FLOWSERVE

Gabelli Pump, Valve & Water Systems Symposium

THINK
BEYOND

NYC | February 27, 2020

Forward Looking Statements and Non-GAAP Measures

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 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; if we are not able to successfully execute and realize the expected financial benefits from our strategic transformation and realignment initiatives, our business could be adversely affected; 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, trade embargoes, epidemics or pandemics or changes to tariffs or trade agreements 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 and Argentina; 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; 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; access to public and private sources of debt financing; 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; the recording of increased deferred tax asset valuation allowances in the future or the impact of tax law changes on such deferred tax assets could affect our operating results; our information technology infrastructure could be subject to service interruptions, data corruption, cyber-based attacks or network security breaches, which could disrupt our business operations and result in the loss of critical and confidential information; ineffective internal controls could impact the accuracy and timely reporting of our business and financial results; 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.

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.

We have provided tables in the appendix that reconcile these non-GAAP measures to their corresponding GAAP-based measures.

Investment Highlights

Company Overview	Distinguished history of flow control expertise with a heritage of more than 225 years
	Diversified business model – geographies, end markets and products
End Markets	Three consecutive years of bookings growth
	Significant installed base provides recurring aftermarket opportunities
Transformation Agenda	2.0 Transforming Flowserve to unlock full potential and capitalize on opportunities in any market environment
Financial Strength	Strong financial and cash flow generation progress since 2017, with meaningful improvement expected
	Disciplined yet opportunistic capital allocation approach

Flowserve at a Glance

FLOWSERVE

Geographic diversification including significant high growth emerging market exposure

Capturing highly profitable aftermarket opportunity across global installed base of pumps, valves and seals

Rapid response to customers supported by global localized aftermarket presence

~17,000
Employees

Over 50 Countries

Over 50 Leading
Product Brands

FLOWSERVE

5,000,000+ Assets
(Installed Base)

10,000+
Customers Annually

171
Aftermarket QRCs
(Quick Response Centers)

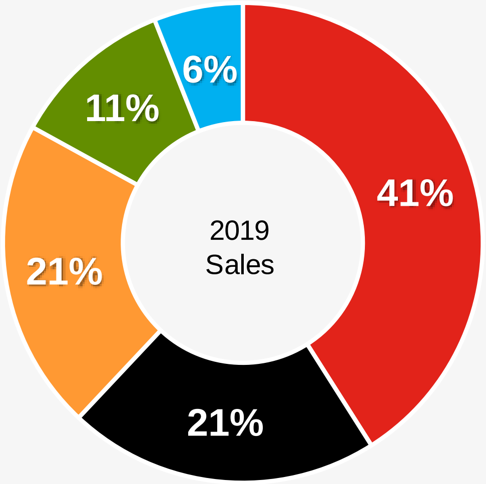
Increasingly engaged associates focused on meeting and exceeding customer expectations

Respected brands and technical expertise across broad industry process applications

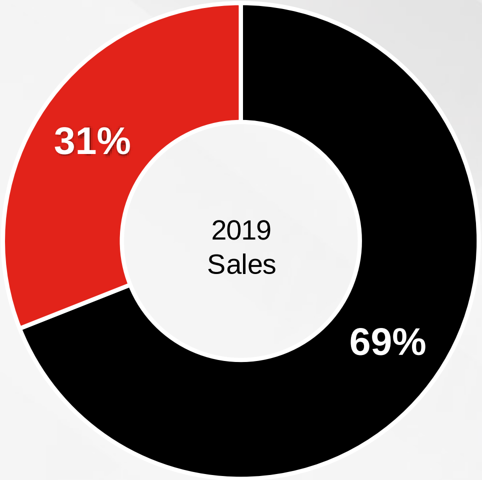
History of strong customer relationships including end-users, E&Cs and distributors

