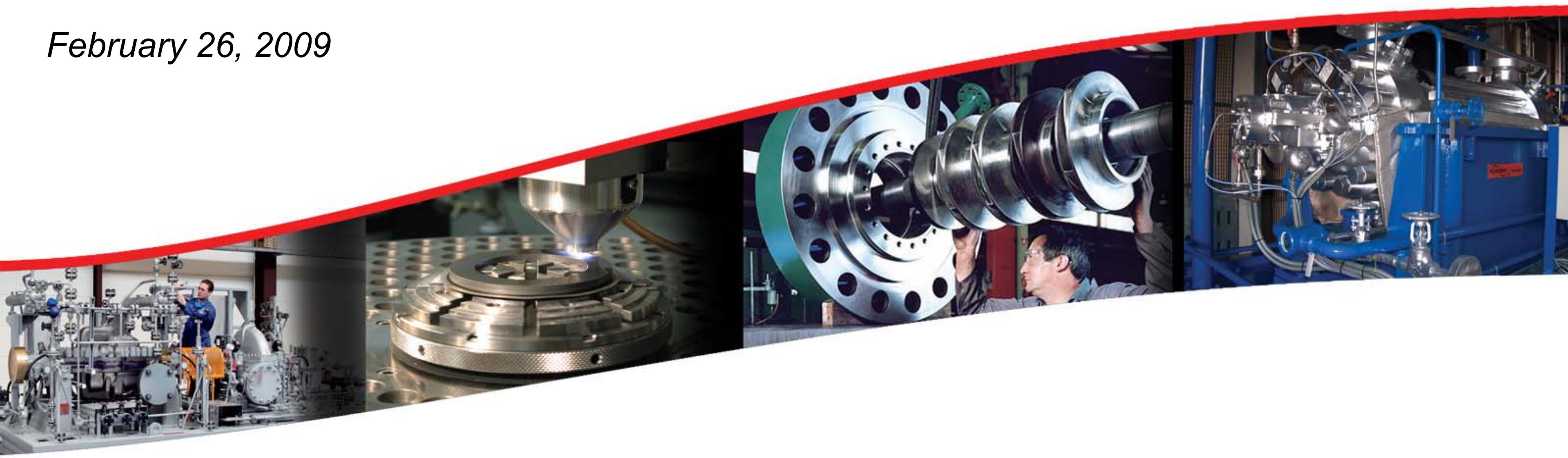
FLOWSERVE

Flowserve 2008 Earnings Conference Call

February 26, 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, Treasurer and VP Investor Relations

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,” “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 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.

2008 Highlights

- Record EPS of $7.74, up 73.5%
  - ✓ Including net benefits from tax matters of $0.38
  - ✓ Including $0.22 of foreign currency benefits in Other Income
- Record bookings of $5.11 billion, up 18.2%, or 13% excluding impacts of currency & Niigata*
- Record sales of $4.47 billion, up 18.9%, or 14% excluding impacts of currency & Niigata*
- Record year-end backlog of $2.83 billion, up 24%
- Strong operating margin improvement, up 280 basis points to 13.7%
- Solid gross margin improvement of 210 basis points to 35.3%
- Strong SG&A improvement, reduced 80 basis points to 22.0%
- Strong cash flow from operations of $406 million resulting in net debt/book capital of 5.2%

** Acquisition of the remaining 50% external interests in the Niigata Worthington Joint Venture in 2008*

Reaffirmed 2009 EPS Target Range of $6.75 - $7.50 including realignment costs of up to $40 million, or approximately $0.50 / share

Announced quarterly dividend increase of 8%

Q4 2008 Highlights

- Record EPS of $2.03, up 21.6%
  - ✓ Including $0.18* of foreign currency benefits in Other Income
- Bookings of $1.02 billion, down 8.2%, or 1.4% including 6.8% currency headwind
- Sales of $1.17 billion, up 5.4%, despite 8.0% currency headwind
- Strong operating margin improvement, up 120 basis points to 13.6%
- Strong gross margin improvement, up 220 basis points to 35.2%
- SG&A increased 90 basis points to 21.9%, which includes
  - ✓ A discrete 2008 bad debt accrual of $7.3 million (60 basis points)
  - ✓ Q4 2007 gains totaling $15 million from an asset sale and discrete legal matters (140 basis points)
- Strong cash flow generation from operations of $411 million

