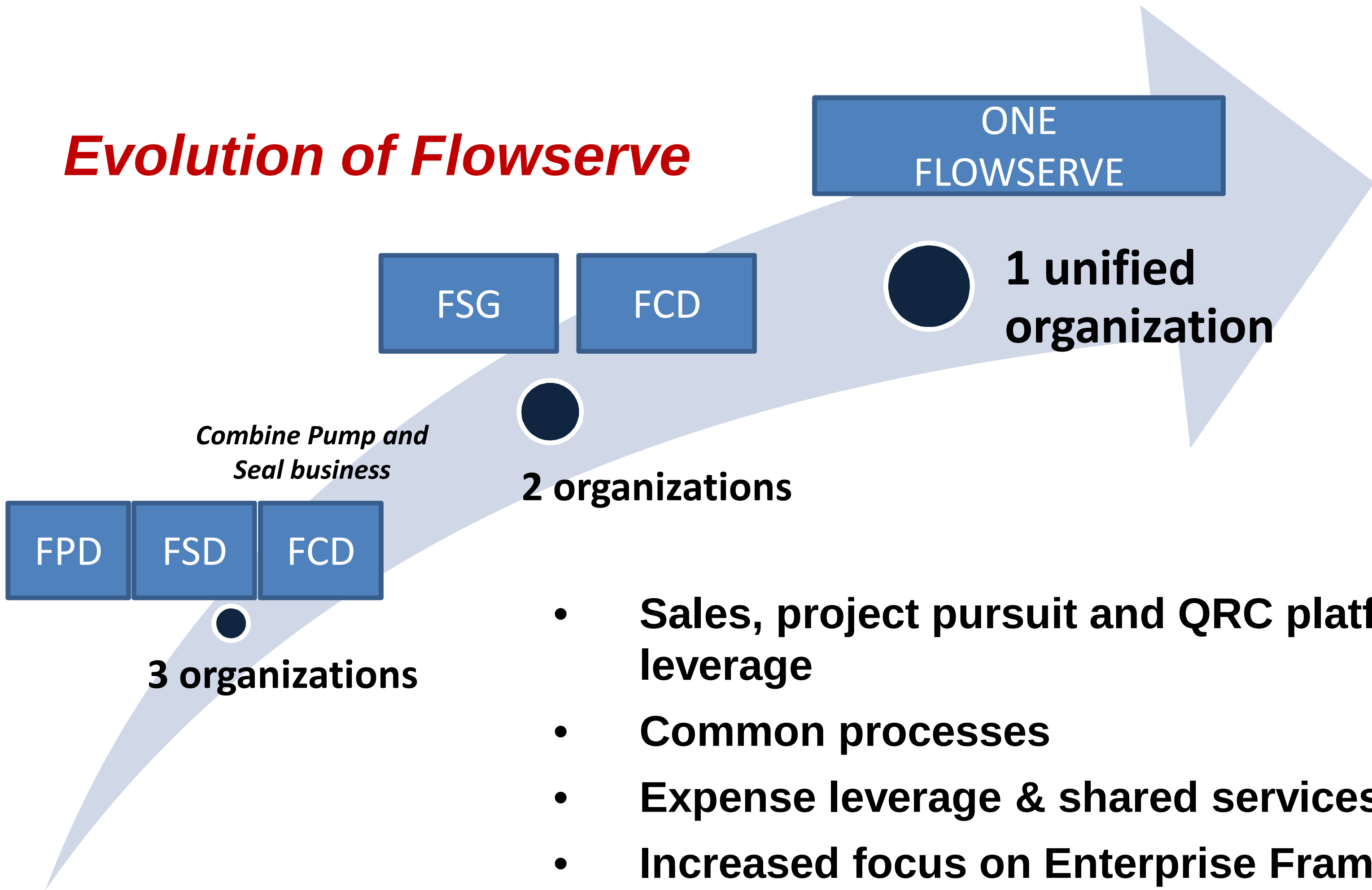
Common Markets

Global Megatrends

- Energy Efficiency
- Demographic Shifts
- Localization
- Life Cycle Cost
- Emerging Markets Capture
- Value Stream
- Aging Infrastructure
- Independence
- Economic Growth

One Flowserve approach delivers full suite of original equipment and aftermarket products and services to meet customer needs

Benefits of New COO Structure



- **Sales, project pursuit and QRC platform leverage**
- **Common processes**
- **Expense leverage & shared services**
- **Increased focus on Enterprise Frame Agreements as customers reduce number of vendors**

Global Strategies to Drive Profitable Growth

Capital Project Activity

- Complex applications and designs
- Continue to secure downstream
- Increase investment in mid & upstream
- Drive project execution excellence
- Leverage LPO/SPO
- Increase installed base

Increased Installed Base Feeds Aftermarket

Aftermarket Services & Solutions

- Differentiated by strong local capabilities
  - Diagnostics
  - ISG
- Continue to invest in developing regions
- Supports stable earnings growth and margin improvement

Investment

15% IRR Hurdle

Stable earnings and cash flow growth increase ability to consistently return cash to shareholders and reinvest in strategic initiatives