Diversified Business Model

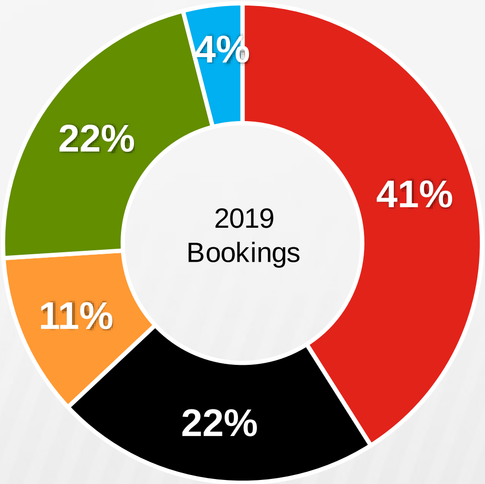
~60% of Business Outside North America



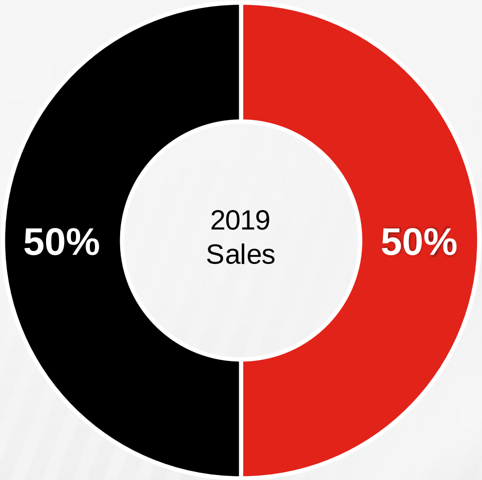
Balanced Platform



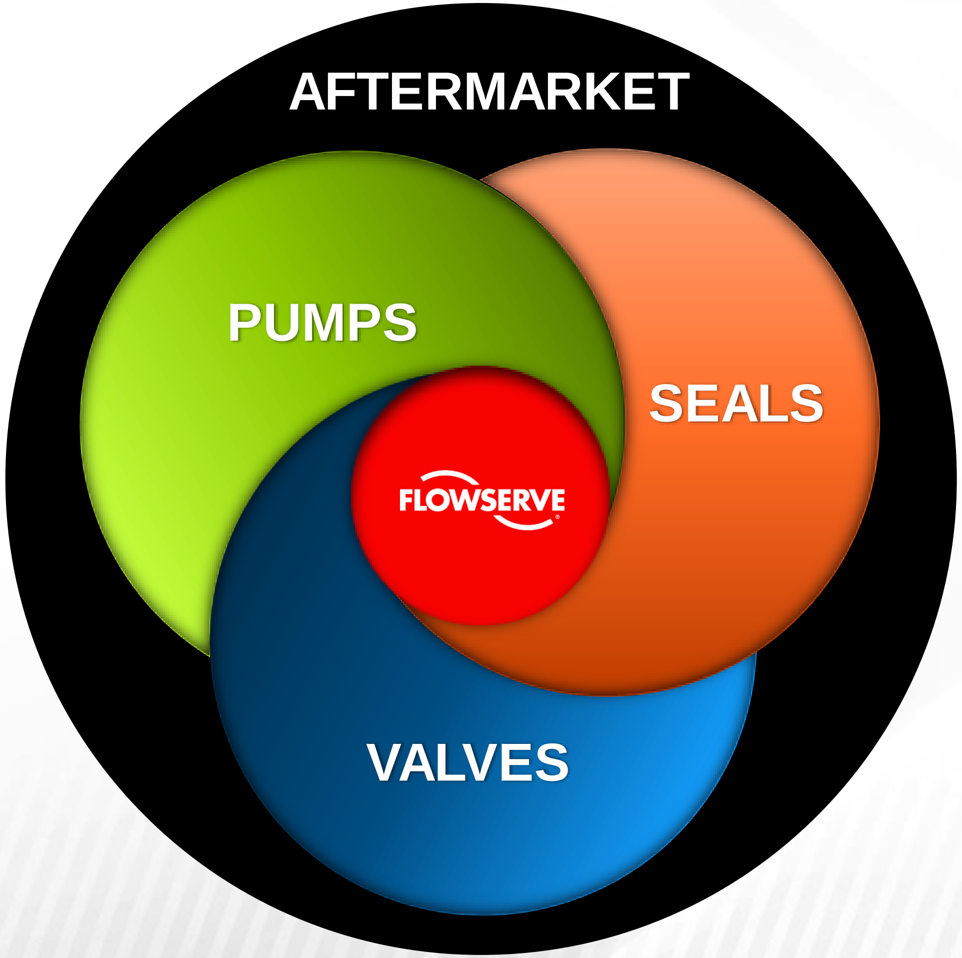
Attractive End Markets



Powerful Aftermarket Franchise



A Comprehensive, Pure-Play Flow Control Company

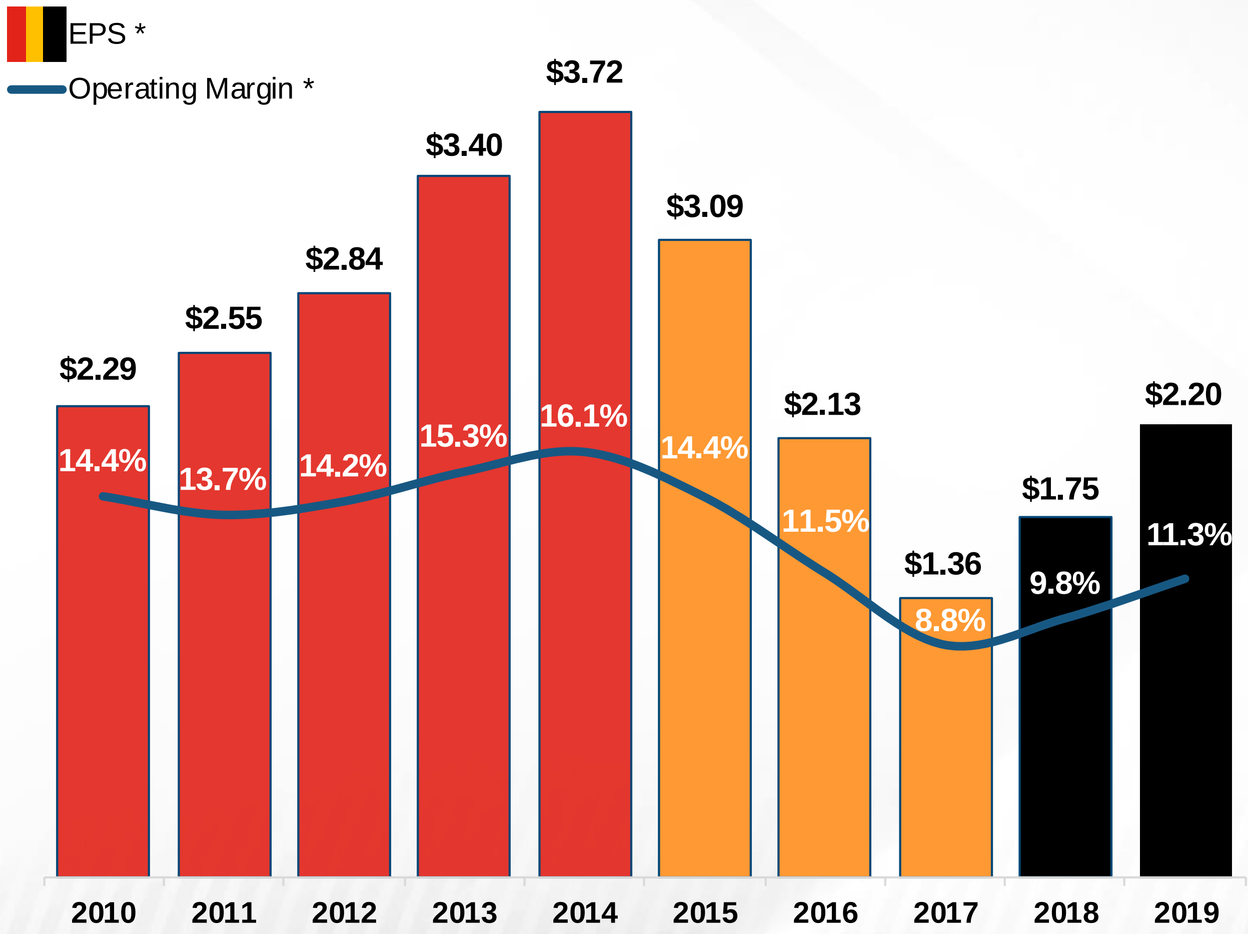


Highlights

- Only company with significant global presence in pumps, valves and seals
- Unmatched aftermarket capabilities to serve customers across industries and geographies
  - Enterprise Frame Agreements
  - LifeCycle Advantage Agreements
- Leveraging portfolio breadth of mission-critical products and services to deliver enhanced value to our customers
- Estimated Total Available Market is $145 billion*

* Company estimate from multiple industry sources.

Historical Performance



Industry Timeline

2010-2014: Post Financial Crisis

- Recovery period post-financial crisis
- Reasonable capital investment and solid maintenance spend
- Excess capacity in the Flow Control industry limited pricing power

2015-2017: Industrial Recession

- Deep cuts in capital investment and deferred maintenance spend
- Flowserve introduced and largely completed significant realignment program to reduce fixed manufacturing costs and footprint
- Unable to reduce costs as quickly as market fell – lack of flexibility

2018+: Stabilization and Growth

- Flowserve 2.0 transformation to drive more efficient operating model, above market growth and improved operational excellence, and build the platform for M&A
- Focused on cash flow improvement and shareholder value creation

Flowserve has proven its ability to deliver and is on a path to do so again

* EPS and Operating margin adjusted for realignment and transformation costs, below-the-line foreign exchange impacts and other discrete items for 2015-2019. Please see appendix for reconciliation.