**Calculated using Q4 2008 fully diluted shares of 56.3 million*

Q4 & 2008 – Consolidated Financial Results

($ millions)

	4th Quarter				Full Year			
	2007	2008	Delta (%)	Constant FX (%)**	2007	2008	Delta (%)	Constant FX (%)**
Bookings	$ 1,115.6	$ 1,024.4	(8.2%)	(1.4%)	$ 4,318.7	$ 5,105.7	18.2%	14.0%
Sales	$ 1,109.4	$ 1,169.0	5.4%	13.4%	$ 3,762.7	$ 4,473.5	18.9%	15.9%
Gross Profit	$ 366.2	$ 411.6	12.4%		$ 1,247.7	$ 1,580.3	26.7%	
Operating Income	$ 137.4	$ 159.0	15.7%	29.6%	$ 409.9	$ 612.9	49.5%	44.6%
Operating Margin (%)	12.4%	13.6%	120 bps		10.9%	13.7%	280 bps	
Net Earnings	$ 95.9	$ 114.4	19.3%		$ 255.8	$ 442.4	72.9%	
Diluted EPS*	$ 1.67	$ 2.03	21.6%		$ 4.46	$ 7.74	73.5%	

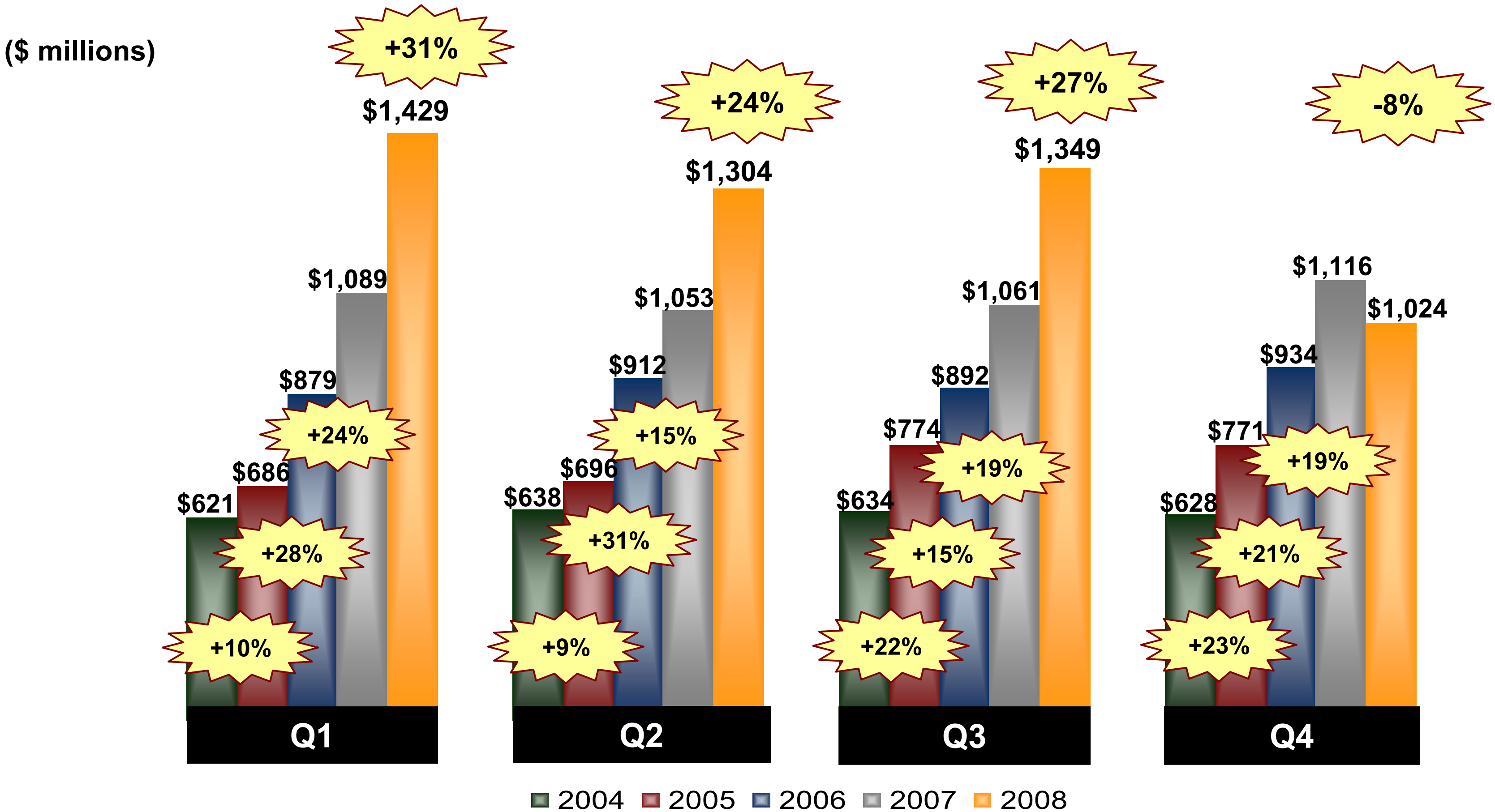
- Includes Niigata Q4 2008 impact of bookings of $20.8 million, sales of $30.8 million, and SG&A of $2.7 million, and Full Year 2008 impact of bookings of $68.5 million, sales of $87.0 million, and SG&A of $9.8 million