Investment

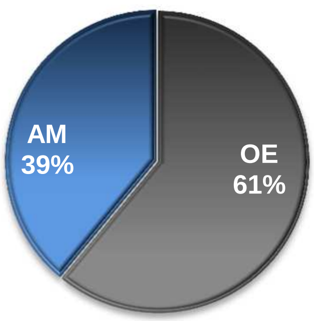
15% IRR Hurdle

Strategic capital allocation to support growth and value creation

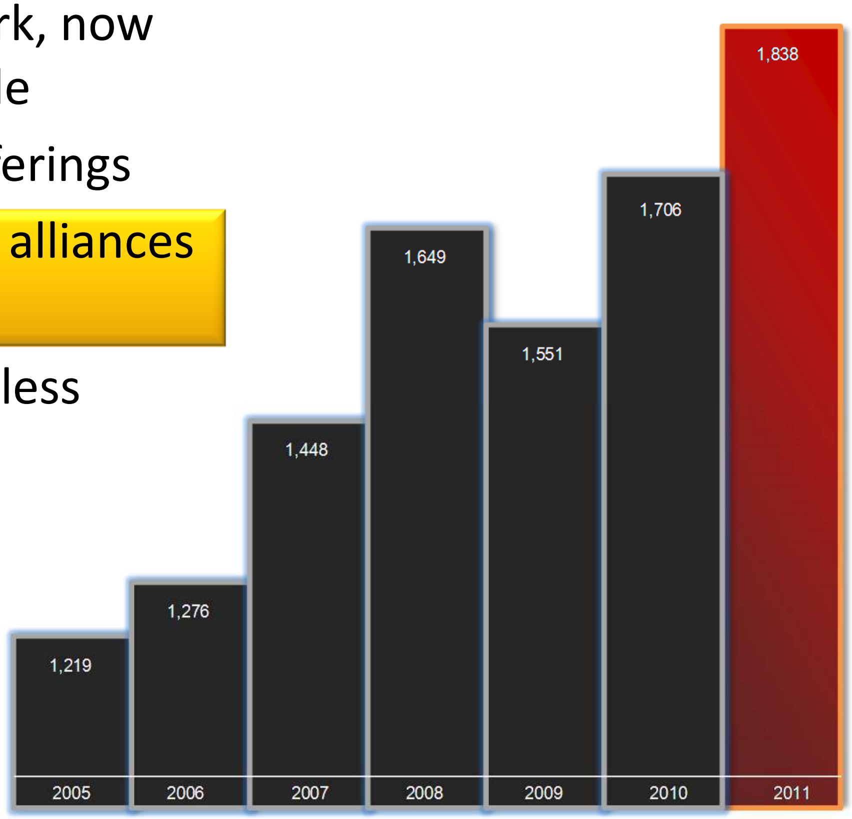
Growing the Aftermarket

- Significant expansion in QRC network, now operating in 171 locations worldwide
- Enhanced services and solutions offerings
- Approximately 450 global customer alliances
  - Approximately 112 Fee Based
- Resilient high margin business with less cyclicality

OE/ Aftermarket Bookings Split YTD Q3 2011



11Q3 TTM

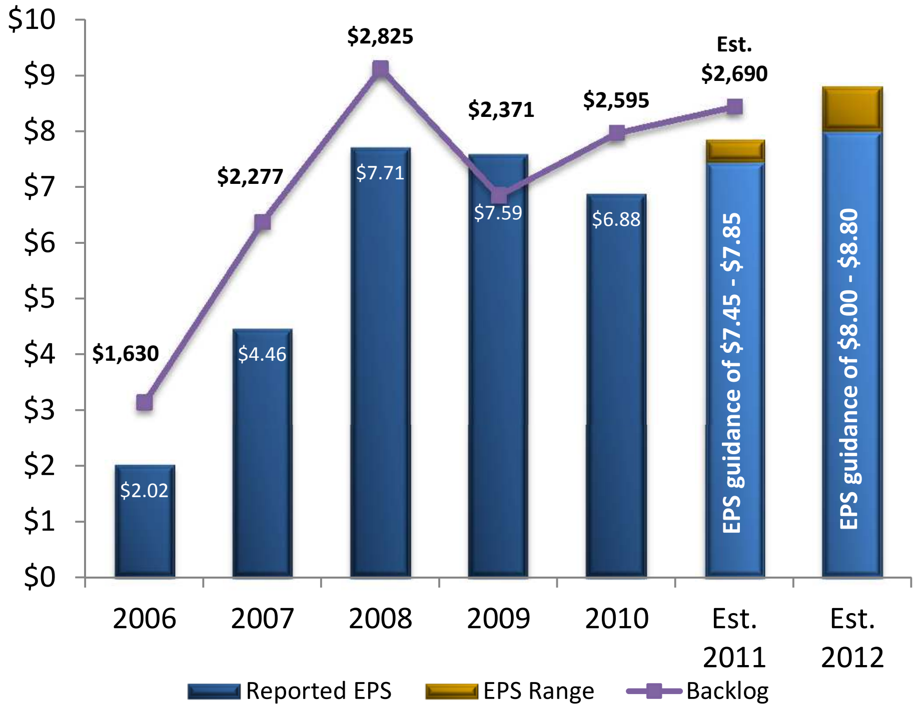


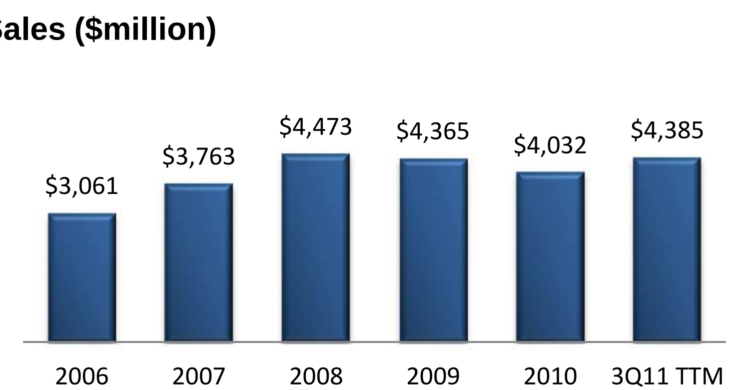
Bookings in $millions

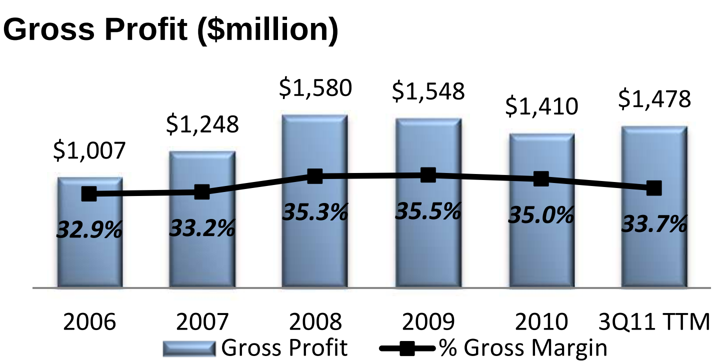
Our extensive network of company-owned QRCs – the largest in the industry – is a key enabler of continued growth to our aftermarket business