The Transformation Journey

2017	2018	2019	2020	2021	2022

STABILIZE

TRANSFORM – <u>FLOWSERVE 2.0</u>

PLAN

GROWTH

AFTERMARKET

COMMERCIAL

COST STRUCTURE

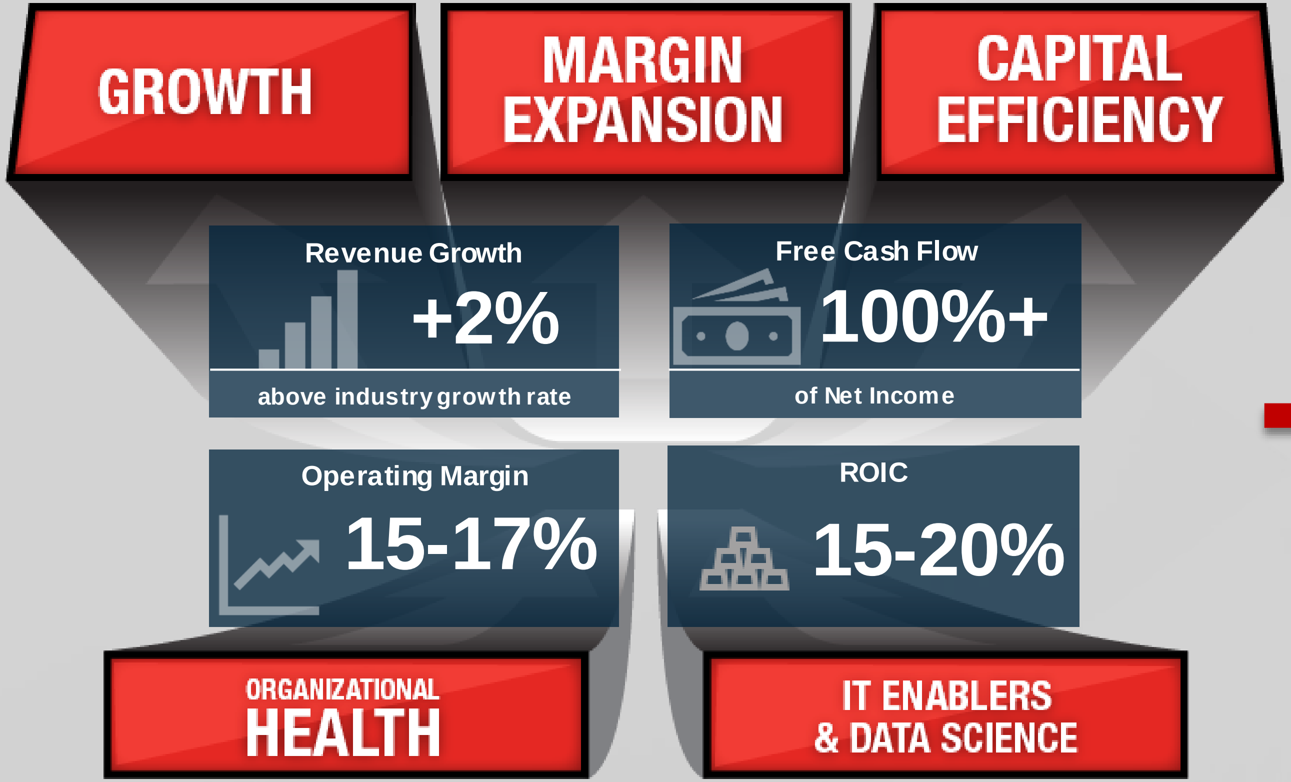
OPERATIONS

WORKING CAPITAL

MEASURE

OPTIMIZE

Creating Long-Term Sustainable Shareholder Value*



Operating System

- Constructing Flowserve 2.0 operating model
- Developing a flexible cost structure for any environment
- Creating a powerful growth platform

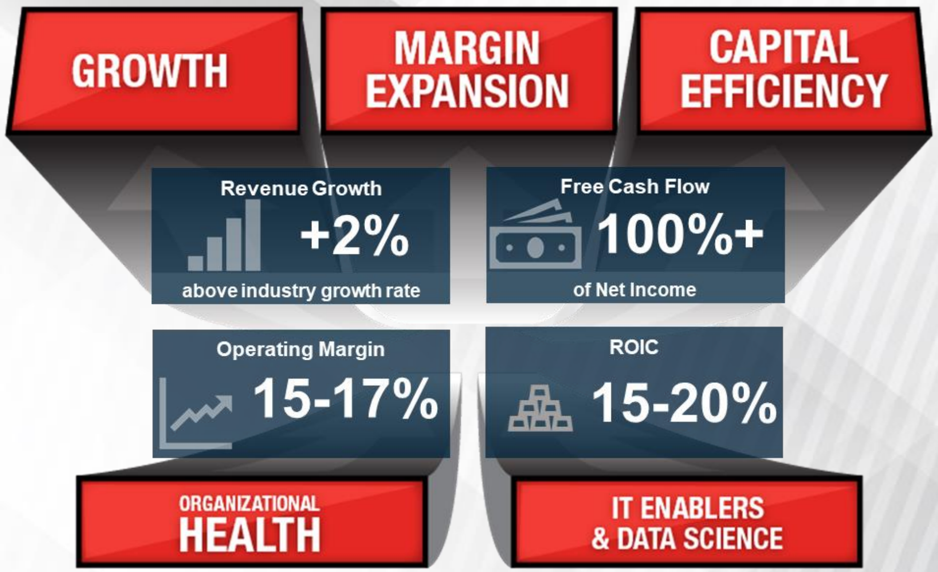
Building a sustainable enterprise

* As presented at Flowserve's December 13, 2018 Analyst Day

Progress Towards Long-Term Targets

	2017	2018	2019
Organic Year-over-Year Revenue Growth[2]	(9.1%)	5.0%	6.2%
Adjusted Operating Margin[3]	8.8%	9.8%	11.3%
Adjusted Free Cash Flow Conversion[4]	140.0%	46.0%	85.0%
ROIC[5]	7.6%	10.7%	12.9%

