FLOWSERVE

Flowserve Q2 2013 Earnings Conference Call

July 25, 2013

Experience In Motion

Special Note

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; the potential for unexpected cancellations or delays of customer orders in our reported backlog; our dependence on our customers’ ability to make required capital investment and maintenance expenditures; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; our exposure to fluctuations in foreign currency exchange rates, including in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; and other factors described from time to time in our filings with the Securities and Exchange Commission.

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

Q2 2013 Financial Highlights

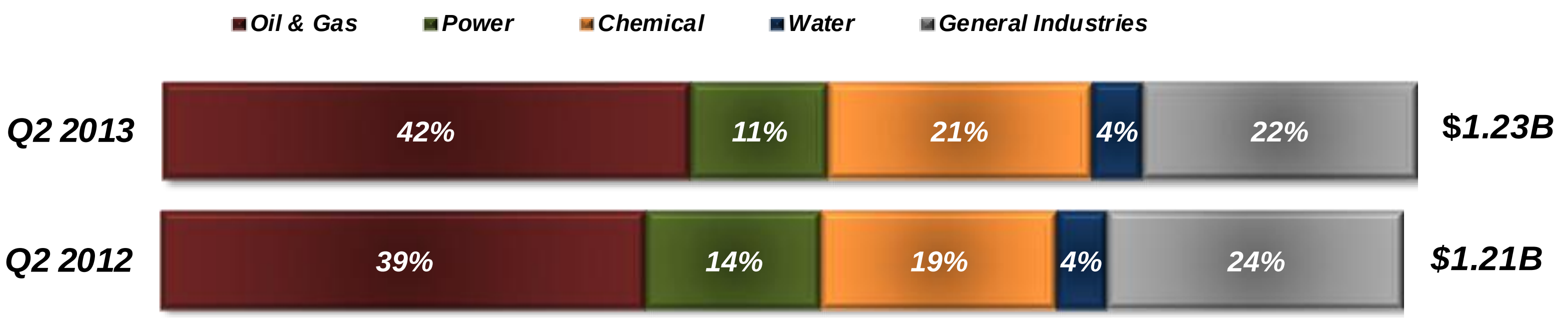
- Reported EPS* of $0.84, compares favorably to Q2 2012 reported EPS of $0.66. Q2 2012 included $0.04 of currency related expenses in Other Income / (Expense)
- Bookings of $1.2 billion, up 1.3% versus prior year, or 1.8% on a constant currency basis
  - Bookings increased 3.3% on a sequential basis
  - Aftermarket bookings of $505 million essentially flat year-over-year, up 5.7% sequentially
  - As expected, no large projects were booked in Q2 but we continued to see progress from FEED to the bidding stage on projects we expect to be released in the second half of the year
  - Strength in oil and gas and chemical markets partially offset softness in the power, general industries and water markets
- Gross margin of 34.0%, up 150 basis points versus prior year
  - Improvement driven by 280 and 190 basis point improvement in FCD and IPD respectively
- Operating margin of 14.8%, up 90 basis points versus prior year
  - SG&A as a percent of sales increased 50 bps to 19.4%
  - Excluding the net negative impact of certain discrete items totaling $4.1 million in Q2 2013 and a $3.9 million legal benefit in Q2 2012 that did not recur, SG&A as a percent of sales improved 20 basis points to 19.1%

*Calculated using Q2 2013 fully diluted shares of 142.9 million

Business Outlook

- Continued progress on driving internal improvement with ***One Flowserve*** leadership structure and leveraging best practices across our business
  - Internal focus since 2012 delivering operational and margin improvement
  - Improved platform efficiency has us well positioned to meet customer requirements and capture expected increase in large project activity in the second half of 2013
  - Better positioned to leverage bolt-on acquisitions across manufacturing and QRC footprint
- Strong first half of 2013 provides momentum to deliver on the remainder of the year
- Diverse end market and geographic exposures continue to dampen risk and volatility as improved project activity is anticipated to begin in the second half of the year, particularly in North America
- FCD is focused on top-line growth and high levels of operating performance while encouraging operating improvements in EPD and IPD drive future profitable growth