Investments Supported Earnings Stability and Drive Growth

End User Strategy through continued investment in high growth emerging markets, aftermarket capabilities and Integrated Services Group (ISG) has driven profitable growth







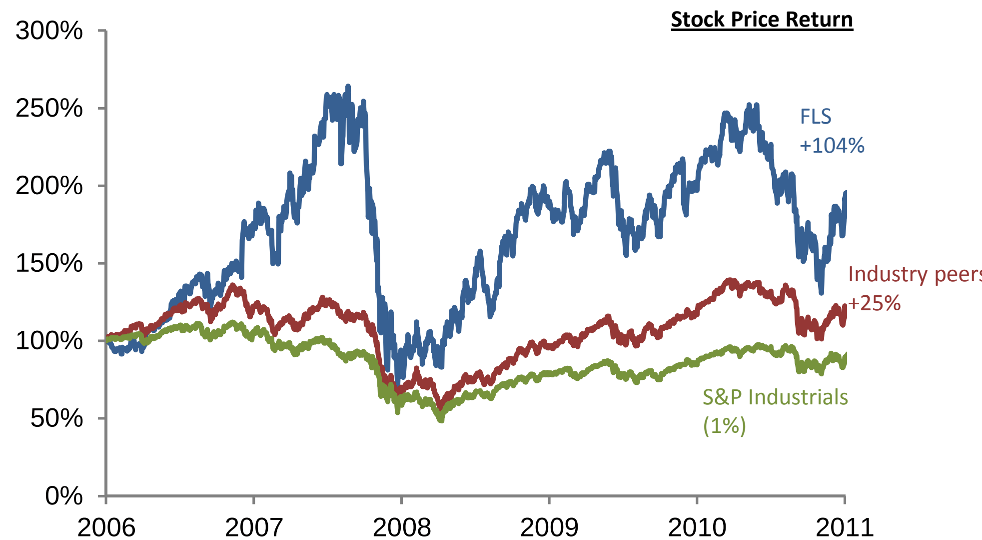
- **Diversified end market, geographic and cycle exposures support stable earnings through cycles**
- **Aftermarket spend continues through challenging cycles and project delays**
- **Strong backlog supports approximately 10% earnings growth in 2012 at the midpoint**

Proven Track Record Creating Shareholder Value

Generated Total Shareholder Return through a balanced combination of:

- **Organic and inorganic revenue and earnings growth**
- **Operational excellence**
- **Targeted geographic and end market diversification**
- **Growth in aftermarket business**
- **Returning capital to shareholders through dividends and share repurchases**

Total Return *	10-year	5-year	3-year	1-year
FLS	377%	128%	113%	(10%)
Industry Peers	216%	26%	98%	(9%)
S&P Industrials	44%	1%	74%	(5%)

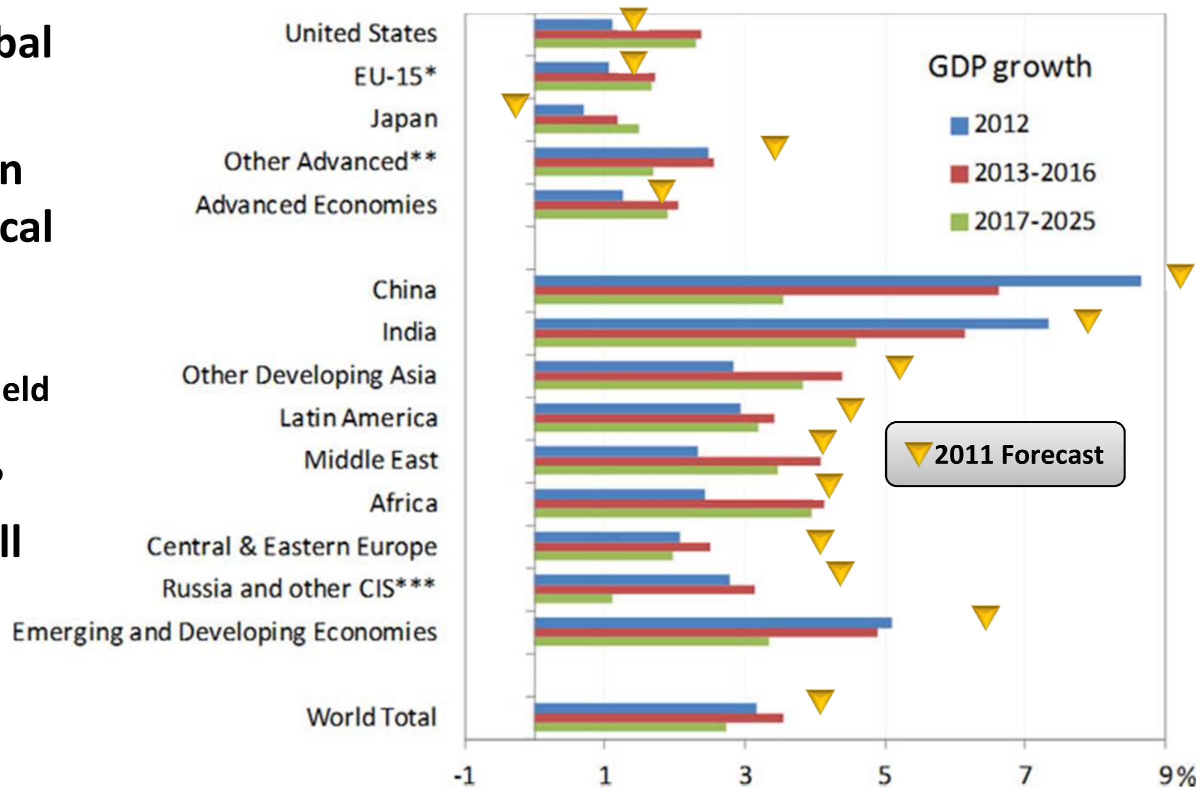


Source: Bloomberg. Change in stock price. Values indexed to 100 % as of 1/1/2006 to 1/27/2012
Industry peer group includes: CAM, CR, EMR, ITT, SPX, TYC, KSB, Smiths Group, Sulzer
* Total shareholder return through 1/27/2012

