Flowserve Second Quarter 2015 Earnings Conference Call

July 31, 2015

Experience In Motion

Special Note

Safe Harbor Statement: This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Words or phrases such as, "may," "should," "expects," "could," "intends," "plans," "anticipates," "estimates," "believes," "forecasts," "predicts" 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 presentation are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in 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 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 collections of receivables, particularly in Latin America and other emerging markets; our exposure to fluctuations in foreign currency exchange rates, particularly the Euro and British pound and 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 presentation are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statement.

Q2 2015 Financial Highlights

- Reported second quarter Adjusted EPS* of $0.80
  - Excludes $0.24 of adjusted items(1)
- Bookings of $1.12 billion, including SIHI bookings of $61.5 million
  - Challenging market conditions experienced in the first quarter continued through the second quarter with broad-based year-over-year capital spending declines and increased pricing pressure
  - Q2 Sequential constant currency bookings increased 11.3%, excluding SIHI
  - Aftermarket bookings of $479 million, including SIHI bookings of $23 million
- Adjusted gross margin decreased 60 basis points to 34.5%, excluding SIHI and realignment
- Operating margin excluding adjusted items decreased 40 basis points to 15.5%
- Backlog of $2.7 billion, including $132.2 million from SIHI acquisition, which was partially offset by approximately $103 million of negative currency effects

***Calculated using Q2 2015 fully diluted shares of 134.8 million**
(1) See pg. 22 for reconciliation

Flexibility Through Market Transitions

Strategic Strengths

- Balance Sheet
- Diversification
- Infrastructure Markets
- Operational Focus
- Aftermarket Business
- Localized Assets

Strategic Deployment

Launched Initiatives

- Capital Allocation Discipline
- Operational Flexibility
- Driving Growth
- SG&A Alignment
- Manufacturing Optimization

Market Headwinds

- FX
- Oil and Gas
- Emerging Markets
- Geopolitical Turbulence

Response to Market

Accelerating Deployment

- SG&A Reductions
- Manufacturing Migration
- Right-size to Market Conditions

Targets

$100 Million
Cost Reduction Efforts

5 Percent
Workforce Reduction*

$70 Million
Annual Run-rate Savings

Excludes SIHI realignment

** For workforce reduction efforts, where applicable, we will engage all necessary parties to meet our local consultation and information requirements.*

During Q2 completed $25 million of planned $100 million investment in cost efficiency initiatives, manufacturing optimization and other actions. Continue to expect annual run-rate savings of over $70 million

Resiliency of Business

Traditional mix of sales		Recent years' mix of sales	Long-Term Drivers
~20%	OE large projects	Has trended lower: only 10-15%	• New capacity / greenfield • Highly engineered solutions • Infrastructure build out
~40%	Run-rate OE: short cycle, recurring	Has trended higher	• Replacing / adding equipment in existing infrastructure • Need for upgrades as facilities age • Typically customer direct and shorter lead-time
~40%	Aftermarket	Has trended higher	• MRO recovery and ongoing replacement business • Efficiency upgrades • Service and repairs require localized presence

Approximately 80% of business is traditionally aftermarket or run-rate original equipment ➡ stability and resiliency

Cost Actions & Strategic Manufacturing Optimization

Immediate Cost Actions	Strategic Manufacturing Optimization
• $100 million in 2015 ◦ SG&A reduction ◦ Manufacturing consolidation into low cost facilities ◦ Other initiatives ◦ Excludes SIHI • Expected run-rate savings of over $70 million • SIHI initiatives / synergies launched and separate • Strategic plans being accelerated in current market conditions	• Accelerating existing manufacturing optimization and supply chain savings • Leveraging significant investments made in low-cost manufacturing footprint ◦ Increased capacity primarily in Asia and Latin America ◦ Manufacturing transition underway • Core strategy which enhances Flowserve's long-term competitive positions • Provides permanent financial return • Benefits to included reduced under-absorption, enhanced margins on products, and improved long-term competitive position

Specific and measurable actions expected to yield over $70 million annual run-rate savings, driving an optimized, low cost manufacturing footprint strategically aligned to maximize growth and profitability

Cash Flow Usage & Capital Allocation Priorities

Cash Flow Usage

	Since Q4 '11	YTD '15*
Returned to shareholders[1]	**$ 2.0 billion**	**$186 million**
# shares repurchased	*36.0 million*	*2.5 million*
Avg. repurchase price / share	*<$48*	*<$57*
% of FCF	*144%*	*NM*
Acquisition spend	**$508 million**	**$342 million**
Capex	**$558 million**	**$114 million**

* Includes YTD 2015 amounts

Capital Allocation Priorities

Debt Management

- Long-term gross leverage ratio of 1-2x total debt / EBITDA; currently 2.2x[2]
- Raised €500 million 7-year Senior Notes at coupon of 1.25%

Dividends

- Dividend increased for the past 8 consecutive years
- Past 5 years provided double-digit percentage increase

Share Repurchases & Acquisitions

- Total shareholder payout ratio target at 40-50% of net income
- Completed $1 billion stock repurchase program in 2013
- ~$325 million available under current program[3] as of 6/30/15
- Strict acquisition criteria includes EPS accretion & achievement of ROIC hurdles
- Discipline in evaluating inorganic vs. organic investment and returning capital to shareholders

Capital spending focuses on most accretive, long-term investment in both the operating platform and returning capital to shareholders

