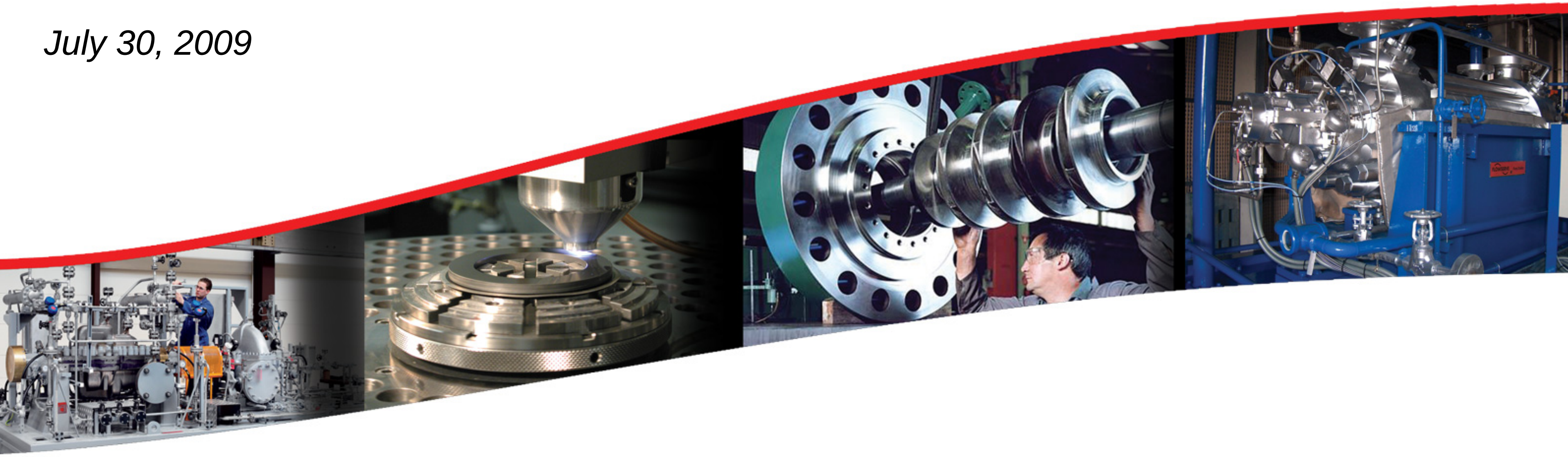
Flowserve Q2 2009 Earnings Conference Call

July 30, 2009



Lew Kling, President and Chief Executive Officer
Mark Blinn, SVP, Chief Financial Officer and Latin America Operations
Richard Guiltinan, VP and Chief Accounting Officer
Paul Fehlman, VP Financial Planning and Analysis & Investor Relations

Experience In Motion

Special Note

<u>SAFE HARBOR STATEMENT</u>: 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," "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; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products requiring sophisticated program management skills and technical expertise for completion; the substantial dependence of our sales on the success of the petroleum, chemical, power and water 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 petroleum producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; 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 shareholder litigation and litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; risks associated with certain of our foreign subsidiaries conducting business operations and sales in certain countries that have been 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, and tax liabilities that could result from audits of our tax returns by regulatory authorities in various tax jurisdictions; the potential adverse impact of an impairment in the carrying value of goodwill or other intangibles; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; 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; 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 Highlights

- Second quarter EPS* of $1.92, down 9.4%
  - ✓ EPS* of $2.17, up 2.4% excluding realignment charges of $19.6 million ($0.25*)
- Bookings of $1.04 billion, down 21.0%
  - ✓ Down 12.9% excluding 8.1% currency headwind
  - ✓ Sequential growth in bookings of 7.0% versus Q1, or 2.8% organic growth
- Sales of $1.09 billion, down 5.8%
  - ✓ Sales up 3.7% excluding 9.5% currency headwind
- Operating margin of 14.6%, down 30 basis points
  - ✓ Operating margin of 16.4% excluding realignment charges of $19.6 million (180 basis points)
- Gross margin down 70 basis points to 35.4%
  - ✓ Gross margin up 40 basis points excluding realignment charges of $12.2 million (110 basis points)
- SG&A as a percentage of sales decreased 40 basis points to 21.2%
  - ✓ SG&A decreased to 20.5% excluding realignment charges of $7.4 million (70 basis points)
- Cash flow from operations of $102 million, up $108 million compared to Q2 2008
  - ✓ Improvement primarily from working capital

**Calculated using Q2 2009 fully diluted shares of 56.4 million*

Q2 Year-to-Date Highlights

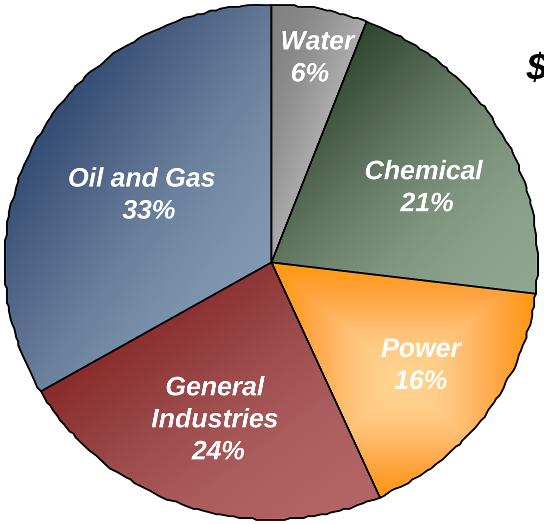
- First half EPS* of $3.56, down 2.5%
  - ✓ EPS* of $3.94, up 8.0% excluding realignment charges of $29.6 million ($0.38*)
- First half bookings of $2.00 billion, down 27.0%
  - ✓ Down 18.8% excluding 8.2% currency headwind
- Sales of $2.12 billion, down 1.7%
  - ✓ Sales up 9.0% excluding 10.7% currency headwind
- Increased operating margin, up 90 basis points to 14.5%
  - ✓ Operating margin of 15.9% excluding realignment charges of $29.6 million (140 basis points)
- Gross margin improvement, up 20 basis points to 35.7%
  - ✓ Gross margin up 100 basis points excluding realignment charges of $18.3 million (80 basis points)
- Continued SG&A reduction as a percentage of sales, down 80 basis points to 21.6%
  - ✓ SG&A decreased to 21.1% excluding realignment charges of $11.3 million (50 basis points)
- Cash flow from operations of $(77) million, up $101 million compared to first half 2008
  - ✓ Improvement primarily from working capital

**Calculated using Q2 2009 Year-to-Date fully diluted shares of 56.4 million*

Raising 2009 full year EPS target range to between $7.15 and $7.75 including up to $0.50 of realignment charges