Superior shareholder returns as Flowserve has continued to execute on its long term end user strategy

Macro-economic and Geopolitical Drivers

- The outlook for growth in global GDP remains weak in 2012
- Regional GDP growth rates can be largely influenced by political leadership changes
  - In 2012 alone, Presidential or Parliamentary elections will be held in 19 countries that collectively represent 48% of the Global GDP
- Major global central banks will be pursuing easier monetary policy conditions for the first time since the financial crisis



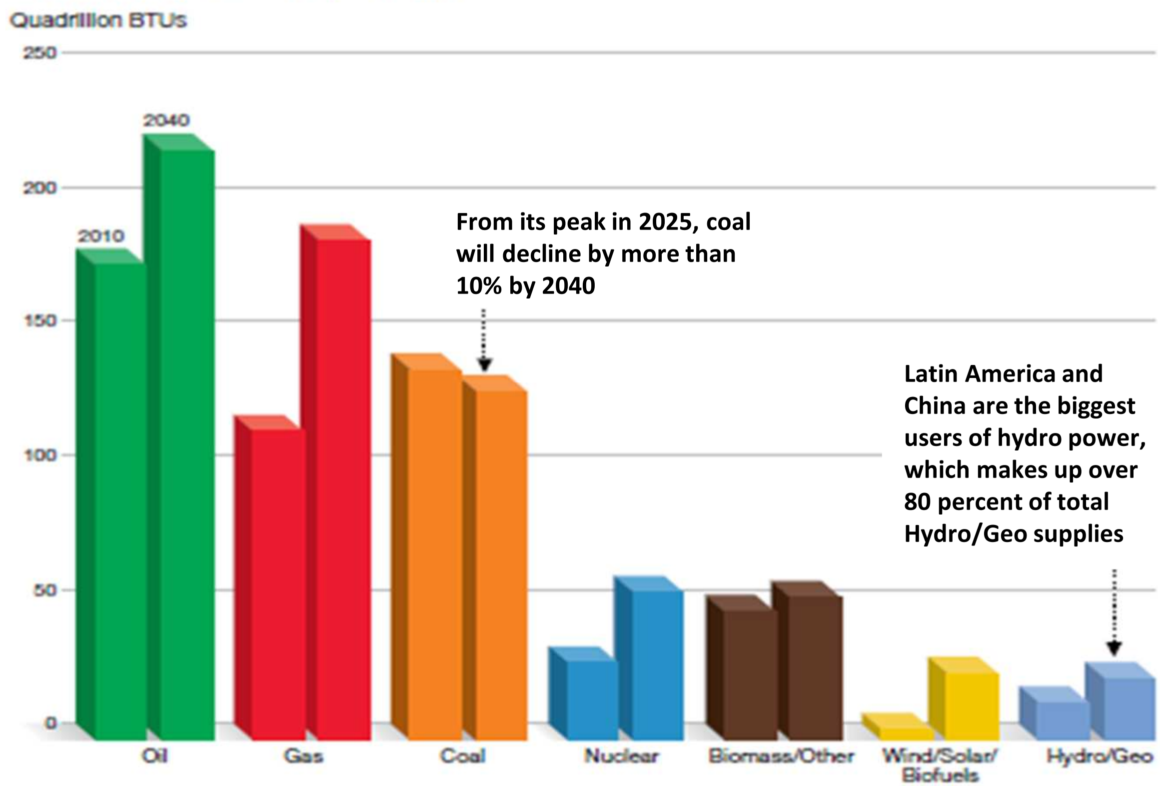
*EU-15 refers to states that joined the European Union before 2004.
**Other advanced economies include Canada, Switzerland, Norway, Israel, Iceland, Cyprus, Korea, Australia, Taiwan Province of China, Hong Kong, Singapore, New Zealand and Malta.
***CIS is Commonwealth of Independent States which includes all former republics of the Soviet Union, excluding the Baltic states.
Source: The Conference Board Global Economic Outlook, November 2011.

A modest recovery, buoyed by emerging markets, is expected in 2012

Growth of Primary Energy Demand

- Total global energy demand about 30% higher in 2040
- For both oil and gas, an increasing supply will be from unconventional resources
- Positive outlook in renewables and nuclear power