** As of 12/31/08, 1.7 million shares had been repurchased in conjunction with the company's previously announced $300 million share buyback program*

*** Constant FX represents the year over year variance assuming 2008 results at 2007 FX rates*

Record Full Year Bookings, Sales, Operating Income and EPS

Strong Quarterly Bookings Performance



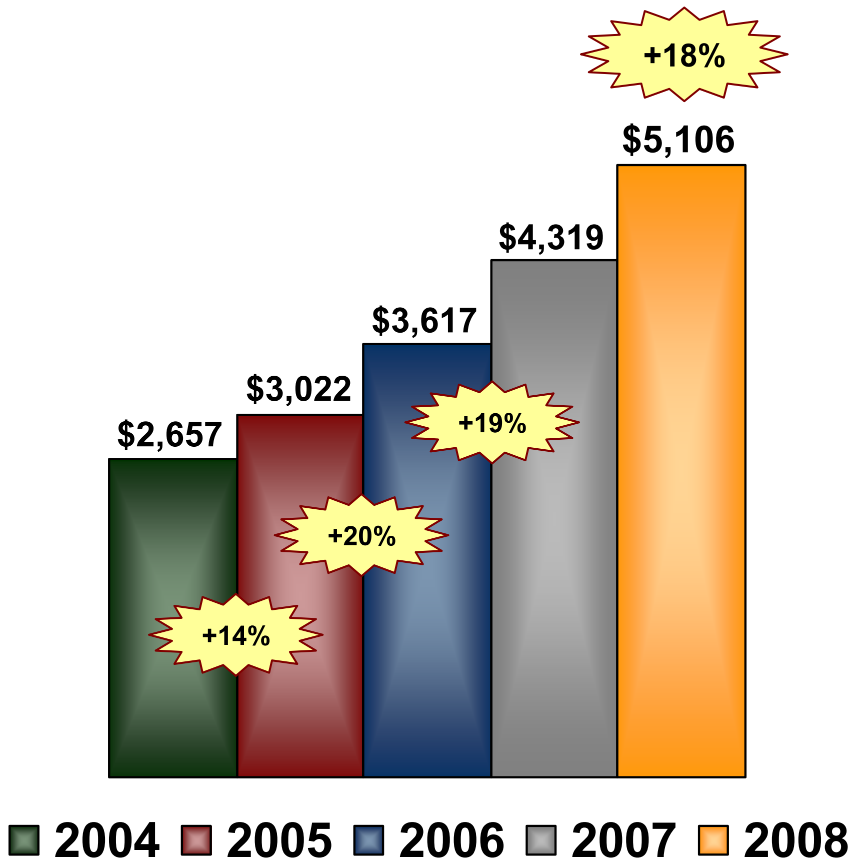
- Q4 2008 bookings included currency impact of approximately $(76) million and Niigata Worthington acquisition bookings of $21 million compared to Q4 2007