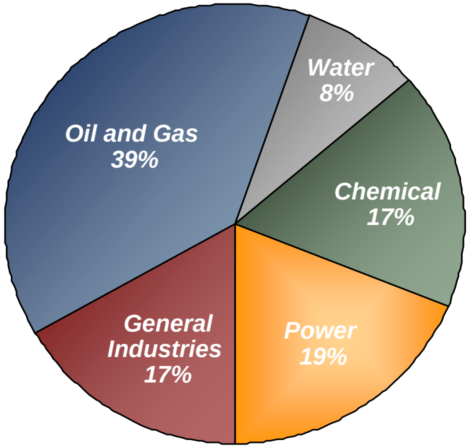
Flowserve Markets – Bookings

2008 Q2 Bookings by Industry



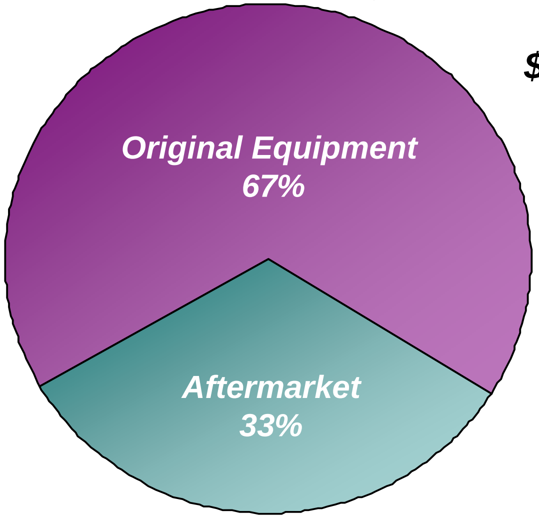
$1.31B

2009 Q2 Bookings by Industry



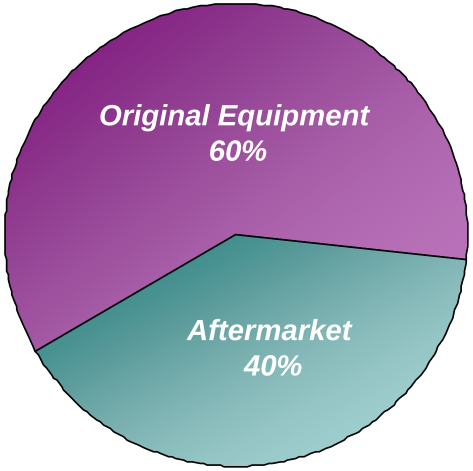
$1.04B

2008 Q2 Bookings Mix



$1.31B

2009 Q2 Bookings Mix

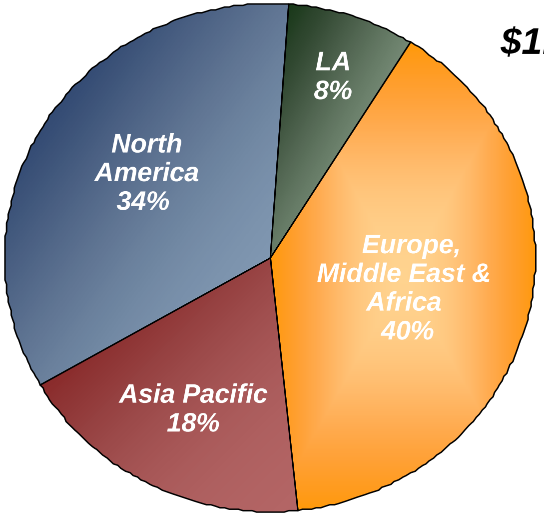


$1.04B

Flowserve Markets – Sales

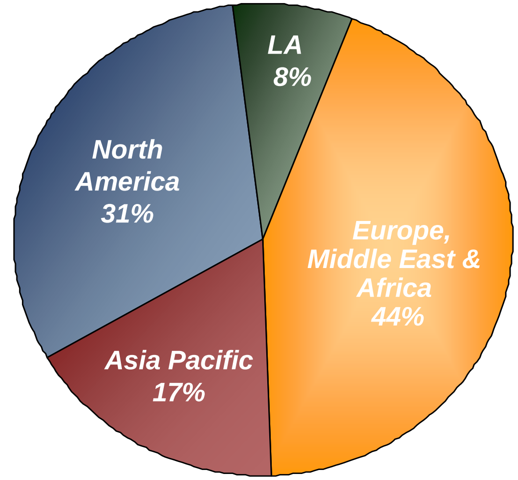
2008 Q2 Sales by Region

$1.16B



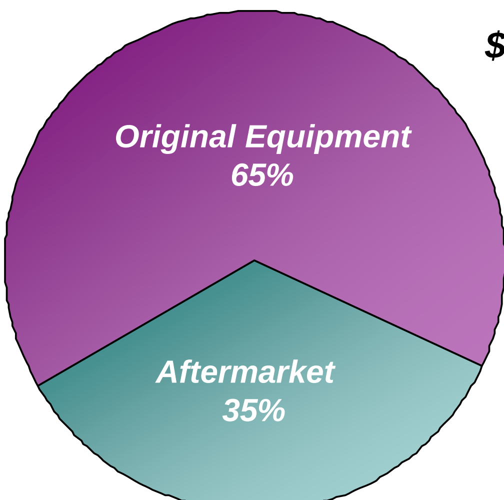
2009 Q2 Sales by Region

$1.09B



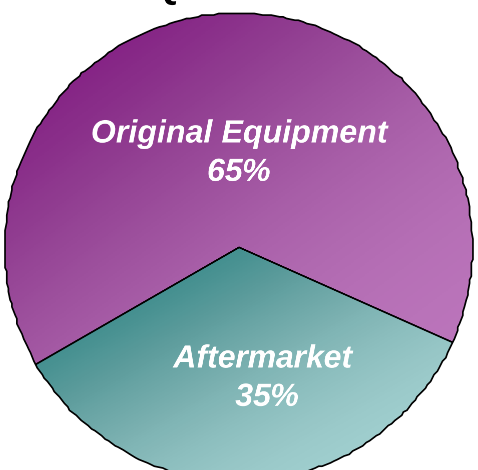
2008 Q2 Sales Mix

$1.16B



2009 Q2 Sales Mix

$1.09B



Q2 – Consolidated Financial Results

($ millions)	2nd Quarter				Year-To-Date			
	2008	2009	Delta (%)	Constant FX (%)**	2008	2009	Delta (%)	Constant FX (%)**
Bookings	$ 1,310.6	$ 1,036.0	(21.0%)	(12.9%)	$ 2,740.0	$ 1,999.1	(27.0%)	(18.8%)
Sales	$ 1,157.6	$ 1,090.4	(5.8%)	3.7%	$ 2,150.9	$ 2,115.1	(1.7%)	9.0%
Gross Profit	$ 418.0	$ 386.3	(7.6%)		$ 763.8	$ 754.1	(1.3%)	
Operating Income	$ 172.3	$ 158.8	(7.8%)	5.5%	$ 291.6	$ 305.9	4.9%	21.4%
Operating Margin (%)	14.9%	14.6%	(30 bps)		13.6%	14.5%	90 bps	
Adjusted Operating Income*	$ 172.3	$ 178.4	3.5%	16.9%	$ 291.6	$ 335.5	15.1%	31.5%
Adjusted Operating Margin (%)*	14.9%	16.4%	150 bps		13.6%	15.9%	230 bps	
Net Earnings	$ 122.9	$ 108.2	(12.0%)		$ 210.9	$ 200.5	(4.9%)	
Diluted EPS	$ 2.12	$ 1.92	(9.4%)		$ 3.65	$ 3.56	(2.5%)	
Adjusted EPS*	$ 2.12	$ 2.17	2.4%		$ 3.65	$ 3.94	7.9%	