Global energy demand by fuel type

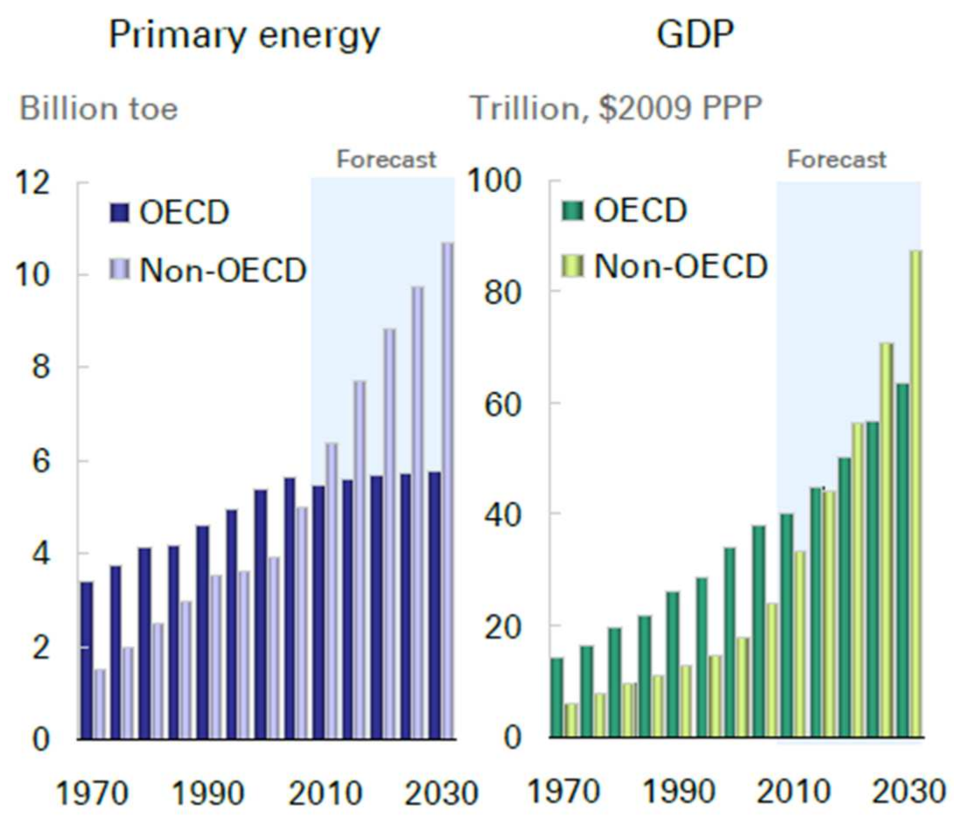


Source: ExxonMobil: 2012 The Outlook for Energy: A View to 2040

As energy infrastructure develops over time,
Flowserve is well positioned to serve the various segments

Regional Drivers

- **Rapid GDP and energy demand growth in emerging markets drives new infrastructure build**
- **Competitive pressures and aging infrastructure call for capacity upgrades and conversions in mature OECD countries**

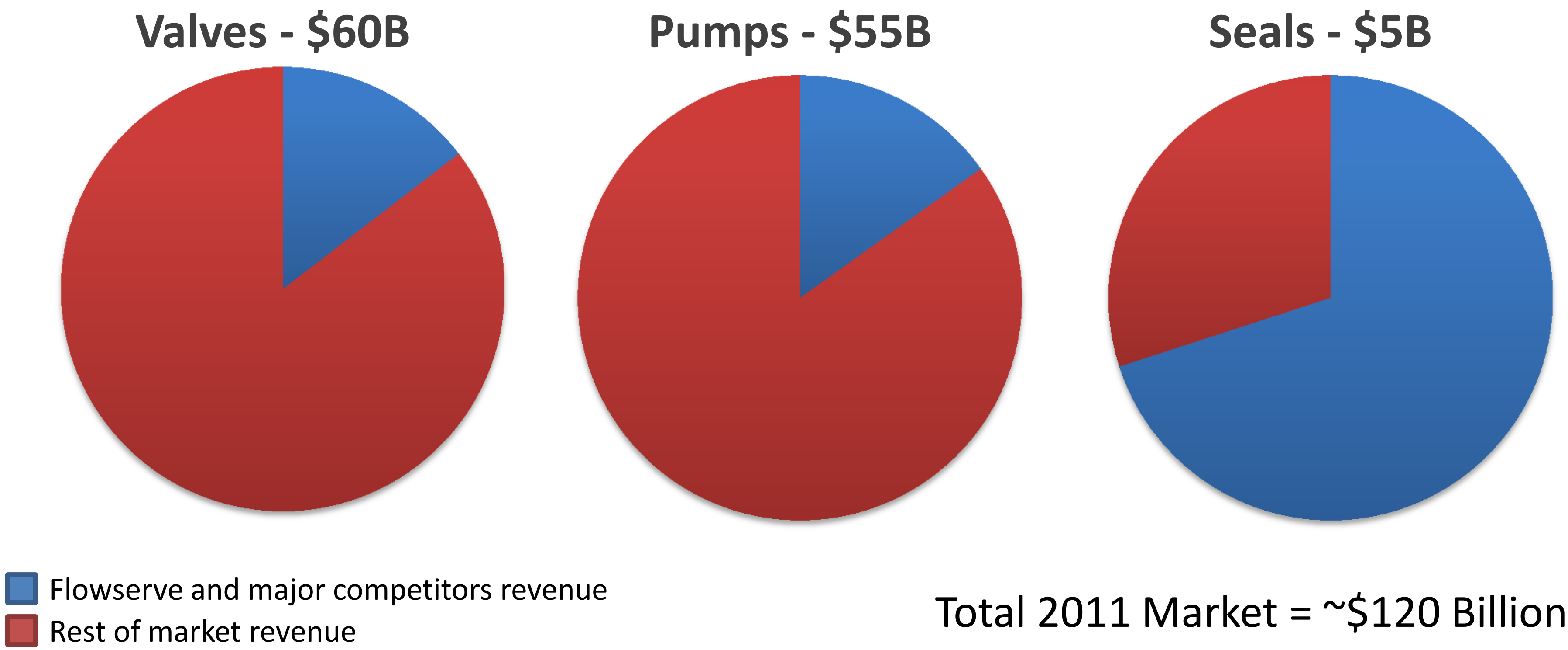


Source: BP

The growth of energy demand in emerging economies presents the greatest opportunity for Flowserve

Now let's look at the market:

The Total Available Market by product type:



Total 2011 Market = ~$120 Billion

Source: European Industrial Forecast

- ***Valve and pump markets are highly fragmented***
- ***Flowserve and its major competitors representing roughly 15% of the total market***
- ***Seals is more concentrated, with Flowserve and two competitors representing approximately 65%-70% of total market***