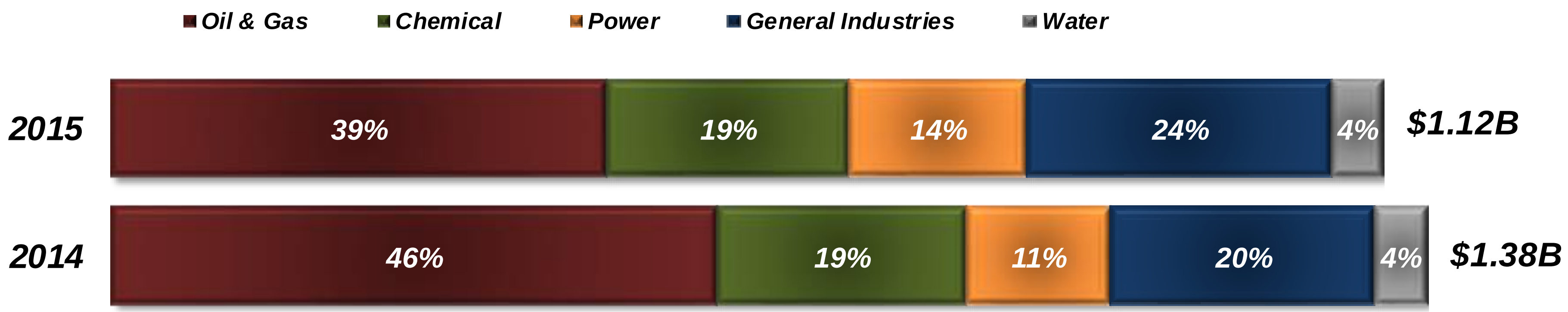
[1] Includes dividends and share repurchases; [2] Including one-time items; [3] Current authorization of $500 million as of 6/30/15

Business Outlook

- **Multiple factors contributing to current business conditions as customers deliberate on both new order and aftermarket activity**
  - Oil & Gas volatility - reduced capital budgets and oil price down ~50% since Q2 2014
  - FX volatility headwinds - U.S. dollar appreciated ~25% versus the EUR since Q2 2014
  - Geopolitical and economic turmoil in selected regions including Latin America / Middle East
  - Strong refining margins driving high utilization rates and deferred maintenance
- **Flowserve addressing market conditions that are expected to persist, by leveraging strategic, operating and financial strengths**
  - Accelerating efficiency and manufacturing optimization program
  - Maintaining disciplined bidding; bundling differentiated product / service offering
  - Strong balance sheet and disciplined capital allocation; continuing to focus on organic growth initiatives
- **Long-term strategy remains focused on profitable growth**
  - Diverse, attractive long-term end markets with FLS global presence
  - Accelerating growth opportunities in aftermarket, chemical, Asian power and distribution channels
  - Competitive advantages include operating platform, product portfolio and installed base
  - R&D investment and new product development
  - Strong financial position to invest in growth, both organic and inorganic

Strong business model, including leading aftermarket franchise, diverse end markets & geographic exposure, positions Flowserve for long-term value creation despite short-term volatility

Q2 2015 Bookings & Industry Outlook



OIL & GAS

- *Investment volatility driven by low oil prices and geopolitical uncertainty in key energy producing regions*
- *Upstream spending cuts and delayed projects & MRO in mid- and downstream with some bright spots*
- *Middle East & Africa oil & gas project business remains active*

POWER

- *Power market opportunities continue in combined cycle globally and coal-fired power in Asia Pacific*
- *Nuclear still soft but future outlook supported by recent positive developments in China and potentially India*
- *Desalination activity on the rise in core markets of Middle East and North Africa, as well as Asia*
- *Concentrated solar thermal market active and well served by Flowserve portfolio*

CHEMICAL

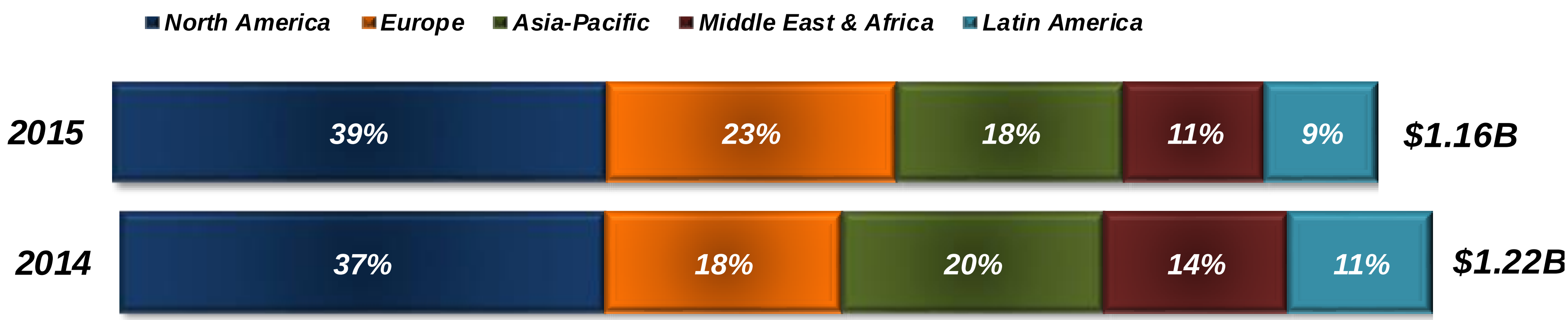
- *Chemical market transitioning to slower growth phase with new capacity coming online and industry economics*
- *Investment activity in Middle East and North America due to cost advantages for chemical production*

GENERAL INDUSTRIES

- *Mining market activity focused on replacement capacity and continued maintenance*
- *Distribution down overall due to destocking, with some pockets of growth*