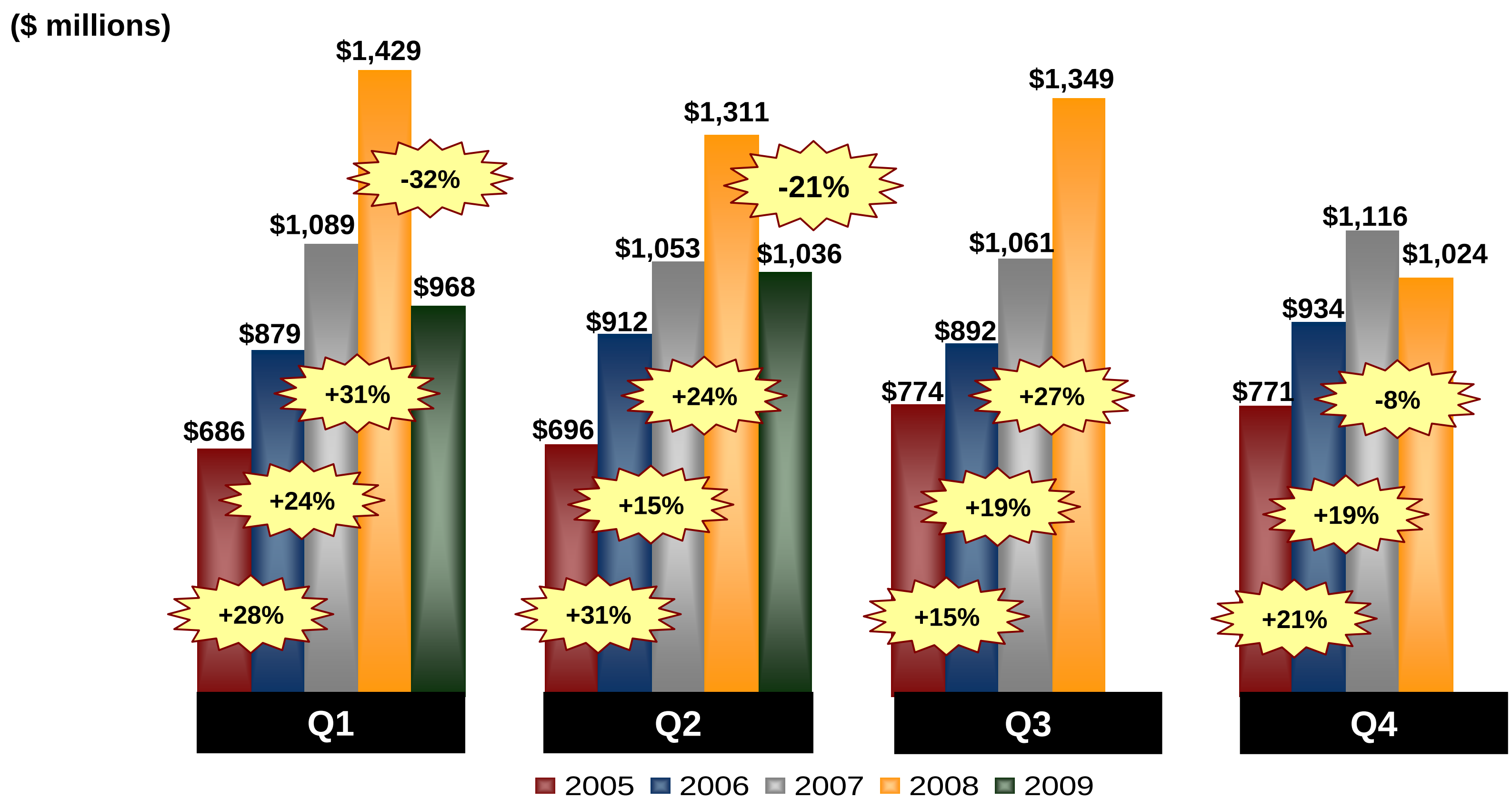
- As of 6/30/09, 2.0 million shares (281,500 2009 YTD) had been repurchased in conjunction with the company's previously announced $300 million buyback program

** Adjusted operating income and adjusted EPS exclude realignment charges of $19.6 million and $29.6 million for Q2 2009 and 2009 YTD, respectively*

*** Constant FX represents the year over year variance assuming 2009 results at 2008 FX rates*

Strong quarterly sales, operating income and EPS

Quarterly Bookings Performance

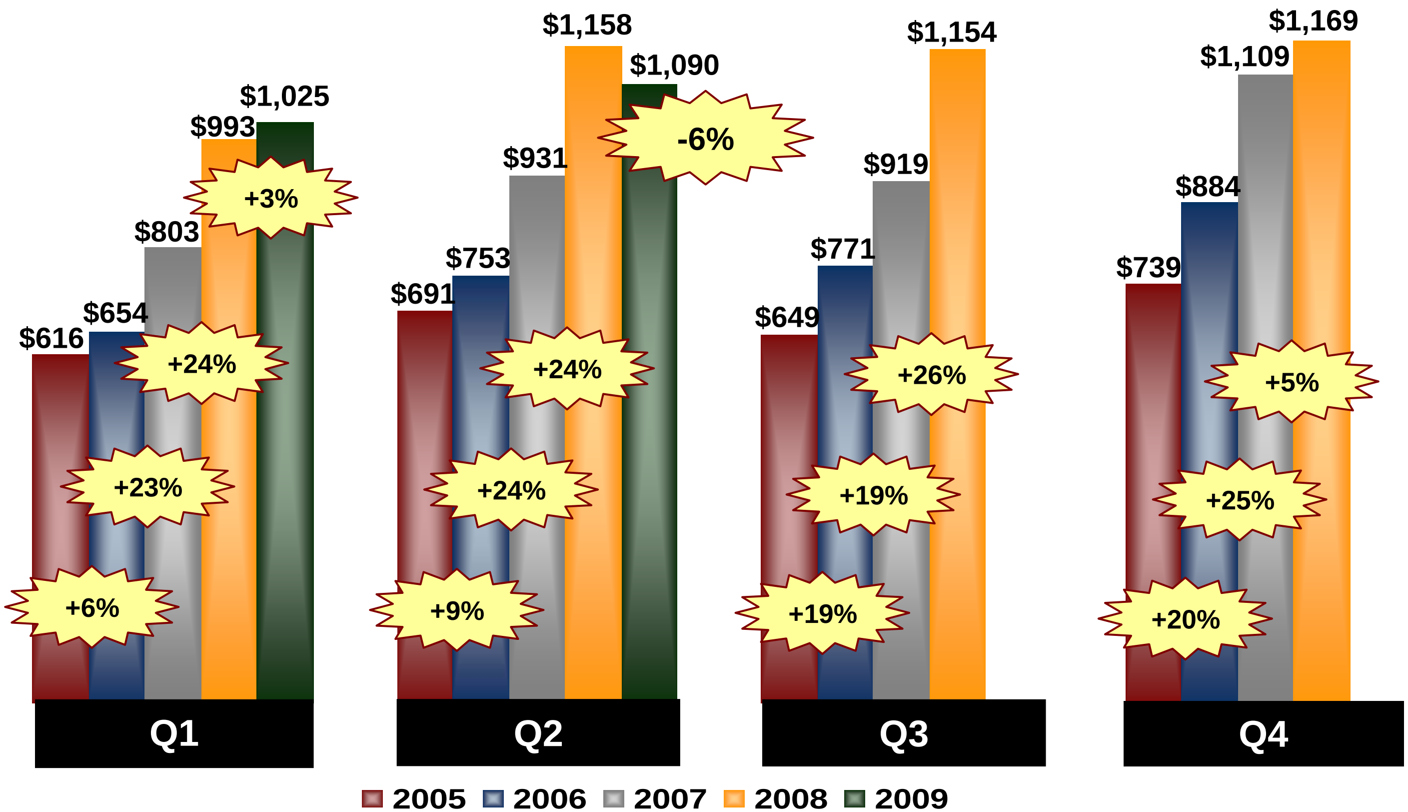


- Represents Q1 2009 gross bookings excluding cancellations of $14.8 million and Q2 2009 gross bookings excluding cancellations of $9.4 million
- Q2 2009 bookings included negative currency impact of approximately $106 million compared to Q2 2008

Q2 2009 bookings over $1 billion

Quarterly Sales Performance

($ millions)



- Q2 2009 sales included negative currency impact of approximately $110 million compared to Q2 2008

Continued strong sales performance

Market Outlook

FLOWSERVE

The Drivers of Global Infrastructure Investment Remain Constant!