- Q2 2008 and Q3 2008 bookings adjusted to reflect approximately $7 million and $25 million in cancellations, respectively

Eight Consecutive Quarters Over $1 Billion

Strong Annual Bookings Growth

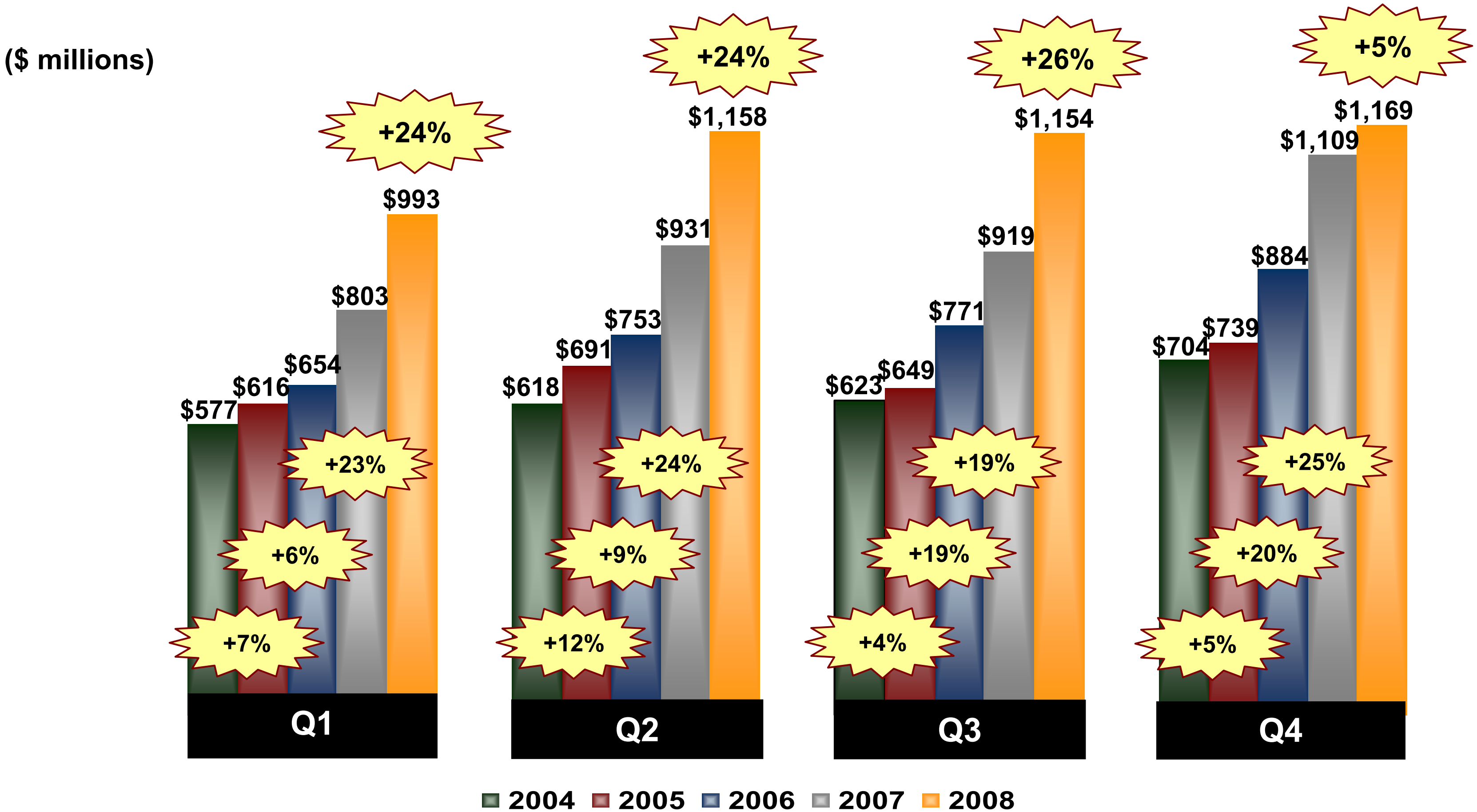
($ millions)