Sources: GlobalData, American Chemistry Council, Oxford Economics, IMF, Flowserve internal data

Q2 2015 Sales & Regional Outlook



NORTH AMERICA

- *Oil & gas market activity declining as capital expenditures cut and projects delayed; signs of recovery in MRO spending*
- *Mixed opportunities further downstream with combined-cycle power picking up and chemical lower vs. robust prior year*

EUROPE

- *Growth weighed down by precarious Euro zone situation with Greece, Russia conflict and FX headwinds*
- *Power investment restrained; future prospects in renewables, some fossil-fired projects and select nuclear markets*

MIDDLE EAST & AFRICA

- *Middle East & Africa oil & gas project business remains active*
- *Chemical and phosphate project investment given the region’s development toward downstream diversification*

ASIA-PACIFIC

- *Mixed prospects with areas of accelerating growth and opportunity, such as Southeast Asia, and slowing growth in China*
- *New coal-fired power plant additions in Asia Pacific; environmental and diversification factors support growth in other power technologies*

LATIN AMERICA

- *Difficult oil & gas and chemical business conditions due to severe challenges in Brazil and Venezuela; early optimism for Mexico*
- *Realizing power opportunities; leveraging strengths in mining while spend on projects remains restrained*

Sources: GlobalData, American Chemistry Council, Oxford Economics, IMF, Flowserve internal data

Engineered Product Division
Q2 2015 Segment Results

($ millions)	2nd Quarter 2015	2nd Quarter 2014 (1)	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2015	Year to Date 2014	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 575.3	$ 768.2	$ (192.9)	(25.1)%	(15.5)%	$ 1,070.6	$ 1,396.3	$ (325.7)	(23.3)%	(14.9)%
Sales	$ 570.8	$ 640.2	$ (69.4)	(10.8)%	(0.1)%	$ 1,054.9	$ 1,164.3	$ (109.4)	(9.4)%	0.7%
Gross Profit	$ 189.9	$ 220.2	$ (30.3)	(13.8)%		$ 355.5	$ 405.6	$ (50.1)	(12.4)%	
Gross Margin (%)	33.3%	34.4%		(110 bps)		33.7%	34.8%		(110 bps)	
SG&A	$ 106.0	$ 113.8	$ (7.8)	(6.9)%	4.4%	$ 204.4	$ 221.3	$ (16.9)	(7.6)%	2.7%
SG&A (%)	18.6%	17.8%		80 bps		19.4%	19.0%		40 bps	
Income from Affiliates	$ 2.3	$ 2.4	$ (0.1)	(4.2)%		$ 4.0	$ 5.8	$ (1.8)	(31.0)%	
Operating Income	$ 86.2	$ 108.8	$ (22.6)	(20.8)%	(13.9)%	$ 155.1	$ 190.1	$ (35.0)	(18.4)%	(10.8)%
Operating Margin (%)	15.1%	17.0%		(190 bps)		14.7%	16.3%		(160 bps)	
Adjusted Operating Income **	$ 96.2	$ 108.8	$ (12.6)	(11.6)%	(4.7)%	$ 165.7	$ 190.1	$ (24.4)	(12.8)%	(5.2)%
Adjusted Operating Margin % **	16.9%	17.0%		(10 bps)		15.7%	16.3%		(60 bps)	

Flat Q2 adjusted operating margins demonstrates strength of backlog and solid execution

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $10.0 million and $10.6 million for Q2 2015 and YTD 2015, respectively
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Engineered Product Division
Q2 2015 Bookings and Sales

($ millions)		2nd Quarter 2015	2nd Quarter 2014 [1]	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2015	Year to Date 2014	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	227	356	(36)%	(26)%	390	570	(32)%	(22)%
		39%	46%	(700 bps)		36%	41%	(500 bps)	
	AM	349	412	(15)%	(7)%	681	826	(18)%	(10)%
		61%	54%	700 bps		64%	59%	500 bps	
Sales Mix **	OE	216	252	(14)%	—%	371	433	(14)%	(1)%
		38%	39%	(100 bps)		35%	37%	(200 bps)	
	AM	355	388	(9)%	—%	684	732	(7)%	2%
		62%	61%	100 bps		65%	63%	200 bps	

Execution of solid backlog drove constant currency revenue

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Gross bookings and sales do not include interdivision eliminations
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Engineered Product Division Q2 Overview

- Bookings decreased 25.1%, or 15.5% on a constant currency basis
  - Decrease driven primarily by oil and gas and to a lesser extent, chemical, partially offset by growth in water, power and general industries
  - Decrease primarily driven by Europe and Latin America
- Sales decreased 10.8%, or were essentially flat on a constant currency basis
  - The decrease was more heavily weighted towards original equipment, resulting from decreased sales into Asia Pacific, the Middle East and Latin America, partially offset by growth in North America
- Gross margin decreased 110 basis points to 33.3%
  - Excluding realignment charges, gross margin increased 10 basis points to 34.5%
- Operating margin decreased 190 basis points to 15.1%, or decreased 10 basis to points to 16.9%, excluding realignment
- Backlog decreased 7.2% to $1.5 billion vs. 2014 year-end, or 3.2% on constant currency basis