	Driver	Factors	Investment
Historical Primary Driver	Profit	• Shareholder Value • Internal Rate of Return	Capital Investments
Increasing Drivers of Investments	Demographics	• Population Growth • Industrialization • Rural to Urban Move • Middle Class Rise	Growth Investments
	Aging Infrastructure	• Refurbishment • Efficiency • Upgrade • Optimization	Sustaining Investments
	Independence	• Diversification • Energy Security • Environmental • Nationalism	Political Investments
	Economic Growth	• Job Creation • Political Stability • Social Stability • Localization	Social Investments

Persistent drivers stimulate investment in long term infrastructure requirements to meet future demand, replace aging operations and support social needs

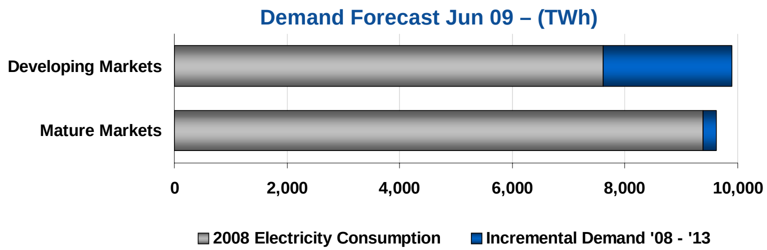
Power Industry ➔ 21% YTD Bookings

CHALLENGES

Power Generation Industry's challenges are primarily Social & Environmental Concerns

- *Environmental concerns are driving global "cap & trade" initiatives designed to limit CO_2 emissions in future years*
- *Carbon capture and storage systems (CCS) are up to five years away from any meaningful level of commercialization*
- *Renewable energy sources still require development and performance analysis for large scale generation capabilities*
- *Nuclear power generation planning is facing social concerns over plant locations and handling of used fuel*

OPPORTUNITIES

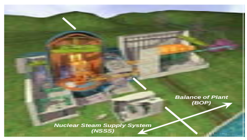
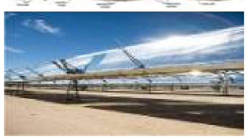


- Over 500 GW of incremental generation capacity is planned to be added over the next 5 years
- Projects planned for the expansion cover all forms of power generation including renewables
- Over $400 billion in power projects have been announced in recent weeks
  - *China plans $88 billion in nuclear power developments*
  - *Saudi Electricity plans $28 billion investment to meet increasing demand*
  - *US electric utility spending is planned to top $250 billion over the next 3 years*
- Projected spend for power upgrades and overall maintenance remains high globally

The power industry continues to provide opportunities from increasing demand and aging infrastructure; as well as energy & environmental security initiatives for which Flowserve is well positioned to serve

Sources: *Energy Information Administration, International Energy Agency, Platts Power Market Reports, Industrial Information Resources*

Energy & Environmental Security Opportunities

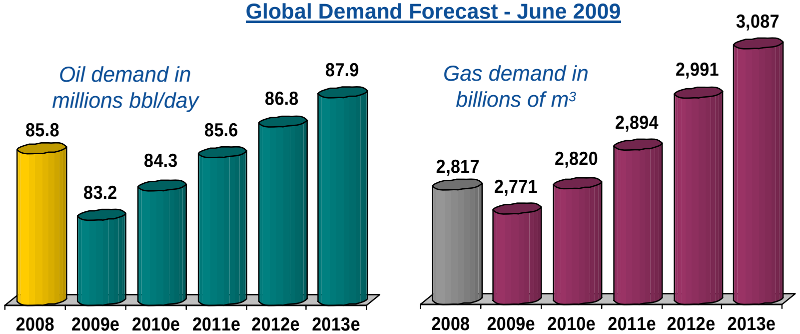
		APPLICATION DESCRIPTION	FLOWSERVE CAPABILITIES
	**Clean Coal - Super & Ultra-Super Critical**	*More efficient operational design reducing overall CO_2 emissions for same generating capacity through the use of higher pressures and temperatures.*	*Flowserve has developed a portfolio of products designed specifically to withstand the higher temperatures and pressures for these technologies.*
	**Nuclear**	*Generation III nuclear power systems offer the largest power generation capacity per operating unit with essentially no environmental impact related to greenhouse gases.*	*Flowserve has been a leading supplier for N-stamp rated products and solutions which are required for the critical application components used in a nuclear power generating facility.*
	**Carbon Capture & Storage [CCS]**	*Various versions of process technology are in design and pilot review phases. Each existing design requires flow management solutions.*	*Flowserve is already engaged in various projects. The captured CO_2 is handled in a liquid state requiring pumps, valves and seals.*
	**Solar**	*Concentrated Solar Power (CSP) applications require the handling and movement of a heat transfer medium. Most common include oil or molten salt solutions.*	*Flowserve flow management capabilities along with our corrosion & abrasion tolerance capabilities positions us well for the growth in this segment.*
	**Geothermal**	*Typically these plants are located at a natural hot water source such as the geyser region in the western US. Individual plants are typically small generating systems.*	*Flow management solutions are required to manage the extraction of the heated water from the sub terrain source and to re-inject the recycled water back into the earth.*
	**Wind**	*Of all of the renewables, this is the fastest growing application. Billions of dollars are now being invested in wind farms around the globe.*	*Flowserve provides flow management solutions used for the system cooling processes.*

Through our customer centric culture, Flowserve has been investing with our customers to develop solutions for alternative and renewable sources of power generation

Oil & Gas Industry ➔ 35% YTD Bookings

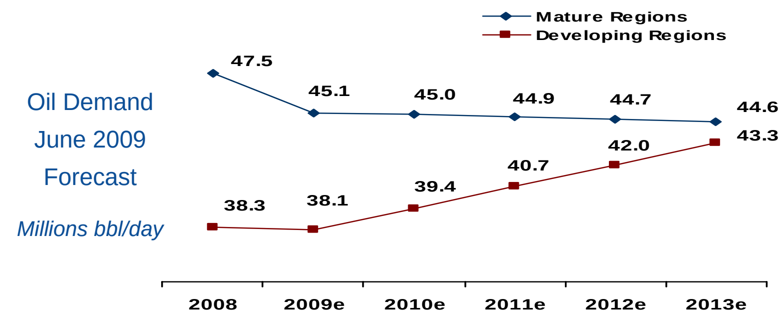
CHALLENGES

Global Demand Forecast - June 2009



- *IEA & OPEC revise oil demand forecast downward*
  - *More significant decline in 2009 than previous forecast*
  - *Down 2.6 million bbl/day*
- *Imbalance between production growth and demand softening in natural gas market*
  - *Production increased 3.8% in 2008 - greater than the 10-year average of 3%*
  - *Demand forecast reduced from previous report*
- *Current "Cap & Trade" initiatives would challenge the future uses of hydrocarbons*

OPPORTUNITIES



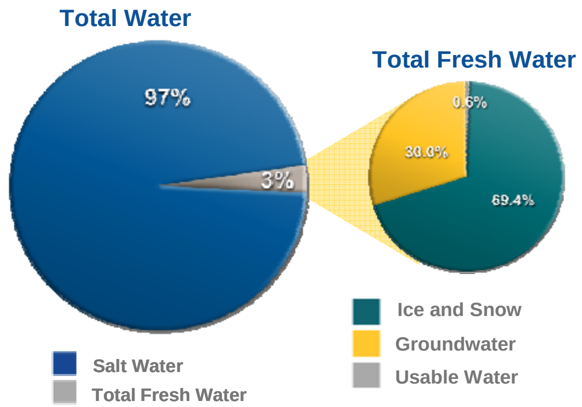
- Global oil demand is projected to return to 2008 levels by 2011 and grow further in the future
- Major project planning continues in Asia, the Middle East, India and Latin America
  - *Construction costs are coming down in line with expectations reviving suspended projects*
- Upstream oil production must be brought on line to offset existing field depletion rates
  - *This will necessitate continued investment in complex recovery methodologies where Flowserve is well positioned*
- Investments in Liquefied Natural Gas [LNG] continue in anticipation of future demand growth