Q2 2013 Bookings & Industry Outlook



OIL & GAS

- ✓ *Long-term oil & gas demand outlook supports healthy investment programs; upstream attracting largest share of spend*
- ✓ *New refining capacity additions based in Middle East & BRIC countries; some project schedules shifted*
- ✓ *Continued focus on North American unconventional resources with opportunities upstream, midstream and downstream*

POWER

- ✓ *Significant project deferrals in some regions because of economic and regulatory uncertainties*
- ✓ *New coal-fired power capacity concentrated in China & India with gas-fired and renewables in North America & Middle East; U.S. climate initiative could speed the retirement of many older and inefficient coal-fired units there*
- ✓ *Nuclear power still in transition and current activity mixed; progress taking place in some parts of Europe & Asia, but closures of several nuclear units in U.S.*

CHEMICAL

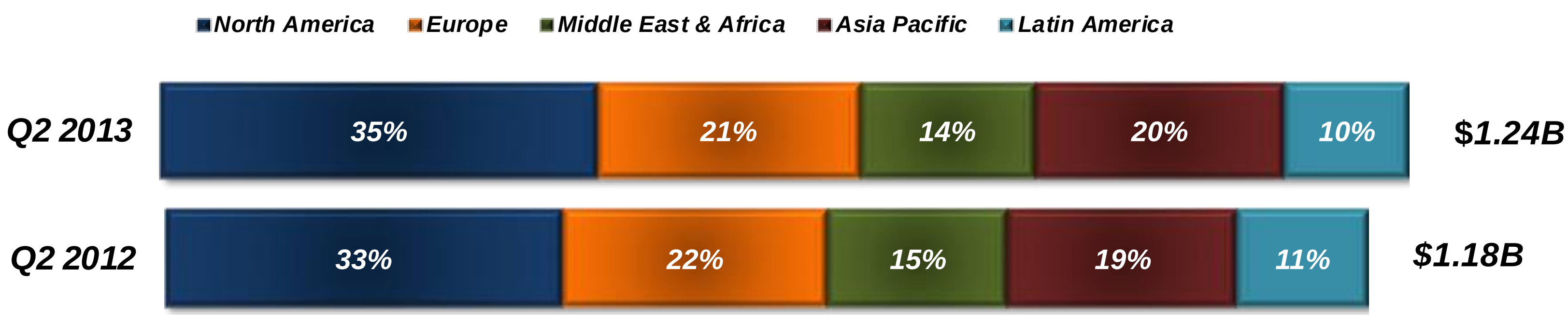
- ✓ *Positive chemical demand outlook given infrastructure and consumer spending in emerging markets and improvements in the U.S. economy*
- ✓ *Asia Pacific, Middle East & North America account for largest share of new chemical capacity forecasted to come online in next few years*

GENERAL INDUSTRIES

- ✓ *Miners investing more carefully now, but good levels of mining activity in parts of southern Africa, Latin America & North America*
- ✓ *Encouraging signs in desalination market; industry watchers expect new plant orders to rise over the next couple years*

Sources: *GlobalData, Industrial Info Resources, American Chemistry Council, World Nuclear Association, Global Water Intelligence, Flowserve internal data*

Q2 2013 Sales & Regional Outlook



NORTH AMERICA

- ✓ *Continued focus on North American unconventional resources with opportunities upstream, midstream and downstream*
- ✓ *New initiative to reduce greenhouse gas emissions will promote renewables and natural gas for conversions & new combined-cycle plants*
- ✓ *Global chemical manufacturers advance plans for new ethylene plants and various derivatives that leverage low-cost natural gas*

EUROPE

- ✓ *West Europe power market in transition with best opportunities in coming years expected in gas-fired power and renewables*
- ✓ *East Europe & Russia account for a large share of the region's investment in refining, pipelines, petrochemicals and nuclear power*

MIDDLE EAST

- ✓ *Good opportunities in oil & gas upstream and downstream, as well as petrochemicals given region's downstream diversification strategy*
- ✓ *Robust planning for power generation, desalination and water infrastructure to support economic development in the region*