2022 Targets[1]



Strong progress towards our 2022 financial targets

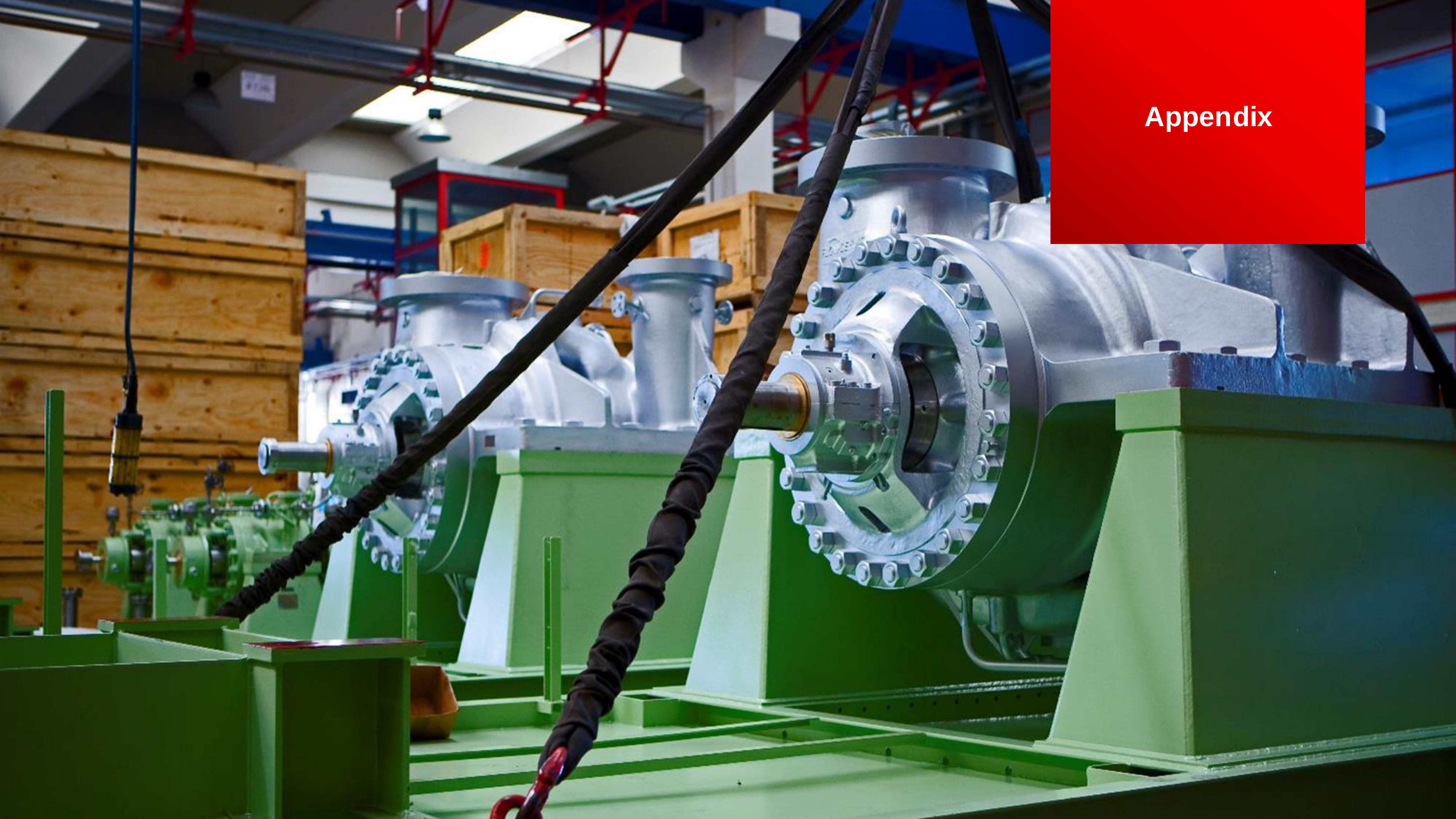
[1] As presented at Flowserve's December 13, 2018 analyst day

[2] Organic Revenue excludes foreign exchange and divestiture impacts. See reconciliation on page 13

[3] See reconciliation on pages 12 and 15

[4] (Cash Flow from Operations - Capital Expenditures) / Adjusted Net Income. See reconciliation on page 13

[5] (Adjusted Operating Income - Income Taxes +/- other adjusted items) / (Allowance for Doubtful Accounts + Debt + Equity - Cash). See page 14 for reconciliation