- 2008 bookings included currency impact of approximately $181 million and Niigata Worthington acquisition bookings of $69 million compared to 2007

Consistent Bookings Growth

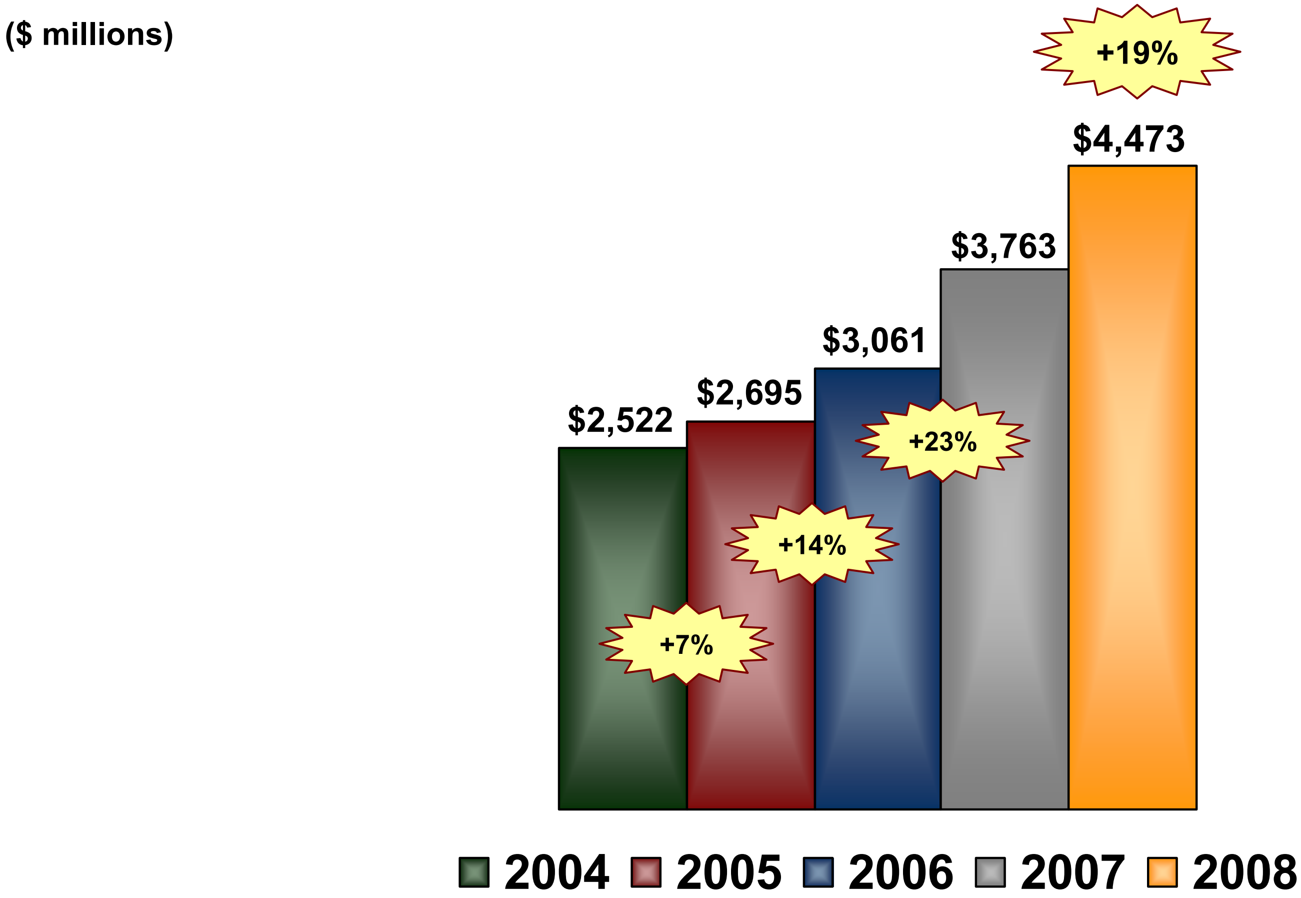
Strong Quarterly Sales Growth



- Q4 2008 sales included currency impact of approximately $(89) million and Niigata Worthington acquisition sales of $31 million compared to Q4 2007