Despite the global economic conditions, investments continue in both oil and gas development and processing providing opportunities to grow market share

Sources: *Energy Information Administration, IEA Medium Term Report, OPEC WOO 2009, BP June 2009 Report, Industrial Information Resources*

Water Industry ➔ 7% YTD Bookings

CHALLENGES



- *Access to fresh potable water for many regions of the world remains a challenge*
- *Current economic conditions are challenging funding for municipal water projects due to reduced tax revenues*

OPPORTUNITIES

- Persistent demand for fresh water will continue to drive investments for accessible potable water
- Current government sponsored stimulus plans include funding for water infrastructure
- Limited access to fresh water is driving an increased level of investment in desalination
  - *Currently, there are 195 reverse osmosis (RO) projects under construction and another 135 planned which will provide in excess of 18.5 million m^3/day of potable water*
  - *Estimated planned investment of $64 billion in desalination through 2016*
  - *Estimated available market over the next 5 years for flow management and energy recovery in the global RO desalination market exceeds $6 billion*

CALDER
A Flowserve company

Flowserve Receives Orders Totaling More Than $3 Million For CALDER Energy Recovery Products and Technologies For Three Seawater Desalination Projects In Spain *(press release 07/09/09)*

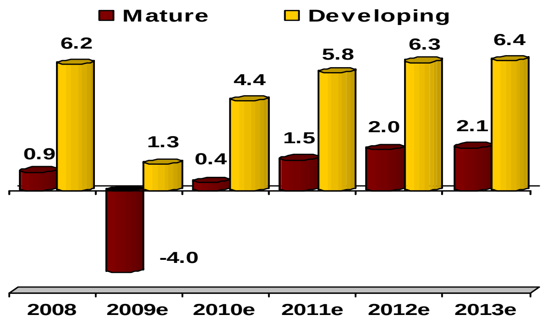
With the integration of the acquisition of Calder, we believe that Flowserve is well positioned to grow market share in the expanding global desalination market

Sources: *Global Water Intelligence – desaldata.com, Economist Intelligence Unit, Internal Company data*

Chemical Industry ➔ 19% YTD Bookings

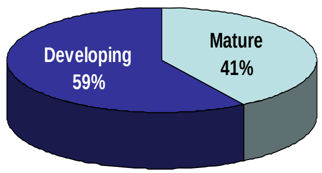
CHALLENGES

Global GDP Growth Forecast Jun 09

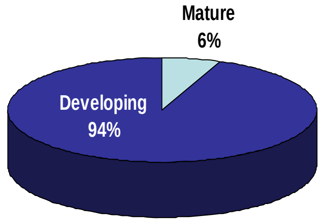


- *Global GDP growth rates have been adjusted downward from previous forecasts*
  - *Forecasts project a longer recessionary recovery period*
  - *A stronger recovery is forecasted for developing markets*
- *Headwinds created by the global recession continue to undermine consumer spending globally*
- *Per industry reports, current job impacts exceed 65K with more than 70 plant closures globally*
- *Chemical production in mature markets not expected to return to 2008 levels for up to five years*
- *Capacity utilization in the mature regions averaging below 75%*

OPPORTUNITIES



Current Manufacturing Capacity



Project Specific Capacity Additions

- Significant production expansion plans in the developing markets
  - *Particularly China, India and the Middle East*
  - *National oil and chemical companies teaming to build refining & petrochemical campus facilities*
- Chemical majors are taking downturn as an opportunity to realign their portfolios and global footprint
  - *Majors want to move more towards specialty chemicals reducing affect from commoditization of basic chemicals*
  - *This will require modifications to existing operations to allow for more flexible batch production cycles*
- De-stocking appears to have slowed – production levels improving to replenish marginal inventories

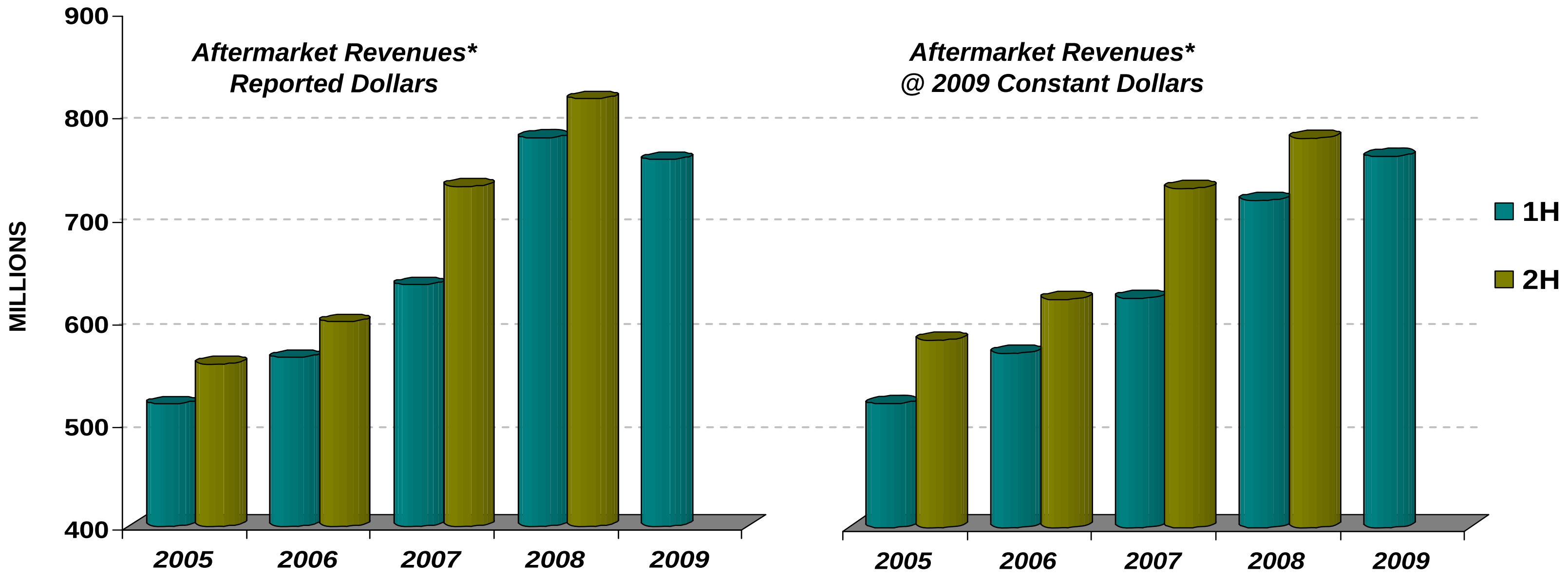
Despite the significant challenges created by the global recession, continuing investments provide market share growth opportunities particularly in the developing markets

Sources: *ICIS Chemical Industry Intelligence, Economists Intelligence Unit, Industrial Information Resources*

Investment for Continued Global Aftermarket Growth

FACTORS EFFECTING SUSTAINABLE AFTERMARKET

1) *Keeping Fuel "Available", Electricity "On" & Water "Flowing"*
2) *Leveraging Large Flowserve Installed Base Worldwide*
3) *Locating Quick Response Centers (QRC) Near Customers*
4) *Establishing Long Term Customer Support Agreements*



Even with the challenges of the global recession, basic infrastructure needs around the globe continue to drive a strong aftermarket opportunity for Flowserve