ASIA-PACIFIC

- ✓ *Region will have the highest LNG regasification capacity additions in the world over the next few years*
- ✓ *Over half of global petrochemical capacity additions planned for China, India and other Asia Pacific countries*

LATIN AMERICA

- ✓ *Significant capital expenditures planned to further develop the deep water oil and gas resources off the coast of Brazil*
- ✓ *Region accounts for more than half of all new copper mining capacity forecasted to come online in the next few years*

Sources: *GlobalData, Industrial Info Resources, American Chemistry Council, World Nuclear Association, Global Water Intelligence, Flowserve internal data*

Engineered Product Division
Q2 2013 Segment Results

($ millions)	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 606.5	$ 602.8	$ 3.7	0.6%	1.9%	$ 1,182.3	$ 1,265.7	$ (83.4)	(6.6%)	(5.2%)
Sales	$ 625.0	$ 586.7	$ 38.3	6.5%	7.2%	$ 1,164.6	$ 1,121.5	$ 43.1	3.8%	4.8%
Gross Profit	$ 210.0	$ 195.7	$ 14.3	7.3%		$ 398.2	$ 379.1	$ 19.1	5.0%	
Gross Margin (%)	33.6%	33.4%		20 bps		34.2%	33.8%		40 bps	
SG&A	$ 114.2	$ 104.1	$ 10.1	9.7%	10.7%	$ 220.3	$ 199.6	$ 20.7	10.4%	11.9%
SG&A (%)	18.3%	17.7%		60 bps		18.9%	17.8%		110 bps	
Income from Affiliates	$ 2.3	$ 3.4	$ (1.1)	(32.4%)		$ 4.9	$ 7.7	$ (2.8)	(36.4%)	
Operating Income	$ 98.2	$ 95.1	$ 3.1	3.3%	3.3%	$ 182.8	$ 187.2	$ (4.4)	(2.4%)	(2.4%)
Operating Margin (%)	15.7%	16.2%		(50 bps)		15.7%	16.7%		(100 bps)	

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates

Engineered Product Division
Q2 2013 Bookings and Sales

($ millions)		2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	237	217	9%	13%	461	532	(13%)	(11%)
		39%	36%	300 bps		39%	42%	(300 bps)	
	AM	370	386	(4%)	(2%)	721	734	(2%)	(1%)
		61%	64%	(300 bps)		61%	58%	300 bps	
Sales Mix **	OE	256	229	12%	13%	454	426	7%	8%
		41%	39%	200 bps		39%	38%	100 bps	
	AM	369	358	3%	4%	710	695	2%	3%
		59%	61%	(200 bps)		61%	62%	(100 bps)	

Selectivity and discipline driving improvement in backlog quality

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates
** Gross bookings and sales do not include interdivision eliminations

Engineered Product Division Overview

- Bookings increased 0.6%, or 1.9% on a constant currency basis, driven by the chemical industry, partially offset by the power and general industries
  - Increased bookings into Europe were partially offset by a decrease into the Middle East and North America
- Sales increased 6.5%, or 7.2% on a constant currency basis, due primarily to increased original equipment sales into Asia Pacific, North America and Europe, partially offset by decreased sales into the Middle East
- Gross margin increased 20 basis points due to operational execution improvements and to a lesser extent, fewer lower margin projects shipped as compared to 2012, partially offset by a mix shift to lower margin OE
- Operating margin decreased 50 bps to 15.7%, primarily due to increased SG&A as a result of increased bad debt expense and to a lesser extent, increased R&D costs