Industrial Product Division
Q2 2015 Segment Results

($ millions)	2nd Quarter					2nd Quarter Adjusted				
	2015	2014 (1)	Delta ($)	Delta (%)	Constant FX (%)*	SIHI	IPD Ex-SIHI	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 205.3	$ 219.6	$ (14.3)	(6.5)%	(1.8)%	$ 61.5	$ 143.8	$ (75.8)	(34.5)%	(29.8)%
Sales	260.8	203.8	$ 57.0	28.0%	36.1%	77.2	183.6	$ (20.2)	(9.9)%	(1.8)%
Gross Profit (Loss)	58.8	60.0	$ (1.2)	(2.0)%		8.9	49.9	$ (10.1)	(16.8)%	
Gross Margin (%)	22.5%	29.4%		(690 bps)		11.5%	27.2%		(220 bps)	
SG&A	51.7	29.8	$ 21.9	73.5%	82.6%	25.3	26.4	$ (3.4)	(11.4)%	(2.3)%
SG&A (%)	19.8%	14.6%		520 bps		32.8%	14.4%		(20 bps)	
Operating (Loss) Income	$ 7.1	$ 30.2	$ (23.1)	(76.5)%	(70.9)%	$ (16.4)	23.5	$ (6.7)	(22.2)%	(16.6)%
Operating Margin (%)	2.7%	14.8%		(1,210 bps)		(21.2)%	12.8%		(200 bps)	
Adjusted Operating Income **	$ 9.4	$ 30.2	$ (20.8)	(68.9)%	(63.2)%	$ (16.4)	$ 25.8	$ (4.4)	(14.6)%	(8.9)%
Adjusted Operating Margin % **	3.6%	14.8%		(1,120 bps)		(21.2)%	14.1%		(70 bps)	

Adjusted for SIHI and realignment, IPD continues to demonstrate tight cost control with 20 basis point decrease in SG&A as % of sales

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $2.3 million for Q2 2015
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Industrial Product Division
Year to Date 2015 Segment Results

($ millions)	Year to Date					Year to Date Adjusted				
	2015	2014 (1)	Delta ($)	Delta (%)	Constant FX (%)*	SIHI	IPD Ex-SIHI	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 452.8	$ 411.0	$ 41.8	10.2%	15.2%	$ 146.7	$ 306.1	$ (104.9)	(25.5)%	(20.5)%
Sales	484.2	390.0	$ 94.2	24.2%	31.3%	144.1	340.1	$ (49.9)	(12.8)%	(5.7)%
Gross Profit (Loss)	101.7	105.9	$ (4.2)	(4.0)%		8.2	93.5	$ (12.4)	(11.7)%	
Gross Margin (%)	21.0%	27.2%		(620 bps)		5.7%	27.5%		30 bps	
SG&A	107.9	56.9	$ 51.0	89.6%	98.1%	57.4	50.5	$ (6.4)	(11.2)%	(2.8)%
SG&A (%)	22.3%	14.6%		770 bps		39.8%	14.8%		20 bps	
Operating (Loss) Income	(6.3)	49.0	$ (55.3)	(112.9)%	(106.7)%	$ (49.2)	42.9	$ (6.1)	(12.4)%	(6.3)%
Operating Margin (%)	(1.3)%	12.6%		(1,390 bps)		(34.1)%	12.6%		—	
Adjusted Operating Income **	(4.0)	49.0	$ (53.0)	(108.2)%	(102.0)%	$ (49.2)	45.2	$ (3.8)	(7.8)%	(1.6)%
Adjusted Operating Margin % **	(0.8)%	12.6%		(1,340 bps)		(34.1)%	13.3%		70 bps	

Adjusted operating margin improvement of 70 bps demonstrates continued solid operating improvement and progress towards 14 - 15% target

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $2.3 million YTD 2015
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Industrial Product Division
Q2 2015 Bookings and Sales

($ millions)		2nd Quarter 2015	2nd Quarter 2014 (1)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	2nd Quarter Adjusted SIHI	2nd Quarter Adjusted IPD Ex-SIHI	2nd Quarter Adjusted Delta (%)	2nd Quarter Adjusted Constant FX (%)*
Bookings Mix **	OE	132	157	(16)%	(12)%	38	94	(40)%	(36)%
		64%	72%	(800 bps)		62%	65%	(300 bps)	
	AM	73	62	18%	32%	23	50	(19)%	(5)%
		36%	28%	800 bps		38%	35%	300 bps	
Sales Mix **	OE	185	140	32%	40%	57	128	(9)%	(1)%
		71%	69%	200 bps		72%	70%	200 bps	
	AM	76	64	19%	28%	22	54	(16)%	(7)%
		29%	31%	(200 bps)		28%	30%	(200 bps)	

The acquisition of SIHI provides scale and synergies to IPD, positioning the segment for enhanced growth while executing on cost reduction opportunities

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** Gross bookings and sales do not include interdivision eliminations
(1) Effective January 1, 2015, certain facilities that were previously included in IPD are now reported in EPD. 2014 results have been adjusted to reflect this change.