Investments for Growth

- **Manufacturing & Test Capacity – China, India & Brazil**
  - **Localize to support growing regional business and increased local content requirements**
  - **Increase QRC network to capture greater life cycle spend**
  - **Competitors are expanding capabilities**
- **QRC Expansion in Growing Markets**
  - **Opened 6 QRCs in 2011 mostly serving emerging markets**
- **LPO/SPO (lead/secondary product operation)**
  - **Develop standardization and quality in emerging market manufacturing facilities**

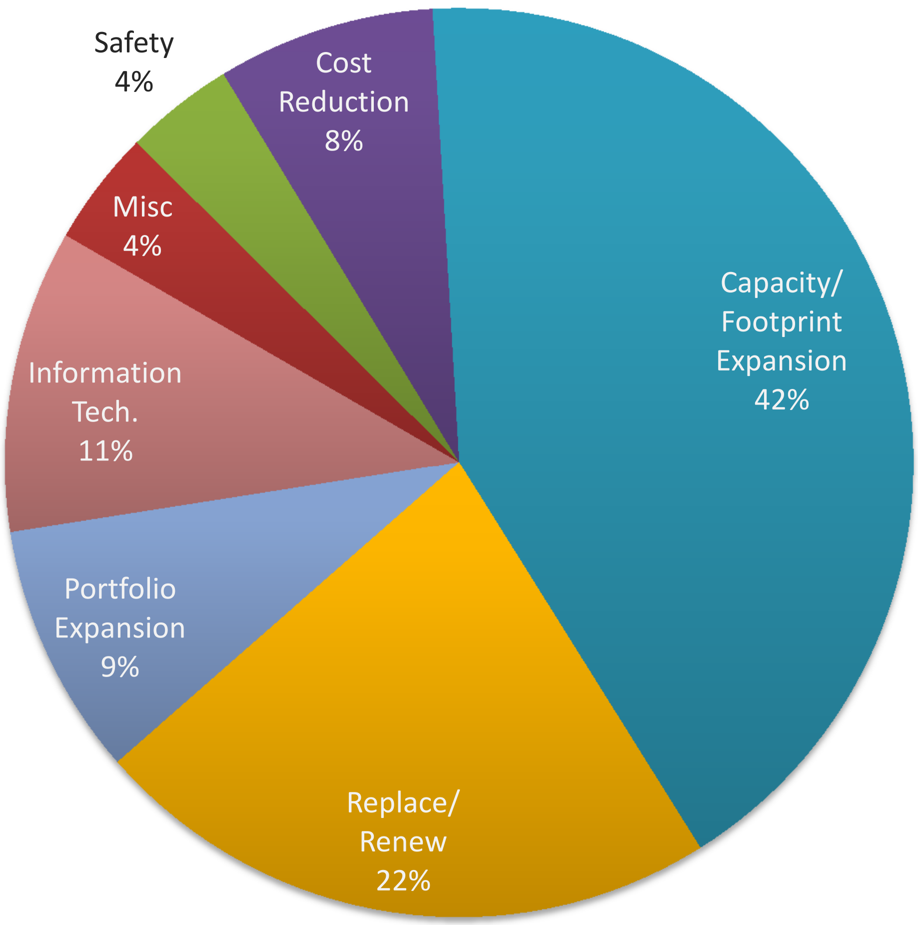
Investing to optimize our manufacturing and customer support capabilities

Balanced Cash Deployment

Approximately $2.5 billion in capital deployed from 2006 to 2011

Category	2006-2011 Est	% of Total	Comments
Capital Expenditures	$608M	25%	Invested in operational platform growth and efficiency and strategic investments in emerging markets
Share Repurchases/Dividends	$779M	31%	Returned capital to equity providers balanced with investment in business
Acquisitions, net of divestitures	$291M	12%	Disciplined inorganic growth focused on strategic fit to strengthen capabilities
U.S. Pension Contributions	$229M	9%	Fully funded on a Pension Protection Act basis as of 1/1/2011
Debt repayment & Elimination of Factoring	$235M	9%	Strengthened the balance sheet and eliminated factoring
Realignment	$72M	3%	Scaled and optimized operating platform globally
Increase in Cash	$270M	11%	Strengthened cash position while maintaining a balanced approach to cash deployment