Industrial Product Division
Q2 2013 Segment Results

($ millions)	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 209.1	$ 242.9	$ (33.8)	(13.9%)	(13.9%)	$ 416.2	$ 474.8	$ (58.6)	(12.3%)	(12.1%)
Sales	$ 238.9	$ 231.7	$ 7.2	3.1%	3.1%	$ 450.2	$ 444.9	$ 5.3	1.2%	1.4%
Gross Profit	$ 62.2	$ 55.8	$ 6.4	11.5%		$ 115.2	$ 105.4	$ 9.8	9.3%	
Gross Margin (%)	26.0%	24.1%		190 bps		25.6%	23.7%		190 bps	
SG&A	$ 31.7	$ 32.0	$ (0.3)	(0.9%)	(0.8%)	$ 63.3	$ 64.3	$ (1.0)	(1.6%)	(1.4%)
SG&A (%)	13.3%	13.8%		(50 bps)		14.1%	14.5%		(40 bps)	
Operating Income	$ 30.5	$ 23.8	$ 6.7	28.2%	28.2%	$ 51.8	$ 41.2	$ 10.6	25.7%	25.7%
Operating Margin (%)	12.8%	10.3%		250 bps		11.5%	9.3%		220 bps	

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates

Industrial Product Division
Q2 2013 Bookings and Sales

($ millions)		2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	134 64%	165 68%	(19%) (400 bps)	(19%)	271 65%	323 68%	(15%) (300 bps)	(16%)
	AM	75 36%	78 32%	(4%) 400 bps	(4%)	146 35%	152 32%	(2%) 300 bps	(4%)
Sales Mix **	OE	170 71%	160 69%	6% 200 bps	6%	315 70%	303 68%	4% 200 bps	4%
	AM	69 29%	72 31%	(4%) (200 bps)	(4%)	135 30%	142 32%	(5%) (200 bps)	(5%)

Selectivity and discipline driving improvement in backlog quality

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates
** Gross bookings and sales do not include interdivision eliminations

Industrial Product Division Overview

- Bookings decreased 13.9%, driven by a decrease in all markets with the exception of the oil and gas industry
  - Decreased bookings into Asia Pacific and North America were partially offset by increased bookings into Latin America
- Sales increased 3.1%, driven by increased OE sales and sales into Latin America and North America, partially offset by decreased sales into Europe
- Gross margin increased 190 basis points to 26.0%, primarily attributable to lower manufacturing costs resulting from execution of operational improvements
- Operating margin increased 250 bps to 12.8% due to gross margin improvement and SG&A cost control

Flow Control Division
Q2 2013 Segment Results

($ millions)	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 447.0	$ 411.6	$ 35.4	8.6%	8.4%	$ 877.6	$ 791.6	$ 86.0	10.9%	10.9%
Sales	$ 411.2	$ 401.5	$ 9.7	2.4%	2.4%	$ 795.2	$ 765.4	$ 29.8	3.9%	4.2%
Gross Profit	$ 147.1	$ 132.3	$ 14.8	11.2%		$ 281.0	$ 259.5	$ 21.5	8.3%	
Gross Margin (%)	35.8%	33.0%		280 bps		35.3%	33.9%		140 bps	
SG&A	$ 74.1	$ 72.6	$ 1.5	2.1%	2.0%	$ 150.0	$ 145.1	$ 4.9	3.4%	3.3%
SG&A (%)	18.0%	18.1%		(10 bps)		18.9%	19.0%		(10 bps)	
Income from Affiliates	$ (0.1)	$ 0.7	$ (0.8)	(114.3%)		$ 29.0	$ 1.6	$ 27.4	1712.5%	
Operating Income	$ 72.9	$ 60.4	$ 12.5	20.7%	20.7%	$ 160.0	$ 116.0	$ 44.0	37.9%	41.4%
Operating Margin (%)	17.7%	15.0%		270 bps		20.1%	15.2%		490 bps	

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates

Flow Control Division
Q2 2013 Bookings and Sales

($ millions)		2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings Mix **	OE	371 83%	350 85%	6% (200 bps)	6%	737 84%	673 85%	10% (100 bps)	10%
	AM	76 17%	62 15%	23% 200 bps	23%	140 16%	119 15%	18% 100 bps	18%
Sales Mix **	OE	341 83%	345 86%	(1%) (300 bps)	(1%)	660 83%	658 86%	0% (300 bps)	1%
	AM	70 17%	56 14%	25% 300 bps	25%	135 17%	107 14%	26% 300 bps	26%