Industrial Product Division Q2 Overview

- Bookings decreased 6.5%, or 1.8% on a constant currency basis
  - Includes SIHI bookings of $61.5 million
  - Excluding SIHI, constant currency bookings declined 29.8%, primarily due to general industries, oil and gas and water, partially offset by increased bookings in power and chemical
- Sales increased 28.0%, or 36.1% on a constant currency basis
  - Includes SIHI sales of $77.2 million
  - Excluding SIHI, constant currency sales decreased 1.8%, due to decreased sales into all regions except Asia Pacific
- Gross margin decreased 690 basis points to 22.5%, primarily due to impacts of SIHI purchase price accounting adjustments and realignment charges
  - Excluding SIHI and realignment charges, gross margin decreased 170 basis points to 27.7%
- Excluding SIHI and realignment, operating margin decreased 70 basis points to 14.1%

Flow Control Division
Q2 2015 Segment Results

	Q2 2015					Year to Date				
($ millions)	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 355.5	$ 422.2	$ (66.7)	(15.8)%	(7.8)%	$ 678.0	$ 835.9	$ (157.9)	(18.9)%	(11.7)%
Sales	$ 356.4	$ 406.4	$ (50)	(12.3)%	(3.5)%	$ 683.5	$ 789.3	$ (106)	(13.4)%	(5.3)%
Gross Profit	$ 123.7	$ 152.7	$ (29.0)	(19.0)%		$ 242.7	$ 297.1	$ (54.4)	(18.3)%	
Gross Margin (%)	34.7%	37.6%		(290 bps)		35.5%	37.6%		(210 bps)	
SG&A (1)	$ 69.2	$ 73.5	$ (4.3)	(5.9)%	3.8%	$ 133.3	$ 134.6	$ (1.3)	(1.0)%	8.7%
SG&A (%)	19.4%	18.1%		130 bps		19.5%	17.1%		240 bps	
Income from Affiliates	$ —	$ (0.1)	$ 0.1	(100.0)%		$ (0.2)	$ (0.2)	$ —	—%	
Operating Income (1)	$ 54.5	$ 79.1	$ (24.6)	(31.1)%	(27.4)%	$ 109.2	$ 162.3	$ (53.1)	(32.7)%	(28.7)%
Operating Margin (%)	15.3%	19.5%		(420 bps)		16.0%	20.6%		(460 bps)	
Adjusted Operating Income **	$ 66.8	$ 79.1	$ (12.3)	(15.5)%	(11.9)%	$ 121.5	$ 162.3	$ (40.8)	(25.1)%	(21.1)%
Adjusted Operating Margin % **	18.7%	19.5%		(80 bps)		17.8%	20.6%		(280 bps)	

FCD's reported 2014 results include a one-time, $12.6 million gain on the sale of assets in Q1

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Adjusted Operating Income excludes realignment charges of $12.3 million for Q2 2015 and YTD 2015
(1) First Quarter 2014 includes $12.6 million impact of net gain from sale of the Naval business

Flow Control Division
Q2 2015 Bookings and Sales

($ millions)		2nd Quarter 2015	2nd Quarter 2014	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2015	Year to Date 2014	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	288	354	(19)%	(10)%	538	704	(24)%	(16)%
		81%	84%	(300 bps)		79%	84%	(500 bps)	
	AM	67	68	(1)%	5%	140	132	6%	13%
		19%	16%	300 bps		21%	16%	500 bps	
Sales Mix **	OE	286	339	(16)%	(7)%	553	654	(15)%	(7)%
		80%	83%	(300 bps)		81%	83%	(200 bps)	
	AM	70	68	3%	10%	130	136	(4)%	2%
		20%	17%	300 bps		19%	17%	200 bps	

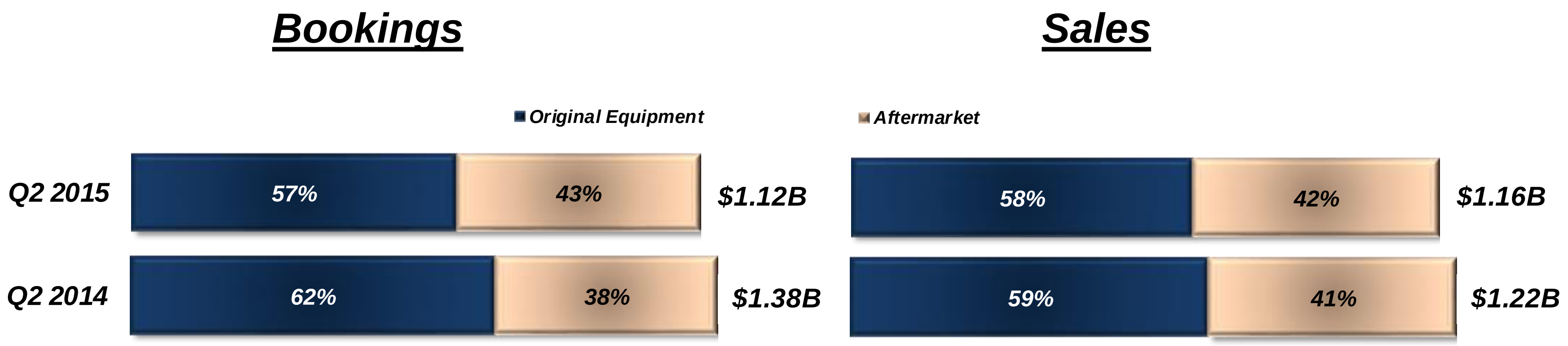
FCD continuing to drive increased aftermarket bookings - fourth consecutive quarter of constant currency year-over-year growth

* Constant FX represents the year over year variance assuming 2015 results at 2014 FX rates
** Gross bookings and sales do not include interdivision eliminations

Flow Control Division Q2 Overview

- Bookings decreased 15.8%, or 7.8% on a constant currency basis
  - Decreased bookings driven primarily by the chemical, general industries and oil and gas
  - Decreased bookings into Europe, Asia Pacific and Latin America, partially offset by North America and the Middle East & Africa
- Sales decreased 12.3%, or 3.5% on a constant currency basis
  - Driven primarily by decreased original equipment sales
  - Sales decreased into all regions with the exception of Europe
- Gross margin decreased 290 basis points to 34.7%, primarily due to unfavorable shift in product mix and realignment charges
  - Excluding realignment charges, gross margin decreased 120 basis points to 36.4%
- Operating margin decreased 420 basis points to 15.3%
  - Excluding realignment charges, operating margin decreased 80 basis points to 18.7%
- Backlog decreased 4.3% to $741 million vs. 2014 year-end, or 0.9% on constant currency basis