Appendix

Full Year 2019 Consolidated Financial Results

Full Year

($ millions)	2019	2018	Delta ($)	Delta (%)	Constant FX(%)*
Bookings	$ 4,238.3	$ 4,019.8	$ 218.5	5.4%	8.1%
Sales	$ 3,944.8	$ 3,832.7	$ 112.1	2.9%	5.4%
Gross Profit	$ 1,295.4	$ 1,187.8	$ 107.6	9.1%	
Gross Margin (%)	32.8%	31.0%		180 bps	
SG&A	$ 899.8	$ 943.7	$ (43.9)	-4.7%	-2.8%
SG&A (%)	22.8%	24.6%		(180) bps	
(Loss) on Sale of businesses	$ -	$ (7.7)	$ 7.7	-	
Income from Affiliates	$ 10.5	$ 11.1	$ (0.6)	-5.4%	
Operating Income	$ 406.0	$ 247.5	$ 158.5	64.0%	69.0%
Operating Margin (%)	10.3%	6.5%		380 bps	
Other Expense, **	$ (17.6)	$ (19.6)	$ 2.0	-10.2%	
Tax Expense	$ (80.1)	$ (51.2)	$ 28.9	56.4%	
Net Earnings	$ 253.7	$ 119.7	$ 134.0	111.9%	
Diluted EPS	$ 1.93	$ 0.91	$ 1.02	112.1%	

Full Year Adjusted

($ millions)	2019 Adjusted Items	2019 Adjusted Results	2018 Adjusted Results	Delta ($)	Delta (%)	Constant FX(%)*
Bookings	$ -	$ 4,238.3	$ 4,019.8	$ 218.5	5.4%	8.1%
Sales	$ -	$ 3,944.8	$ 3,832.7	$ 112.1	2.9%	5.4%
Gross Profit	$ (17.4) (1)	$ 1,312.8	$ 1,238.2 (5)	$ 74.6	6.0%	
Gross Margin (%)		33.3%	32.3%		100 bps	
SG&A	$ 22.0 (2)	$ 877.8	$ 874.3 (6)	$ 3.5	0.4%	2.4%
SG&A (%)		22.3%	22.8%		(50) bps	
(Loss) on Sale of businesses	$ -	$ -	$ - (7)	$ -	-	
Income from Affiliates	$ -	$ 10.5	$ 11.1	$ (0.6)	-5.4%	
Operating Income	$ (39.4)	$ 445.4	$ 375.0	$ 70.4	18.8%	22.1%
Operating Margin (%)		11.3%	9.8%		150 bps	
Other Expense, **	$ (14.5) (3)	$ (3.1)	$ (0.9) (8)	$ 2.2	244.4%	
Tax Expense	$ 18.1 (4)	$ (98.2)	$ (87.4) (9)	$ 10.8	12.4%	
Net Earnings	$ (35.8)	$ 289.5	$ 229.8	$ 59.7	26.0%	
Diluted EPS	$ (0.27)	$ 2.20	$ 1.75	$ 0.45	25.7%	

- Diluted EPS calculated using fully diluted shares of 131.7 and 131.3 million shares for YTD 2019 and YTD 2018, respectively

* Constant FX represents the year-over-year variance assuming 2019 results at 2018 FX rates

1. Cost of sales includes $17.2 million of realignment charges and $0.2 million of voluntary retirement program charges
2. SG&A includes $9.3 million of net realignment benefit, $28.0 million of transformation charges and $3.3 million of voluntary retirement program charges
3. Below-the-line FX impacts
4. Includes tax impact of above items and exit tax benefit of $4.0 million

** YTD 2019 and 2018 include losses of $14.5 million and $18.7 million arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts, respectively

5. Excludes $42.7 million of realignment charges and $7.7 million FPD asset write-down
6. Excludes $11.2 million of realignment charges, $9.7 million of FPD asset write-down, $41.2 million of transformation charges and $7.3 million of discrete corporate items
7. Excludes $7.7 million loss on sale of FPD assets
8. Excludes $18.7 million below-the-line FX loss
9. Excludes tax impact of above items

Reconciliation of Non-GAAP Measures
(Unaudited)

Organic Revenue Growth

$ millions	2017	2018	2019
Reported Revenue	$ 3,660.8	$ 3,832.7	$ 3,944.8
Foreign exchange impact	34.0	31.0	(94.0)
Divestiture impact		(41.2)	(31.0)
Organic Revenue	$ 3,626.8	$ 3,842.9	$ 4,069.8
Prior Year Reported Revenue	$ 3,990.5	$ 3,660.8	$ 3,832.7
Organic Revenue year-over-year growth	**-9.1%**	**5.0%**	**6.2%**