* *Aftermarket revenues from continuing operations (excluding GSG revenues in 2005)*

Market Share Growth Drivers

Customer-Centric Culture

On-Time Delivery, Product Quality, Reliability, Local Service

End User Strategy

- Power of the Product and Solutions Portfolio
- LifeCycle Advantage
- Consultative Sales Process
- Local Aftermarket Expertise

Strategic Acquisitions

Technology Leadership

- Technology Council
- Shared Engineering Capability
- Technical and Application Expertise
- Company and Customer Funded R & D

Strategic Acquisitions

Globalization

- Global Quick Response Center (QRC) Network
- Shared Engineering Processes
- Strategic Sourcing
- Project Management Expertise

Strategic Acquisitions

Strong Balance Sheet

We believe that by excelling in these critical areas, Flowserve can maximize financial performance and drive market share growth despite economic challenges

Financial Update

Key Financial Highlights

- Strong Bookings
  - ✓ Second quarter bookings were down 21.0%, or 11.6% excluding 8.1% currency headwind and 1.3% Thruster orders in Q2 2008
  - ✓ First half bookings were down 27.0%, or 16.3% excluding 8.2% currency headwind and 2.5% Thruster orders in first half 2008
  - ✓ Sequential growth in bookings of 7.0% in Q2 2009 versus Q1 2009, or 2.8% excluding currency tailwind
  - ✓ 0.95 book to bill ratio resulting in
    - ✓ Strong backlog of $2.71 billion, down from $2.83 billion at year end including $35 million positive currency impact
- Steady Aftermarket Opportunities
  - ✓ Second quarter AM bookings were down 4.7%, or up 4.0% excluding 8.7% currency headwind; first half AM bookings were down 6.4%, or up 2.6% excluding 9.0% currency headwind
  - ✓ Sequential growth in AM bookings of 9.6% in Q2 2009 versus Q1 2009, or 6.3% organic growth
  - ✓ Second quarter AM bookings shifted to approximately 40% of total bookings versus approximately 33% in Q2 2008; first half AM bookings shifted to approximately 40% of total bookings versus approximately 31% in first half 2008

FLOWSERVE

Key Financial Highlights

- Continuous improvement of operating platform
  - ✓ Second quarter operating margin down 30 basis points to 14.6%, or up 150 basis points to 16.4% excluding realignment charges of $19.6 million
    - ✓ Gross margin down 70 basis points to 35.4%, or up 40 basis points to 36.5% excluding realignment charges of $12.2 million
  - ✓ Continued SG&A reduction as a percentage of sales, down 40 basis points to 21.2%, or 110 basis points to 20.5% excluding realignment charges, driven by cost containment, operational excellence and initial benefits of realignment initiatives
  - ✓ Realignment savings are projected to reach a $56.0 million run rate annually

$ (millions)	**H1 2009 (A)**	**H2 2009 (E)**	**FY 2009 (E)**	**Run Rate (E)**
Cost	29.6	10.0	39.6	N/A
Estimated Savings	7.0	22.0	29.0	56.0

- ✓ Reinvesting some of the benefits in strategic opportunities (Aftermarket, India, China, Middle East)

Strong Operating Platform

($ millions)	2005	2006	2007	2008	2009 YTD
Sales	2,695.3	3,061.1	3,762.7	4,473.5	2,115.1
Ending Backlog	994.1	1,630.0	2,276.6	2,825.1	2,714.8
SG&A % / Sales*	25.3%	25.1%	22.8%	22.0%	21.1%
Corporate Expense % / Sales*	4.6%	4.6%	3.5%	2.7%	2.5%
Operating Margin (%)*	7.5%	8.2%	10.9%	13.7%	15.9%
Operating Income*	201.2	252.5	409.9	613.9	
Tax Rate	43.6%	38.8%	28.8%	24.9%	27.5%
Diluted EPS (cont ops)	$0.91	$2.00	$4.46	$7.74	
Manufacturing Footprint (000's sq ft)	7,100	6,700	6,800	7,100	6,900

** SG&A and operating income exclude realignment charges of $2.4 million in 2005, $12.9 million in 2006, and $1.0 million in 2008. SG&A and operating income exclude realignment charges of $11.3 million and $29.6 million, respectively in 2009 YTD*

Well positioned for 2009 and beyond

Key Financial Highlights

- Strong Cash Flow
  - ✓ Strong second quarter cash flow from operations of $102 million
  - ✓ Grew cash balance by $50 million, made $25 million contribution to U.S. pension, and acquired Calder AG for initial payment of $28 million
  - ✓ Primary working capital improvement from A/R and inventory improvement

Q2 – Consolidated Financial Results

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Sales	$ 1,157.6	$ 1,090.4	$ (67.2)	(5.8%)	3.7%	$ 2,150.9	$ 2,115.1	$ (35.8)	(1.7%)	9.0%
Gross Profit	$ 418.0	$ 386.3	$ (31.7)	(7.6%)		$ 763.8	$ 754.1	$ (9.7)	(1.3%)	
Gross Margin (%)	36.1%	35.4%		(70 bps)		35.5%	35.7%		20 bps	
SG&A	$ 250.2	$ 231.3	$ (18.9)	(7.6%)	(0.8%)	$ 482.7	$ 456.7	$ (26.0)	(5.4%)	2.1%
SG&A (%)	21.6%	21.2%		40 bps		22.4%	21.6%		80 bps	
Operating Income	$ 172.3	$ 158.8	$ (13.5)	(7.8%)	5.5%	$ 291.6	$ 305.9	$ 14.3	4.9%	21.4%
Operating Margin (%)	14.9%	14.6%		(30 bps)		13.6%	14.5%		90 bps	
Adjusted Operating Income*	$ 172.3	$ 178.4	$ 6.1	3.5%	16.9%	$ 291.6	$ 335.5	$ 43.9	15.1%	31.5%
Adjusted Operating Margin (%)*	14.9%	16.4%		150 bps		13.6%	15.9%		230 bps	
Other Income / (Expense), net	$ 0.6	$ (0.1)	$ (0.7)	(116.7%)		$ 17.1	$ (9.4)	$ (26.5)	(155.0%)	
Net Earnings	$ 122.9	$ 108.2	$ (14.7)	(12.0%)		$ 210.9	$ 200.5	$ (10.4)	(4.9%)	
Diluted EPS	$ 2.12	$ 1.92	$ (0.20)	(9.4%)		$ 3.65	$ 3.56	$ (0.09)	(2.5%)	
Adjusted EPS*	$ 2.12	$ 2.17	$ 0.05	2.4%		$ 3.65	$ 3.94	$ 0.29	7.9%	

- As of 6/30/09, 2.0 million shares (281,500 2009 YTD) had been repurchased in conjunction with the company's previously announced $300 million buyback program

** Adjusted operating income and adjusted EPS exclude realignment charges of $19.6 million and $29.6 million for Q2 2009 and 2009 YTD, respectively*