Q2 2015 – Consolidated Bookings & Sales



Bookings

- Bookings decreased 19.4%, or 10.9% on a constant currency basis including $61.5 million SIHI bookings
  - Original equipment bookings decreased 25.4%, or 16.9% constant currency
  - Aftermarket bookings decreased 9.9%, or 0.5% constant currency

Sales

- Sales decreased 5.1%, or up 4.8% on a constant currency basis
  - Includes $77.2 million SIHI sales
  - Constant currency sales, ex-SIHI, decreased into all regions except Europe and North America

Sources: Flowserve Internal Data

Q2 2015 - Consolidated Financial Results

	2nd Quarter					2st Quarter Adjusted							
($ millions)	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*	SIHI		Other Items		Adjusted Results	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 1,115.4	$ 1,384.2	$ (268.8)	(19.4)%	(10.9)%	$ 61.5				$ 1,053.9	$ (330.3)	(23.9)%	(15.3)%
Sales	$ 1,162.2	$ 1,224.4	$ (62.2)	(5.1)%	4.8%	$ 77.2				$ 1,085.0	$ (139.4)	(11.4)%	(1.5)%
Gross Profit	$ 369.1	$ 430.3	$ (61.2)	(14.2)%		$ 8.9	(1)	$ (14.3)	(5)	$ 374.5	$ (55.8)	(13.0)%	
Gross Margin (%)	31.8%	35.1%		(330 bps)						34.5%		(60 bps)	
SG&A	$ 243.6	$ 238.2	$ 5.4	2.3%	11.8%	$ 25.3	(2)	$ 10.4	(6)	$ 207.9	$ (30.3)	(12.7)%	(3.1)%
SG&A (%)	21.0%	19.5%		150 bps						19.2%		(30 bps)	
Income from Affiliates	$ 2.1	$ 2.2	$ (0.1)	(4.5)%									
Operating Income	$ 127.6	$ 194.3	$ (66.7)	(34.3)%	(28.3)%	$ (16.4)		$ (24.7)		$ 168.7	$ (25.6)	(13.2)%	(7.1)%
Operating Margin (%)	11.0%	15.9%		(490 bps)						15.5%		(40 bps)	
Other Income / (Expense), net **	$ (4.9)	$ (3.8)	$ (1.1)	(28.9)%		$ (1.9)	(3)	$ (2.8)	(7)	$ (0.2)	$ 3.6	94.7%	
Tax (Expense) / Benefit	$ (30.9)	$ (50.8)	$ 19.9	39.2%		$ 4.8	(4)	$ 8.0	(8)	$ (43.7)	$ 7.1	14.0%	
Net Earnings	$ 75.0	$ 123.5	$ (48.5)	(39.3)%		$ (13.5)		$ (19.5)		$ 108.0	$ (15.5)	(12.6)%	
Diluted EPS	$ 0.56	$ 0.90	$ (0.34)	(37.8)%		$ (0.10)		$ (0.14)		$ 0.80	$ (0.10)	(11.1)%	

- Diluted EPS calculated using fully diluted shares of 134.8 million and 138.0 million shares in Q2 2015 and Q2 2014, respectively
- Flowserve repurchased1,072,421 and 573,881 shares in Q2 2015 and Q2 2014, respectively
* Constant FX represents the year-over-year variance assuming 2015 results at 2014 FX rates
** Second Quarter 2015 includes $5.1 million impact of losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $3.7 in Q2 2014

1. Cost of sales includes $6.6 million of purchase price accounting expense (PPA) and $5.3 million of realignment charges
2. SG&A includes $1.2 million of PPA expense, $2.7 million of realignment charges and $2.3 million of acquisition-related costs
3. Includes $1.9 million below-the-line FX impacts
4. Tax benefit offset by $0.5 million of site exit taxes from realignment
5. Includes $14.3 million of realignment expense
6. Includes $10.4 million of realignment charges
7. Includes $2.8 million of below-the-line FX impacts
8. Includes tax impact of items above