Adjusted Free Cash Flow Conversion

$ millions	2017	2018	2019
Cash Flow from Operations	$ 311.1	$ 190.8	$ 312.7
Capital Expenditures	(61.6)	(84.0)	(66.2)
Free Cash Flow	$ 249.5	$ 106.8	$ 246.5
Adjusted Net Earnings	$ 178.5	$ 229.8	$ 289.5
Adjusted Free Cash Flow conversion	**140%**	**46%**	**85%**

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Reconciliation of Non-GAAP Measures
(Unaudited)

(Amounts in millions, except ROIC)	Twelve Months Ended December 31, 2017 As Reported (a)	Twelve Months Ended December 31, 2017 ROIC Adjustments	Twelve Months Ended December 31, 2017 ROIC Adjusted	Twelve Months Ended December 31, 2018 As Reported (a)	Twelve Months Ended December 31, 2018 ROIC Adjustments	Twelve Months Ended December 31, 2018 ROIC Adjusted	Twelve Months Ended December 31, 2019 As Reported (a)	Twelve Months Ended December 31, 2019 ROIC Adjustments	Twelve Months Ended December 31, 2019 ROIC Adjusted
Operating income	$ 341.1	$ 39.1 (1)	$ 302.0	$ 247.5	$ (126.2) (5)	$ 373.7	$ 406.0	$ (37.1) (7)	$ 443.1
Provision for income taxes	(258.7)	(166.2) (2)	(92.5)	(51.2)	45.8 (6)	(97.0)	(80.1)	30.2 (8)	(110.3)
Net Operating Profit After Taxes	**$ 82.4**	**$ (127.1)**	**$ 209.5**	**$ 196.3**	**$ (80.4)**	**$ 276.7**	**$ 325.9**	**$ (6.9)**	**$ 332.8**
Allowance for doubtful accounts	59.1	(3.6)	55.5	51.5	3.8	55.3	53.4	(1.0)	52.5
Short- and Long-term debt	1,575.3	(2.3)	1,572.9	1,483.0	46.1	1,529.2	1,377.2	52.9	1,430.1
Total equity	1,671.0	(16.8)	1,654.2	1,660.8	5.1	1,665.9	1,816.0	(77.6)	1,738.4
Cash and cash equivalents	703.4	(168.1)	535.3	619.7	41.9	661.6	671.0	(25.6)	645.3
Average Invested Capital (3) (4)	**$ 2,601.9**	**$ 145.4**	**$ 2,747.3**	**$ 2,575.6**	**$ 13.1**	**$ 2,588.7**	**$ 2,575.6**	**$ 0.0**	**$ 2,575.6**
Return on Invested Capital	3.2%	4.5%	7.6%	7.6%	3.1%	10.7%	12.7%	0.3%	12.9%

(a) Reported in conformity with U.S. GAAP
(1) Includes $71.3 million of realignment charges, $26.0 million of Brazil asset impairment charges, $141.3 million gain on sale of businesses and $4.9 million for pension expense in excess of service cost
(2) Tax impacts of realignment including exit tax, Brazil asset impairment charge and gain on sale of businesses. Also comprises $18.6 million of interest expense tax shield, $5.7 million for non-operating impacts, $115.3 million tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and certain tax valuation allowances totaling $43.1 million.
(3) Invested Capital is a two-year average of the current and prior year periods
(4) Average Invested Capital is the sum of allowance for doubtful accounts, short- and long-term debt, and total equity minus cash and cash equivalents
(5) Includes $53.9 million of realignment charges, $17.4 million of FPD divestiture write-down of assets, $41.2 million of Flowserve 2.0 transformation costs, $7.3 million of ASC 606 adoption costs, $7.7 million loss on sale from the divestiture of two FPD locations and related product lines and $1.3 million for service cost in excess of pension expense
(6) Includes tax impacts of: realignment, write-down of assets, Flowserve 2.0 transformation costs, ASC 606 adoption costs, and loss on sale. Also comprises $15.0 million of interest expense tax shield and $3.4 million for non-operating impacts
(7) Includes $7.9 million of realignment charges, $28.0 million of Flowserve 2.0 transformation costs and $1.2 million for pension expense in excess of service cost
(8) Tax impacts of realignment and Flowserve 2.0 transformation costs. Also comprises $13.7 million of interest expense tax shield and $2.3 million for non-operating impacts.