*** Constant FX represents the year over year variance assuming 2009 results at 2008 FX rates*

Strong earnings performance

Flowserve Pump Division – Q2 Segment Results

($ millions)	2nd Quarter					Year-To-Date				
	2008	2009	Delta ($)	Delta (%)	Constant FX (%)**	2008	2009	Delta ($)	Delta (%)	Constant FX (%)**
Bookings	$ 736.4	$ 650.0	$ (86.4)	(11.7%)	(2.2%)	$ 1,626.7	$ 1,196.0	$ (430.7)	(26.5%)	(17.5%)
Sales	$ 633.2	$ 659.8	$ 26.6	4.2%	15.1%	$ 1,194.3	$ 1,259.4	$ 65.1	5.5%	17.3%
Gross Profit	$ 206.0	$ 211.6	$ 5.6	2.7%		$ 380.6	$ 410.4	$ 29.8	7.8%	
Gross Margin (%)	32.5%	32.1%		(40 bps)		31.9%	32.6%		70 bps	
SG&A	$ 103.6	$ 99.2	$ (4.4)	(4.2%)	3.5%	$ 200.1	$ 194.9	$ (5.2)	(2.6%)	5.4%
SG&A (%)	16.4%	15.0%		140 bps		16.8%	15.5%		130 bps	
Income from Affiliates	$ 1.2	$ 1.4	$ 0.2	16.7%		$ 1.7	$ 1.9	$ 0.2	11.8%	
Operating Income	$ 103.7	$ 113.8	$ 10.1	9.7%	24.2%	$ 182.2	$ 217.3	$ 35.1	19.3%	35.7%
Operating Margin (%)	16.4%	17.2%		80 bps		15.3%	17.3%		200 bps	
Adjusted Operating Income*	$ 103.7	$ 123.4	$ 19.7	19.0%	33.5%	$ 182.2	$ 230.3	$ 48.1	26.4%	42.9%
Adjusted Operating Margin (%)*	16.4%	18.7%		230 bps		15.3%	18.3%		300 bps	

** Adjusted operating income and adjusted EPS exclude realignment charges of $9.6 million and $13.0 million for Q2 2009 and 2009 YTD, respectively*

*** Constant FX represents the year over year variance assuming 2009 results at 2008 FX rates*

Strong sales growth and continued operating margin improvement

Flowserve Pump Division – Q2 Segment Results

($ millions)		2nd Quarter					Year-To-Date				
		2008	2009	Delta ($)	Delta (%)	Constant FX (%)*	2008	2009	Delta ($)	Delta (%)	Constant FX (%)*
Bookings Mix	OE	461	383	(78)	(18%)	(7%)	1,084	691	(393)	(37%)	(27%)
		63%	59%				67%	58%			
	AM	275	267	(8)	(4%)	7%	543	505	(38)	(8%)	2%
		37%	41%				33%	42%			
Sales Mix	OE	374	422	48	11%	25%	695	787	92	13%	27%
		59%	64%				58%	63%			
	AM	259	238	(21)	(9%)	0%	499	472	(27)	(6%)	4%
		41%	36%				42%	37%			

** Constant FX represents the year over year variance assuming 2009 results at 2008 FX rates*

Significant YTD mix shift to aftermarket bookings

Flow Control Division – Q2 Segment Results

($ millions)	2nd Quarter 2008	2nd Quarter 2009	2nd Quarter Delta ($)	2nd Quarter Delta (%)	2nd Quarter Constant FX (%)**	Year-To-Date 2008	Year-To-Date 2009	Year-To-Date Delta ($)	Year-To-Date Delta (%)	Year-To-Date Constant FX (%)**
Bookings	$ 429.6	$ 273.9	$ (155.7)	(36.2%)	(30.4%)	$ 819.5	$ 575.9	$ (243.6)	(29.7%)	(22.8%)
Sales	$ 370.2	$ 302.5	$ (67.7)	(18.3%)	(10.5%)	$ 670.5	$ 599.6	$ (70.9)	(10.6%)	(1.2%)
Gross Profit	$ 132.9	$ 109.0	$ (23.9)	(18.0%)		$ 239.1	$ 216.2	$ (22.9)	(9.6%)	
Gross Margin (%)	35.9%	36.0%		10 bps		35.7%	36.1%		40 bps	
SG&A	$ 71.6	$ 63.0	$ (8.6)	(12.0%)	(3.6%)	$ 138.5	$ 125.4	$ (13.1)	(9.5%)	(0.8%)
SG&A (%)	19.3%	20.8%		(150 bps)		20.7%	20.9%		(20 bps)	
Income from Affiliates	$ 1.5	$ 0.7	$ (0.8)	(53.3%)		$ 5.4	$ 3.5	$ (1.9)	(35.2%)	
Operating Income	$ 62.9	$ 46.8	$ (16.1)	(25.6%)	(19.2%)	$ 106.0	$ 94.4	$ (11.6)	(10.9%)	(0.6%)
Operating Margin (%)	17.0%	15.5%		(150 bps)		15.8%	15.7%		(10 bps)	
Adjusted Operating Income*	$ 62.9	$ 53.9	$ (9.0)	(14.3%)	(7.9%)	$ 106.0	$ 102.1	$ (3.9)	(3.7%)	6.7%
Adjusted Operating Margin (%)*	17.0%	17.8%		80 bps		15.8%	17.0%		120 bps	

** Adjusted operating income and adjusted EPS exclude realignment charges of $7.1 million and $7.7 million for Q2 2009 and 2009 YTD, respectively*

*** Constant FX represents the year over year variance assuming 2009 results at 2008 FX rates*

Continued SG&A leverage and strong operating margin

Flow Solutions Division – Q2 Segment Results

($ millions)	2nd Quarter					Year-To-Date				
	2008	2009	Delta ($)	Delta (%)	Constant FX (%)**	2008	2009	Delta ($)	Delta (%)	Constant FX (%)**
Bookings	$ 169.5	$ 131.6	$ (37.9)	(22.4%)	(16.5%)	$ 340.8	$ 264.7	$ (76.1)	(22.3%)	(15.6%)
Sales	$ 174.0	$ 144.7	$ (29.3)	(16.8%)	(9.9%)	$ 324.6	$ 288.4	$ (36.2)	(11.2%)	(3.1%)
Gross Profit	$ 79.6	$ 67.1	$ (12.5)	(15.7%)		$ 145.6	$ 129.4	$ (16.2)	(11.1%)	
Gross Margin (%)	45.7%	46.4%		70 bps		44.9%	44.9%		0 bps	
SG&A	$ 43.4	$ 40.2	$ (3.2)	(7.4%)	1.8%	$ 84.4	$ 83.2	$ (1.2)	(1.4%)	6.9%
SG&A (%)	24.9%	27.8%		(290 bps)		26.0%	28.8%		(280 bps)	
Income from Affiliates	$ 1.8	$ 1.7	$ (0.1)	(5.6%)		$ 3.7	$ 3.0	$ (0.7)	(18.9%)	
Operating Income	$ 37.9	$ 28.5	$ (9.4)	(24.8%)	(16.9%)	$ 64.8	$ 49.2	$ (15.6)	(24.1%)	(14.8%)
Operating Margin (%)	21.8%	19.7%		(210 bps)		20.0%	17.1%		(290 bps)	
Adjusted Operating Income*	$ 37.9	$ 31.3	$ (6.6)	(17.4%)	(9.5%)	$ 64.8	$ 57.8	$ (7.0)	(10.8%)	(1.5%)
Adjusted Operating Margin (%)*	21.8%	21.6%		(20 bps)		20.0%	20.0%		0 bps	

** Adjusted operating income and adjusted EPS exclude realignment charges of $2.8 million and $8.6 million for Q2 2009 and 2009 YTD, respectively*
*** Constant FX represents the year over year variance assuming 2009 results at 2008 FX rates*

Focused cost reduction efforts

Q2 Year-to-Date – Realignment Overview

($ millions)	Restructuring				
	FPD	FCD	FSD	Other	Total
Cost of Sales	8.2	0.5	0.7	0.0	9.4
SG&A	0.2	0.2	0.1	0.0	0.5
Total	8.4	0.7	0.8	0.0	9.9

	Non-Restructuring				
	FPD	FCD	FSD	Other	Total
Cost of Sales	2.0	3.2	3.7	0.0	8.9
SG&A	2.6	3.8	4.1	0.3	10.8
Total	4.6	7.0	7.8	0.3	19.7