Directional CAPEX Spend

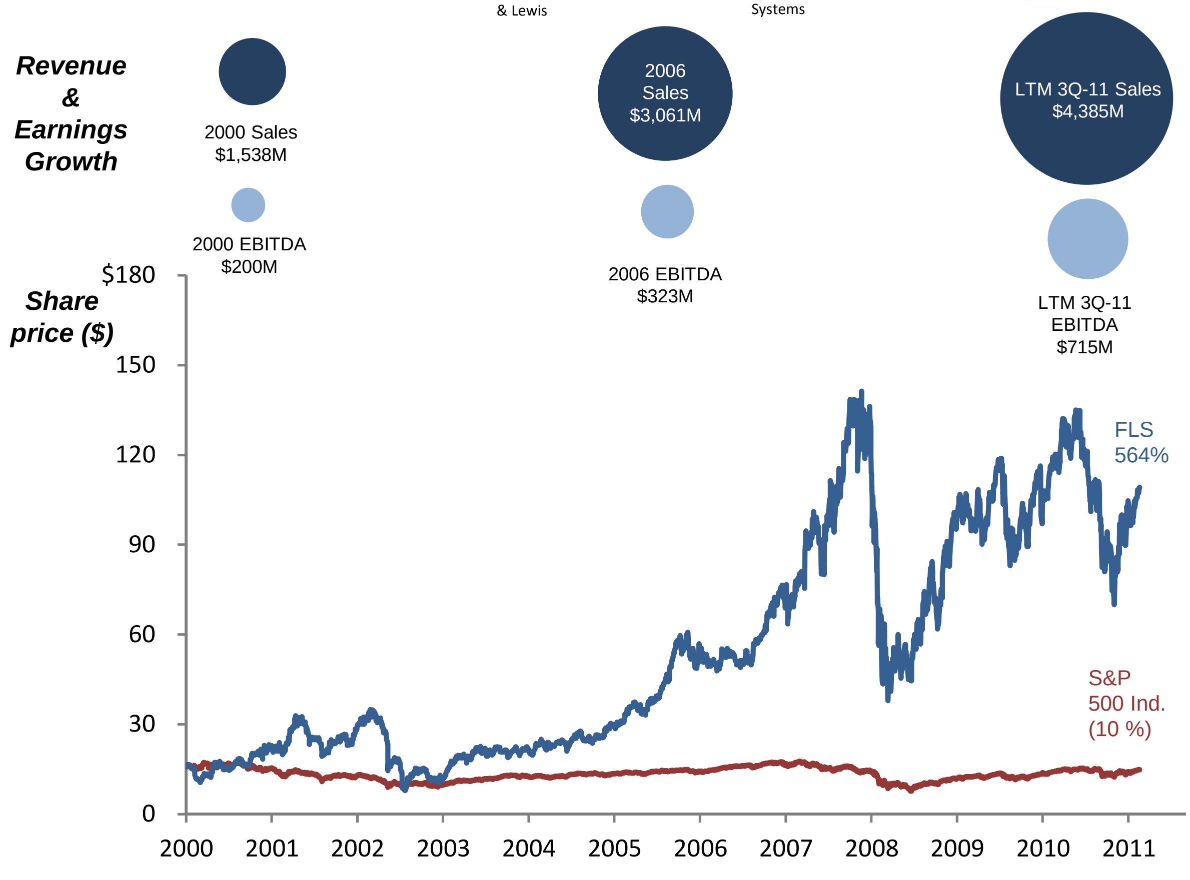


- **Expanding our manufacturing capacity and QRC network, primarily in emerging markets**
- **Continue to upgrade production equipment to improve industry-leading operational performance**
- **Invest in additional information systems infrastructure to improve support function integration and reduce costs**

Capital spending will continue to align with Flowserve's strategic initiatives

Acquisition Strategy has Accelerated Growth

Ingersoll-Dresser Pumps   invensys   Thompsons, Kelly & Lewis   LUDOWICI   HYDROTECHNIK   MF Sealing Systems   NIIGATA   CALDER   Valbart   LAWRENCE PUMPS INC.



2000-2006	2007-2011
No. of acquisitions: 5	No. of acquisitions: 5
Revenue added: ~$1.4bn	Revenue added: ~$0.3bn
Revenue CAGR: 12.2%	Revenue CAGR[1]: 7.5%
EBITDA CAGR: 8.3%	EBITDA CAGR[1]: 17.0%

Total of 10 acquisitions since 2000

- **Growth through transformational acquisitions between 2000-2002**
- **Between 2003-2011, organic growth supplemented by bolt-on acquisitions**

Source: Company filings, press release, dealogic, market data as of 1/27/2012
[1] CAGR and margin improvement represent 2006 – LTM Q3-2011

Over $1.5B deployed on acquisitions with significant EBITDA expansion post integration

Targeting Acquisitions with Key Strategic Fit

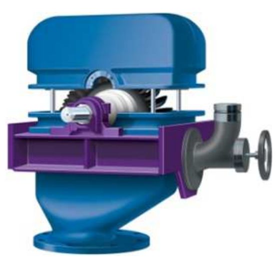
LAWRENCE PUMPS INC.

Lawrence Pumps
2011 Acquisition
Cash Paid - $89.6M
Price/EBITDA – 8.9x

Valbart

Valbart
2010 Acquisition
Cash Paid - $199.4M
Price/EBITDA – 8.1x

CALDER



Calder
2009 Acquisition
Cash Paid - $30.8M
Price/EBITDA – 9.7x

Acquisition strategy focused on product gaps and companies specializing in highly engineered systems and applications allowing for quick access to key markets

- **Recent acquisitions at favorable multiples have been relationship driven and not pursued through an auction process**
- **Targeted acquisitions are designed to be quickly accretive and meet Internal Rate of Return (IRR) targets**

Targeting companies in growth markets which complement our core products and capabilities

- **Strong Brand Recognition and Market Reputation**
- **Highly Engineered Technology**
- **Underserved Aftermarket Opportunity**
- **Product Pull-through Opportunities**
- **Emerging Market Penetration**
- **Opportunities to Leverage Flowserve's Existing Global Sales Force**

Disciplined approach to evaluating shareholder value creating opportunities

Commitment to Returning Cash to Shareholders

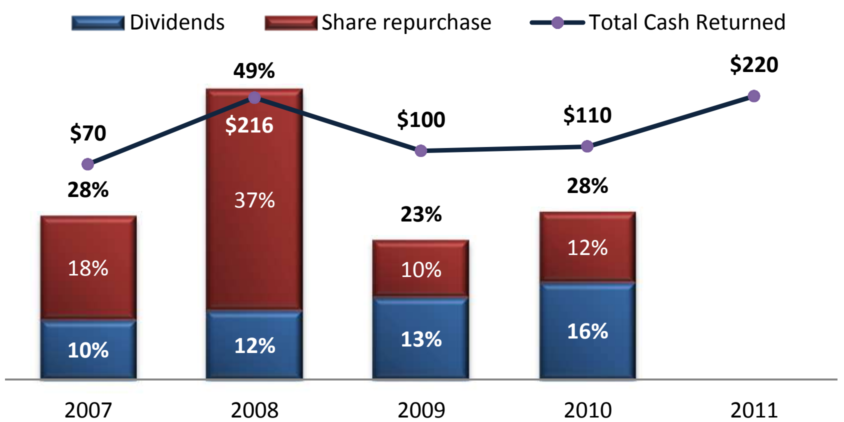
Share Repurchases

- Completed two share repurchase programs within the past 5 years
- Authorized new $300M plan in September 2011
- Completed $109M of share repurchases in Q4 2011
- Board authorized replenishment of capacity back to $300M in December 2011