Strong Sales Growth Over All Periods

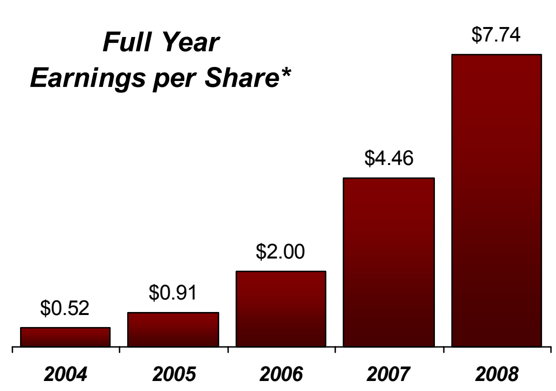
Strong Annual Sales Growth

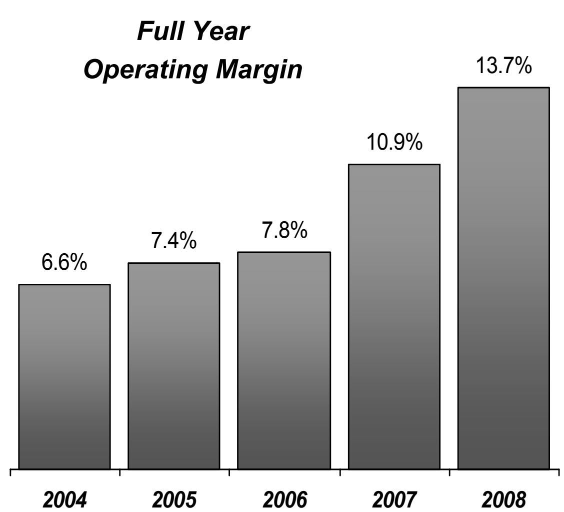


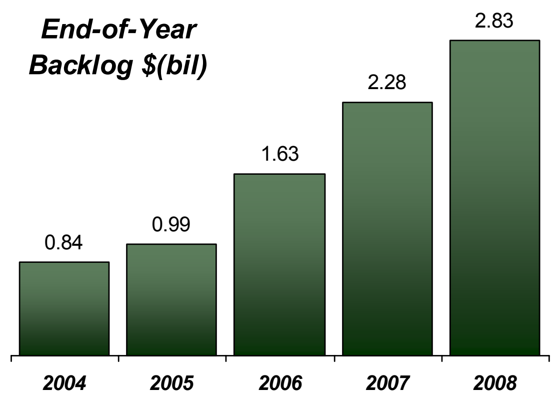
- 2008 sales included currency impact of approximately $113 million and Niigata Worthington acquisition sales of $87 million compared to 2007