	Total Realignment				
	FPD	FCD	FSD	Other	Total
Cost of Sales	10.2	3.7	4.4	0.0	18.3
SG&A	2.8	4.0	4.2	0.3	11.3
Total	13.0	7.7	8.6	0.3	29.6

Continued execution of realignment

FLOWSERVE

2009 Full Year – Projected Realignment Overview

($ millions)	Forecasted Restructuring				
	FPD	FCD	FSD	Other	Total
Cost of Sales	14.4	0.5	1.2	0.0	16.1
SG&A	0.2	0.2	0.1	0.0	0.5
Total	14.6	0.7	1.3	0.0	16.6

	Forecasted Non-Restructuring				
	FPD	FCD	FSD	Other	Total
Cost of Sales	3.3	4.2	4.5	0.1	12.1
SG&A	2.6	3.9	4.1	0.3	10.9
Total	5.9	8.1	8.6	0.4	23.0

	Forecasted Total Realignment				
	FPD	FCD	FSD	Other	Total
Cost of Sales	17.7	4.7	5.7	0.1	28.2
SG&A	2.8	4.1	4.2	0.3	11.4
Total	20.5	8.8	9.9	0.4	39.6

- All amounts noted above are under review and subject to change

Projected run rate savings of $56 million annually

Primary Working Capital

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

($ millions)	Q2 2008		Q4 2008		Q2 2009	
	$	%	$	%	$	%
Receivables	920	22.0%	809	18.1%	853	19.2%
Inventory	893	21.4%	835	18.7%	892	20.1%
Payables	(491)	(11.7%)	(598)	(13.4%)	(438)	(9.9%)
Primary Working Capital	**1,322**	**31.7%**	**1,046**	**23.4%**	**1,307**	**29.4%**
Advance Cash*	(348)	(8.3%)	(429)	(9.6%)	(403)	(9.1%)
Total	**974**	**23.4%**	**617**	**13.8%**	**904**	**20.3%**
Backlog	**3,047**		**2,825**		**2,715**	

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

Improved working capital efficiency

Q2 Cash Flows

($ millions)	Q1	Q2	YTD	
	2009	2009	2008	2009
Net Income	93	108	212	201
Depreciation and Amortization	21	27	42	48
Change in Working Capital	(332)	(13)	(388)	(345)
Other	39	(20)	(44)	19
Total Operating Activities	**(179)**	**102**	**(178)**	**(77)**
Capital expenditures	(44)	(20)	(38)	(64)
Acquisition and Other	-	(29)	2	(29)
Total Investing Activities	**(44)**	**(49)**	**(36)**	**(93)**
Net payments under lines of credit	(2)	1	-	(1)
Dividends	(14)	(15)	(23)	(29)
Proceeds of debt or other	(1)	-	18	(1)
Repurchase of common shares	(7)	(9)	(35)	(16)
Proceeds from stock option activity	-	1	10	1
Total Financing Activities	**(24)**	**(22)**	**(30)**	**(46)**
Effect of exchange rates	**(24)**	**19**	**8**	**(5)**
Net Increase (Decrease) in Cash	**(271)**	**50**	**(236)**	**(221)**

Strong Q2 Balance Sheet

($ millions) *As of 6/30/09*	Facility Size	Drawn Amount	LC's Written	Available	Maturity Date	Highlights
Term Debt	$ 547	$ 547	$ -	$ -	Aug 2012	Interest Rate LIBOR + 150 bps
Revolver	$ 400	$ -	$ 112	$ 288	Aug 2012	Interest Rate LIBOR + 87.5 bps Bank of America - Lead Bank
Cash				$ 252		
European LC Facility	€ 110	€ -	€ 83	€ 27	Sept 2009	Renewed and Expanded Sept 2008
Approximate $ Available from All Sources				**$ 578**	Calculation to $US spot rate of 1.4029 per EUR	

Limited Interest Rate Risk

- *Hedges in place for 70% of term debt LIBOR exposure*

Strong balance sheet provides financial flexibility

2009 Uses of Cash

- Capital Expenditures
  - ✓ Year-to-Date capital expenditures reported of $64 million
  - ✓ Estimate full year capital expenditures to be around $100 million in 2009
- Dividends
  - ✓ Paid quarterly dividend of $0.25 per share in Q1, and $0.27 per share in Q2 and Q3
- Share Repurchase
  - ✓ Repurchased 281,500 shares for $16.2 million year-to-date
  - ✓ $119 million remaining under authorized $300 million share repurchase program
- Pension Fund Contribution
  - ✓ Estimate full year U.S. pension fund contributions between $50 million and $80 million
  - ✓ $25 million contributed in Q2, and $21 million contributed in July
- Realignment
  - ✓ Year-to-date realignment charges of $29.6 million, including $4.8 million of non-cash items
- Strategic Acquisition Opportunities
  - ✓ Calder AG purchase completed in Q2 2009 for initial payment of $28.4 million, additional $2.4 million in July, plus contingent earn-out provisions

FY 2009 Outlook

Looking Forward

- Raising 2009 Full Year EPS Target Range to between $7.15 and $7.75 from the previously announced range of between $6.75 and $7.50
  - ✓ Includes full effect of up to $39.6 million, or approximately $0.50 / share in realignment costs
- Company Positioned Well to Capture Aftermarket Business
  - ✓ Continued investment in aftermarket
- Continued Solid Backlog Provides a Strong Base for Sales
  - ✓ 0.95 book to bill ratio
- Growth Initiatives to Capture New Markets
  - ✓ Integrated Services Group and Calder acquisition desalination opportunity
  - ✓ New Brazilian operation, Middle East joint ventures and Asia Pacific QRCs
- Strong Second Quarter Cash Flow and Healthy Balance Sheet Maintained Strength and Provides Opportunity
  - ✓ Flexibility to be able to provide shareholder returns, maintain liquidity, and respond to opportunities
- Realignment Should Create More Efficient Operating Platform, with approximately $56 million in annual run rate savings
  - ✓ Projected net benefits of approx. $12 million for 2nd half 2009 ($22 mil benefits - $10 mil charges)
- Continued Focus on SG&A Cost Reduction to a goal of 20%

Company continues to be well positioned

Questions and Answers

Appendix

Non-GAAP Reconciliation

Divisional Adjusted Operating Income

($ millions)	Q2 2009		
	FPD	FCD	FSD
Reported GAAP Operating Income	113.8	46.8	28.5
Realignment Charges	9.6	7.1	2.8
Adjusted Operating Income	123.4	53.9	31.3

($ millions)	Year-To-Date		
	FPD	FCD	FSD
Reported GAAP Operating Income	217.3	94.4	49.2
Realignment Charges	13.0	7.7	8.6
Adjusted Operating Income	230.3	102.1	57.8

Note: Flowserve supplements its reporting of operating income determined in accordance with GAAP by using adjusted operating income. Flowserve's adjusted operating income reflects management's judgment of particular items and may not be comparable to similarly titled measures reported by other companies.

Consolidated Adjusted Operating Income and EPS

($ millions)	Q2 2009 Operating Income	Q2 2009 Diluted EPS	Year-To-Date Operating Income	Year-To-Date Diluted EPS
Reported GAAP	158.8	$1.92	305.9	$3.56
Realignment Charges	19.6	$0.25	29.6	$0.38
Adjusted	178.4	$2.17	335.5	$3.94

Note: Flowserve supplements its reporting of operating income and diluted earnings per share determined in accordance with GAAP by using adjusted operating income and adjusted diluted earnings per share. Flowserve's adjusted operating income and adjusted diluted earnings per share reflect management's judgment of particular items and may not be comparable to similarly titled measures reported by other companies.