Year to Date 2015 - Consolidated Financial Results

	Year to Date					Year to Date Adjusted							
($ millions)	2015	2014	Delta ($)	Delta (%)	Constant FX (%)*	SIHI		Other Items		Adjusted Results	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 2,157.1	$ 2,577.7	$ (420.6)	(16.3)%	(8.6)%	$ 146.7				$ 2,010.4	$ (567.3)	(22.0)%	(14.3)%
Sales	$ 2,176.9	$ 2,292.5	$ (115.6)	(5.0)%	4.1%	$ 144.1				$ 2,032.8	$ (259.7)	(11.3)%	(2.2)%
Gross Profit	$ 700.8	$ 807.4	$ (106.6)	(13.2)%		$ 8.2	(1)	$ (16.4)	(5)	$ 709.0	$ (98.4)	(12.2)%	
Gross Margin (%)	32.2%	35.2%		(300 bps)						34.9%		(30 bps)	
SG&A	$ 483.5	$ 454.4	$ 29.1	6.4%	15.4%	$ 57.4	(2)	$ 12.5	(6)	$ 413.6	$ (40.8)	(9.0)%	—%
SG&A (%)	22.2%	19.8%		240 bps						20.3%		50 bps	
Income from Affiliates	$ 3.7	$ 5.6	$ (1.9)	(33.9)%									
Operating Income **	$ 221.0	$ 358.6	$ (137.6)	(38.4)%	(31.7)%	$ (49.2)		$ (28.9)		$ 299.1	$ (59.5)	(16.6)%	(10.0)%
Operating Margin (%)	10.2%	15.6%		(540 bps)						14.7%		(90 bps)	
Other Income / (Expense), net ***	$ (24.8)	$ (6.7)	$ (18.1)	(270.1)%		$ 3.6	(3)	$ (27.9)	(7)	$ (0.5)	$ 6.2	92.5%	
Tax Expense	$ (59.4)	$ (88.8)	$ 29.4	33.1%		$ 7.7	(4)	$ 11.1	(8)	$ (78.2)	$ 10.6	11.9%	
Net Earnings	$ 102.7	$ 231.3	$ (128.6)	(55.6)%		$ (37.9)		$ (45.7)		$ 186.3	$ (45.0)	(19.5)%	
Diluted EPS	$ 0.76	$ 1.67	$ (0.91)	(54.5)%		$ (0.28)		$ (0.34)		$ 1.38	$ (0.29)	(17.4)%	

- Diluted EPS calculated using fully diluted shares of $135.4 million and $138.4 million shares in YTD 2015 and YTD 2014, respectively
- Flowserve repurchased 2,454,446 and 2,010,304 shares YTD 2015 and YTD 2014, respectively

* Constant FX represents the year-over-year variance assuming 2015 results at 2014 FX rates

** YTD 2014 includes $12.6 million net gain from the sale Naval business

*** YTD 2015 includes $24.3 million impact including Venezuela remeasurement, losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of $5.9 YTD 2014

1. Cost of sales includes $14.7 million of purchase price accounting expense (PPA) and $18.5 million of realignment charges
2. SG&A includes $2.3 million of PPA expense, $10.2 million of realignment charges and $7.3 million of acquisition-related costs
3. Includes $3.6 million below-the-line FX impacts
4. Tax benefit offset by $5.5 million of site exit taxes from realignment
5. Includes $14.3 of realignment charges and $2.2 million of Venezuela remeasurement impact
6. Includes $11.0 million of realignment charges and $1.5 million of other severance
7. Includes $18.5 million of Venezuela remeasurement impact and $9.4 million of other below-the-line FX impacts
8. Includes tax impact of items above - there is no tax benefit on the $18.5 Venezuela remeasurement loss

Q2 2015 Cash Flows

($ millions)	Q2 2015	Q1 2015	YTD 2015	YTD 2014
Net Income	$ 76	$ 30	$ 106	$ 234
Depreciation and amortization	33	34	67	56
Change in working capital	(8)	(210)	(218)	(310)
Other	10	53	63	9
Total Operating Activities	**111**	**(93)**	**18**	**(11)**
Capital expenditures	(30)	(84)	(114)	(54)
Acquisitions, dispositions and other	1	(340)	(339)	48
Total Investing Activities	**(29)**	**(424)**	**(453)**	**(6)**
Proceeds / (payments) of long-term debt, net	(12)	513	501	(20)
Dividends	(24)	(22)	(46)	(41)
Short-term financing and other, net	(6)	8	2	14
Repurchase of common shares	(60)	(80)	(140)	(153)
Total Financing Activities	**(102)**	**419**	**317**	**(200)**
Effect of exchange rates	**1**	**(18)**	**(17)**	**(3)**
Net Decrease in Cash	**$ (19)**	**$ (116)**	**$ (135)**	**$ (220)**

YTD Capital expenditures include investments to increase capabilities in Asia and strategic aftermarket license

Primary Working Capital

Balances for All Periods as a % of Trailing Twelve Months Sales

	Q2 2015		Q2 2014	
($ millions)	**$**	**%**	**$**	**%**
Receivables	1,042	21.9%	1,158	23.6%
Inventory	1,130	23.7%	1,160	23.6%
Payables	(503)	(10.6)%	(516)	(10.5)%
Primary Working Capital	**1,669**	**35.0%**	**1,802**	**36.7%**
Advance Cash*	(367)	(7.7)%	(349)	(7.1)%
Total	**1,302**	**27.3%**	**1,453**	**29.6%**
Backlog	**2,676**		**2,850**	

- Excluding SIHI, adjusted primary working capital as a percent of 12 month trailing sales, improved to 26.5% versus 29.6% in prior year

Accounts Receivable

Accounts Receivable DSO at 85 days in Q2 2015, flat versus prior year Q2

- *Driven by certain Latin American customers with extended terms compared to our usual terms and balances are not disputed. We have not historically experienced write-offs relating to these customers.*