Note: Net Operating Profit After Taxes (NOPAT), Average Invested Capital and Return on Invested Capital (ROIC) are non-GAAP measures

Reconciliation of Non-GAAP Measures
(Unaudited)

(Amounts in millions, except per share data)	Twelve Months Ended December 31, 2017 As Reported (a)	Twelve Months Ended December 31, 2017 Adjustments		Twelve Months Ended December 31, 2017 As Adjusted	Twelve Months Ended December 31, 2018 As Reported (a)	Twelve Months Ended December 31, 2018 Adjustments		Twelve Months Ended December 31, 2018 As Adjusted
Sales	$ 3,660.8	$ -		$ 3,660.8	$ 3,823.7	$ -		$ 3,823.7
Operating income	341.1	19.3	(1)	321.8	247.5	(127.5)	(4)	375.0
Operating income as a percentage of sales	9.3%			8.8%	6.5%			9.8%
Other (expense) income, net	(21.8)	(14.0)	(2)	7.8	(19.6)	(18.7)	(5)	0.9
Earnings (loss) before income taxes	263.0	5.3		257.7	176.3	(146.2)		322.5
Provision for income taxes	(258.7)	(181.3)	(3)	(77.4)	(51.2)	36.2	(6)	(87.4)
Tax Rate	*98.4%*	*NM*		*30.0%*	*29.1%*	*-24.8%*		*27.1%*
Net earnings (loss) attributable to Flowserve Corporation	**$ 2.7**	**$ (175.9)**		**$ 178.6**	**$ 119.7**	**$ (110.1)**		**$ 229.8**
Diluted earnings per share	$ 0.02	$ (1.34)		$ 1.36	$ 0.91	$ (0.84)		$ 1.75

(a) Reported in conformity with U.S. GAAP

(1) Includes $71.2 million of realignment charges, $4.4 million of PPA expense, $29.0 million of asset impairment charges, $17.4 million reserve for Latin America oil and gas contract and gas contract and $141.3 million gain on sale of businesses

(2) Includes $14.0 million of below-the-line foreign exchange impacts

(3) Includes tax impact of footnotes (4) and (5), a $115.3 million tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and certain tax valuation allowances totalling $43.1 million

(4) Includes $53.9 million of realignment charges, $17.4 million of FPD divestiture write-down of assets, $41.2 million of Flowserve 2.0 transformation costs, $7.3 million of ASC 606 adoption costs and $7.7 million loss on sale of IPD business

(5) Includes $18.7 million of below-the-line foreign exchange impacts

(6) Includes tax impact of footnotes (7) and (8) and a $5.7 million tax benefit related to the U.S. Tax Cuts and Jobs Act of 2017

Reconciliation of Non-GAAP Measures
(Unaudited)

(Amounts in millions, except per share data)	Twelve Months Ended December 31, 2015				Twelve Months Ended December 31, 2016			
	As Reported (a)	Adjustments		As Adjusted	As Reported (a)	Adjustments		As Adjusted
Sales	$ 4,557.8	$ -		$ 4,557.8	$ 3,990.5	$ -		$ 3,990.5
Operating income (loss)	514.7	(139.9)	(1)	654.6	268.0	(192.3)	(4)	460.3
Operating income (loss) as a percentage of sales	11.3%			14.4%	6.7%			11.5%
Other (expense) income, net	(39.1)	(42.3)	(2)	(3.2)	2.3	2.8	(5)	0.5
Earnings (loss) before income taxes	412.4	(182.2)		594.6	212.9	(189.5)		402.4
Provision for income taxes	(148.4)	26.8	(3)	(175.2)	(77.4)	42.4	(6)	(119.8)
Tax Rate	*36.0%*	*14.7%*		*29.5%*	*36.3%*	*22.4%*		*29.8%*
Net earnings (loss) attributable to Flowserve Corporation	**$ 258.4**	**$ (155.4)**		**$ 413.8**	**$ 132.5**	**$ (147.1)**		**$ 279.6**
Diluted earnings per share	$ 1.93	$ (1.16)		$ 3.09	$ 1.01	$ (1.12)		$ 2.13

(a) Reported in conformity with U.S. GAAP

(1) Includes $108.1 million of realignment charges, $23.0 million of PPA expense, $11.6 million of acquisition costs, $6.8 million gain from reversal of contingent consideration related to acquisition of Innomag and $4.1 million of other discrete charges

(2) Includes $23.8 million of below-the-line foreign exchange impacts and $18.5 million of Venezuela remeasurement loss

(3) Includes tax impact of items in footnotes (1) and (2)

(4) Includes $87.3 million of realignment charges, $9.3 million of PPA expense, $14.5 million of Latin America charges, $73.5 million of Venezuela accounts receivable reserves and $7.7 million loss on sale of a business

(5) Includes $2.8 million of below-the-line foreign exchange impacts

(6) Includes tax impact of items in footnotes (4) and (5)

2020 Outlook

Guidance Assumptions	2020 Guidance [1]
Revenue Guidance	3.0% - 5.0%
Reported EPS Guidance	$2.05 - $2.20
Adjusted EPS Guidance [2]	$2.30 - $2.45
EUR Rate	1.12
Adjusted Tax Rate	24% - 26%
Capital Expenditures	$90 - $100 million

[1] 2020 Reported and Adjusted EPS guidance as of February 18, 2020, assumes 132 million diluted shares

[2] Adjusted EPS guidance excludes expected realignment and transformation charges of approximately $40 million, below-the-line FX impact and other specific discrete items.

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Experience In Motion

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