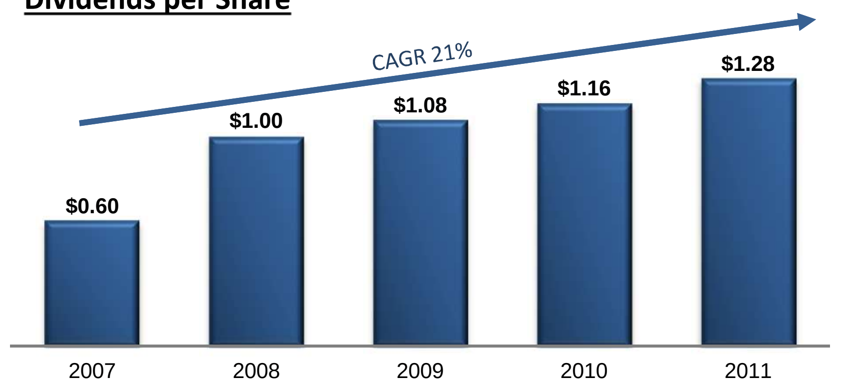
Dividend

- Increased dividend in Q1 of each year since 2007

Total Payout % of Net Income



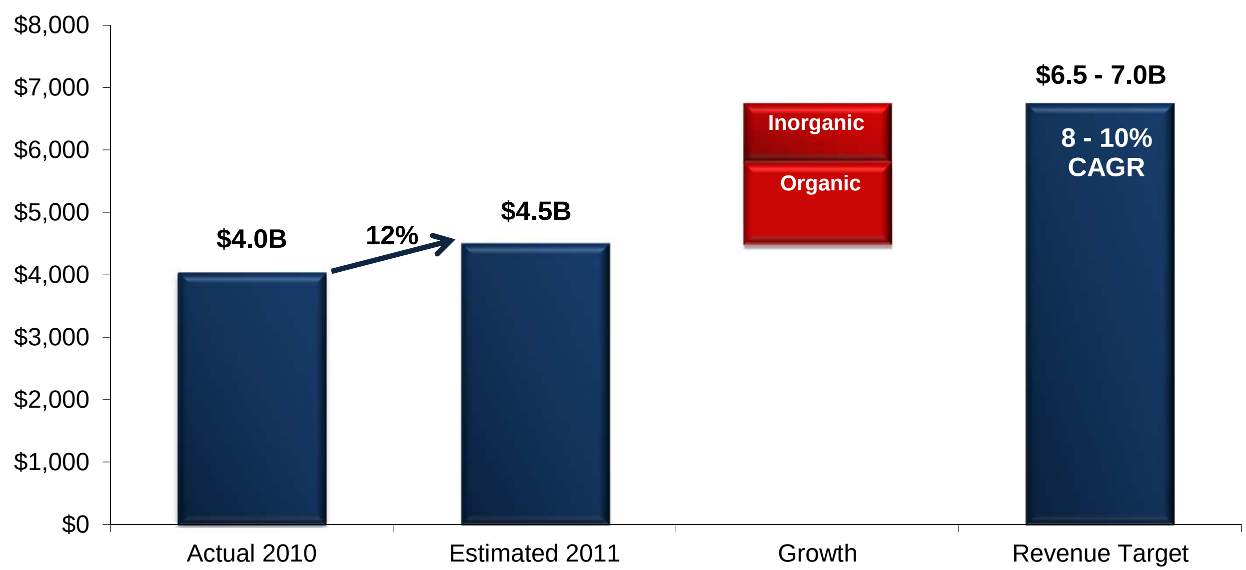
Dividends per Share



Committed to returning between 40% and 50% of two-year average net earnings to shareholders annually

Path to 2016 Revenue Target

Targeted Sale Growth 2011 - 2016



- **2015 revenue target of $6.5 to $7.0 billion provided at last year's Analyst Day was based on a 5-year addressable market growth of 6.7% CAGR ***
- **2011 – 2016 addressable market growth rate has been revised down to 5.9% CAGR due in large part to the European sovereign debt crisis slowing growth and capital investment in 2012**
- **Flowserve's end user strategy and investments in emerging markets drive the organic growth rate of 6.5% to 7.0%, above that of the addressable market growth rate of 5.9%**

*European Industrial Forecasting (EIF) estimates for the growth rate of Flowserve's addressable end markets

2012 Guidance Range

	2012
EPS [1]	$8.00 – $8.80
Revenue Growth [2]	5 – 7%
Current Currency Impact [3]	~ ($0.50) of EPS
Capital Expenditures	$120 - 130M
Pension Contributions	$20 – $25M
Longer Term Guidance:	
2-3 Year Operating Margin Improvement Target	150 – 250 bps
Capital Returned to Shareholders [4]	40-50% of Net Earnings

[1] Similar to 2011, 2012 earnings will be second half weighted. First half margins will be further impacted by remaining roll off of past due backlog in Q1 and Q2

[2] Does not assume impact of potential attractive acquisitions which may arise

[3] Negative currency effects of approximately $0.50 when compared to average 2011 exchange rates due to strengthening dollar

[4] Financial policy to return 40 - 50% of 2 year average of net earnings to shareholders on a annual basis

Poised to Deliver Improving Shareholder Value

Revenue Growth
8-10% CAGR
2016 Target

Margin Expansion
2-3 Year Operating Margin Target
of 150 – 250 bps

Earnings Improvement
Diverse end markets, geographies and cycle exposure provide stable bookings and earnings through cycles

Increasing Free Cash Flow
Earnings growth generating increasing FCF to support growth initiatives and return capital to shareholders

Dividend Growth

40 - 50% annual earnings returned to shareholders

Increased Share Repurchase

Driving shareholder return and multiple expansion

Q&A