Inventory

Inventory turns were 2.8 times, versus 2.7 times prior year Q2

*** Advance cash commitments from customers to fund working capital**

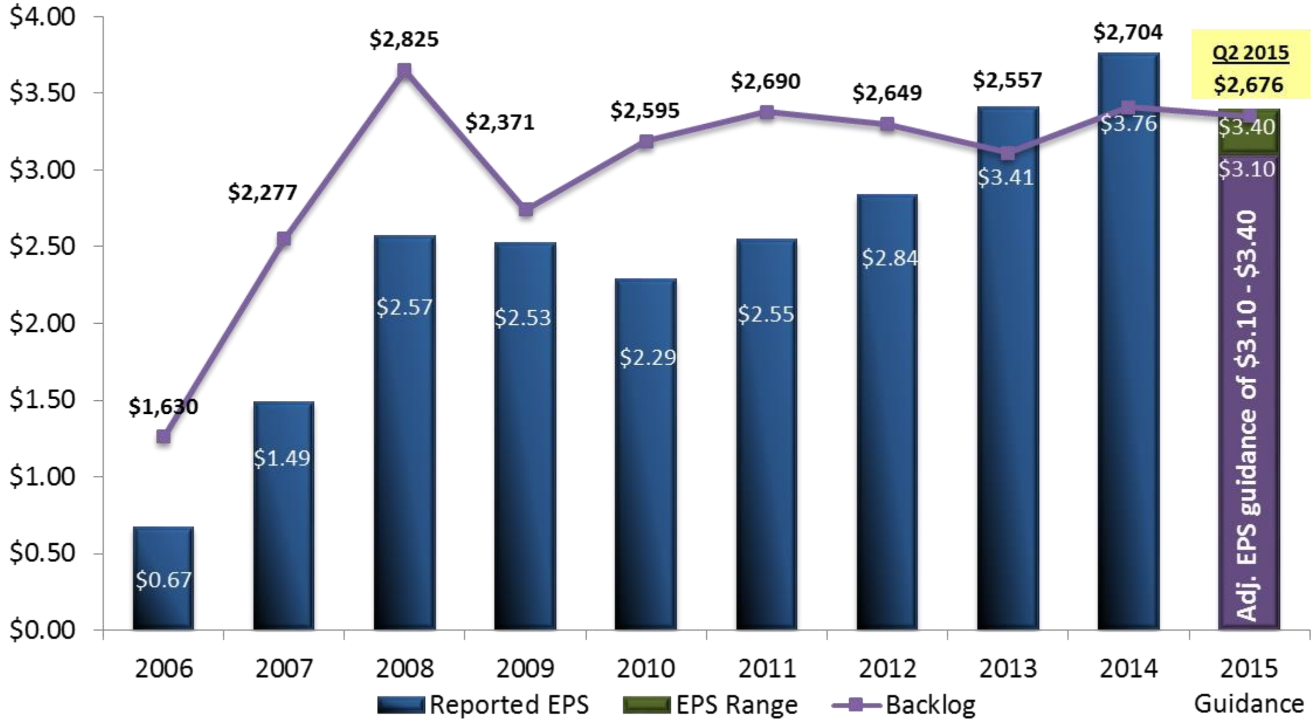
2015 Guidance Assumptions

Revenue Guidance Assumptions	2014 Actual	Initial 2015 Guidance [1]	Previous 2015 Guidance [2]	Current 2015 Guidance [3]
Revenue Guidance vs. 2014		-1% to +3%	-8% to -12%	-10% to -15%
EUR Rate (actual/assumed)	1.33	1.21 (yr-end 2014)	1.07 (3/31/15)	1.07 (3/31/15)
FX headwinds vs. 2014		~5%	~10%	~10%
Constant Currency Guidance		~4% to + ~8%	~-2% to ~+2%	~-5% to ~0%

Adjusted EPS Guidance Assumptions	2014 Actual	Initial 2015 Guidance	Previous 2015 Guidance	Current 2015 Guidance
Adjusted EPS Guidance	$3.76	$3.60 - $4.00	$3.25 - $3.65	$3.10 - $3.40
EUR Rate (actual/assumed)	1.33	1.21 (yr-end 2014)	1.07 (3/31/15)	1.07 (3/31/15)
FX Headwinds vs. 2014		~$0.20/share	~$0.40/share	~$0.40/share

(1) Provided January 28, 2015
(2) Provided April 30, 2015
(3) Provided July 31, 2015
- Revenue & Adjusted EPS guidance exclude the impact of the January 2015 acquisition of SIHI. Adjusted EPS guidance also excludes realignment, below-the-line FX impact and other specific one-time items.

2015 EPS Guidance



- 2015 Adjusted EPS guidance range excludes the impact of recent SIHI Group acquisition, expected to be $0.25 dilutive in 2015. The guidance range further assumes revenue decline of 10% to 15%, assuming 3/31/15 exchange rates, and further excludes realignment, below-the-line foreign exchange impacts and other one-time items
- Similar to prior year, 2015 earnings will be second half weighted. Estimated negative translation impact of approximately $0.40 included in the $3.10-$3.40 range assumes 3/31/15 exchange rates.

Updated 2015 full year Adjusted EPS target range of $3.10 to $3.40 - Range excludes approximately $0.25 expected dilutive impact of SIHI Group acquisition

* EPS amounts for 2006 and 2007 have not been retrospectively adjusted to reflect the adoption of the two class method of calculating earnings per share under ASC 260, "Earnings Per Share" which was effective January 1, 2009. The impact of adoption was a decrease to EPS of $0.01 for 2006 and $0.02 for 2007.

2015 Outlook

Cash Use Priorities in 2015

- Continue to execute on announced capital allocation policy of annually returning 40 – 50% of running 2-year average net earnings to shareholders
- Estimate capital expenditures to be $170 – $180 million
- Strategic investment of $100 million in cost efficiency and manufacturing optimization initiatives
- Scheduled debt principal reduction of $45 million
- Estimate U.S. and non-U.S. pension fund contributions to be approximately $30 – $35 million
- Other strategic opportunities, after disciplined analysis

Working Capital

- Execute on working capital initiatives to increase on-time delivery and improve DSO and inventory turns

SG&A Cost Focus

- Continue expense-management culture as we target improvement of SG&A as a percent of sales while making strategic growth investments

Questions and Answers