Short cycle business strength reflected in strong bookings and sales

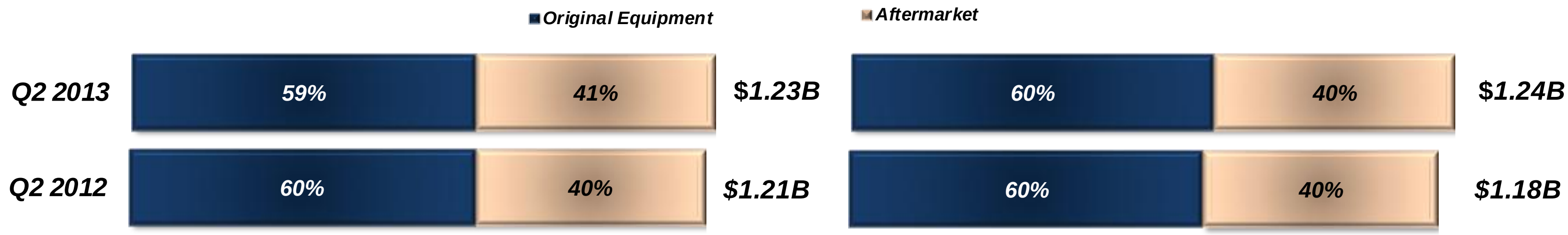
* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates
** Gross bookings and sales do not include interdivision eliminations

Flow Control Division Overview

- Bookings increased 8.6%, or 8.4% on a constant currency basis, primarily attributable to the oil and gas, general and chemical industries, partially offset by a decrease in the power industry
  - Regional bookings growth driven by an increase into Latin America, Europe and North America, partially offset by a decrease into the Middle East
- Sales increased 2.4%, primarily driven by aftermarket sales in the oil and gas industry
  - Regional growth driven by the sales into North America and the Middle East, partially offset by a decrease into Asia Pacific
- Gross margin increased 280 basis points to 35.8% due to a mix shift toward aftermarket, a shift in product line mix and continued traction of low cost sourcing and cost control initiatives
- Operating margin increased 270 basis points to 17.7% on increased gross profit, partially offset by increased SG&A

Q2 2013 – Consolidated Bookings & Sales

BOOKINGS **SALES**



Bookings

- Bookings in Q2 2013 increased 1.3%, or 1.8% on a constant currency basis, driven by the chemical industry in EPD and FCD, and the oil and gas industry in IPD and FCD, partially offset by a decrease in the power industry in all three segments
  - Regionally, bookings growth into Europe and Latin America more than offset decreases into the Middle East and Asia Pacific

Sales

- Sales in Q2 2013 increased 4.8%, or 5.3% on a constant currency basis, driven primarily by increased OE sales in EPD and IPD and aftermarket sales in FCD
  - Regionally, sales increase driven by North America and Asia Pacific

Sources: Flowserve Internal Data

Q2 2013 - Consolidated Financial Results

($ millions)	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)*	Year to Date 2013	Year to Date 2012	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 1,229.0	$ 1,213.7	$ 15.3	1.3%	1.8%	$ 2,409.3	$ 2,450.8	$ (41.5)	(1.7%)	(0.9%)
Sales	$ 1,239.5	$ 1,182.2	$ 57.3	4.8%	5.1%	$ 2,336.1	$ 2,257.2	$ 78.9	3.5%	4.2%
Gross Profit	$ 421.6	$ 384.6	$ 37.0	9.6%		$ 794.9	$ 743.8	$ 51.1	6.9%	
Gross Margin (%)	34.0%	32.5%		150 bps		34.0%	33.0%		100 bps	
SG&A	$ 240.2	$ 223.9	$ 16.3	7.3%	7.7%	$ 474.7	$ 445.8	$ 28.9	6.5%	7.2%
SG&A (%)	19.4%	18.9%		50 bps		20.3%	19.8%		50 bps	
Income from Affiliates	$ 2.1	$ 4.1	$ (2.0)	(48.8%)		$ 33.8	$ 9.3	$ 24.5	263.4%	
Operating Income	$ 183.5	$ 164.8	$ 18.7	11.3%	11.3%	$ 354.0	$ 307.3	$ 46.7	15.2%	16.5%
Operating Margin (%)	14.8%	13.9%		90 bps		15.2%	13.6%		160 bps	
Other Income / (Expense), net**	$ 0.6	$ (8.0)	$ 8.6	107.5%		$ (10.4)	$ (13.0)	$ 2.6	(20.0%)	
Tax Expense	$ 50.4	$ 39.6	$ 10.8	27.3%		$ 99.1	$ 75.1	$ 24.0	32.0%	
Net Earnings	$ 120.4	$ 107.3	$ 13.1	12.2%		$ 218.2	$ 200.4	$ 17.8	8.9%	
Diluted EPS	$ 0.84	$ 0.66	$ 0.18	27.3%		$ 1.51	$ 1.22	$ 0.29	23.8%	

- Diluted EPS calculated using fully diluted shares of 142.9 million and 162.8 million shares in Q2 2013 and Q2 2012, respectively

- Flowserve repurchased 2,784,000 and 9,921,009 (3,307,003 pre-split)shares in Q2 2013 and Q2 2012, respectively

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates

** YTD 2013 includes $10.3 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 $13.0 million YTD 2012

Q2 2013 Cash Flows

($ millions)	Q2 2013	Q1 2013	YTD 2013	YTD 2012
Net Income	$ 121	$ 99	$ 220	$ 202
Depreciation and amortization	27	25	52	55
Change in working capital	(77)	(212)	(289)	(183)
Other	5	(20)	(15)	(14)
Total Operating Activities	**75**	**(108)**	**(33)**	**60**
Capital expenditures	(27)	(34)	(61)	(57)
Dispositions, acquisitions and other	0	36	36	2
Total Investing Activities	**(27)**	**2**	**(25)**	**(55)**
Payments on long-term debt	(5)	(5)	(10)	(13)
Dividends	(20)	(18)	(38)	(37)
Short-term financing, net	64	154	218	316
Repurchase of common shares	(150)	(156)	(306)	(433)
Total Financing Activities	**(111)**	**(25)**	**(136)**	**(167)**
Effect of exchange rates	**(2)**	**(4)**	**(6)**	**(1)**
Net Decrease in Cash	**$ (65)**	**$ (135)**	**$ (200)**	**$ (163)**

Flexibility to follow announced policy to annually return 40-50% of average trailing two-year net earnings to shareholders while supporting strategic initiatives to grow the business

Primary Working Capital

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

($ millions)	Q2 2013 $	Q2 2013 %	Q2 2012 $	Q2 2012 %
Receivables	1,080	22.4%	1,058	22.8%
Inventory	1,184	24.5%	1,149	24.7%
Payables	(526)	(10.9%)	(542)	(11.7%)
Primary Working Capital	**1,738**	**36.0%**	**1,665**	**35.8%**
Advance Cash*	(386)	(8.0%)	(408)	(8.8%)
Total	**1,352**	**28.0%**	**1,257**	**27.0%**
Backlog	**2,665**		**2,863**	

Accounts Receivable

Accounts Receivable DSO at 78 days in Q2 2013 decreased 3 day versus prior year Q2

- *Driving toward a DSO in the mid 60s*

Inventory

Inventory turns were 2.8 times, flat with prior year

- *Driving towards inventory turns goal of 4.0x to 4.5x*

* Advance cash commitments from customers to fund working capital

2013 Outlook

- **Reaffirming 2013 full year EPS target range of $3.20 to $3.53**
  - Including $0.09 net gain on joint venture transactions in Q1 and $0.08 of negative currency impacts in 1H 2013 not anticipated in original guidance
    - Continue to monitor FX movements - strengthening U.S. dollar could potentially present FX headwind in 2H
  - Expected tax rate of 30% for remaining quarters of 2013

- **Cash use priorities for 2013**
  - Remain committed to our disciplined approach to capital deployment and continue to return value to our shareholders
  - Estimated capital expenditures to be $120 million - $130 million
  - Estimated U.S. pension fund contributions to be approximately $20 million
  - Scheduled debt principal reduction of $25 million

Questions and Answers