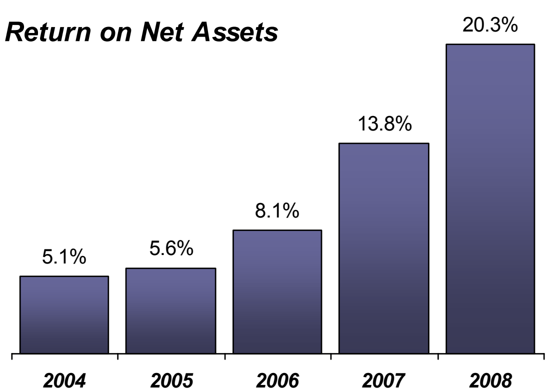
Consistently Strong Top Line Growth

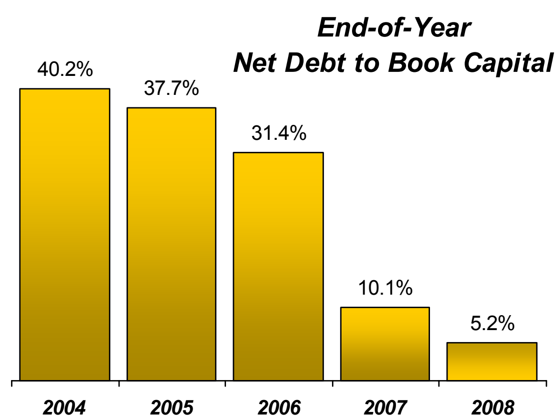
Key Financial Performance Metrics











*** EPS from continuing operations***

Continued Improved Earnings, Asset Utilization, and Balance Sheet Strength

Market Outlook

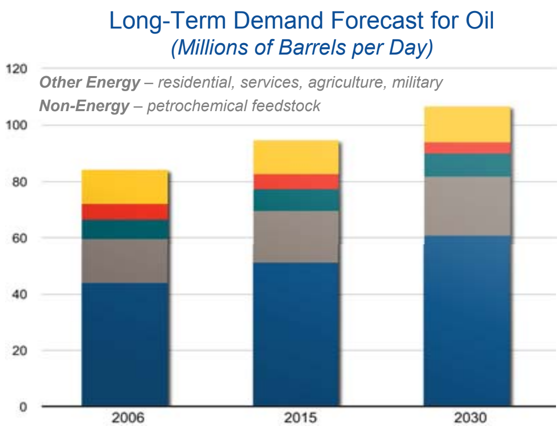
What Drives Long Cycle Global Infrastructure Investments?

	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

Drivers for Infrastructure Investments are Increasing

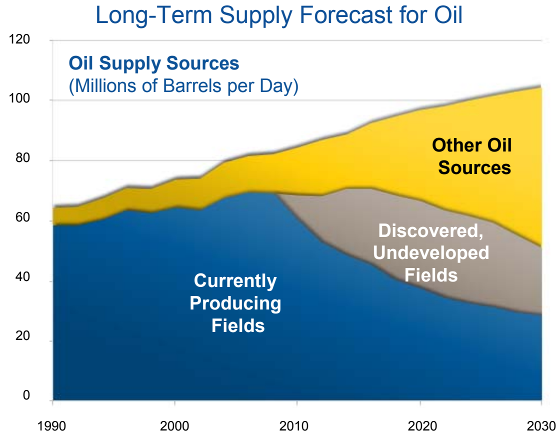
Oil Industry

OIL DEMAND



- Long term demand forecast remains favorable
- Short term demand has been forecasted to be relatively flat through 2010 due to:
  - Reduced transportation demand
  - Reduced feedstock demands
- Current short term demand loss could return rapidly with a renewed global economy

OIL SUPPLY



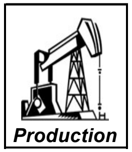
- Due to projected depletion rates, new fields will need to be developed – many requiring complex recovery techniques
- Oil companies' long term investments are driven by the projected long term supply & demand forecasts, not by "spot" price
- Projects are being delayed to take advantage of reduced commodity costs such as steel and the long term uncertainty of the economy and price of oil

Flowserve's opportunity is in new technologies for complex recovery such as Deep Water and Tar Sands, advancements in refining heavy oil such as ebullators & decokers and related aftermarket services

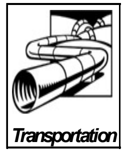
Sources: World Energy Outlook (WEO) 2008 Report Projections

Flow Control Opportunities Based on Long Term View of Oil Demand

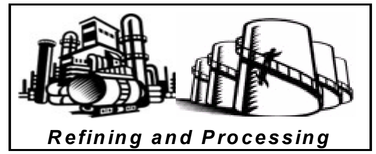
UPSTREAM



MIDSTREAM

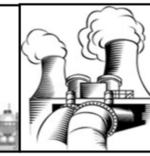


DOWNSTREAM

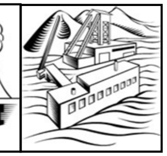


CHEMICAL

POWER



GENERAL INDUSTRIES



Market Price per Barrel of Oil

UPSTREAM	MIDSTREAM	DOWNSTREAM	CHEMICAL / POWER / GENERAL INDUSTRIES
Alternative Fuels, Conventional and Complex Oil Recovery Investment	Pipeline Investment To Reduce Transportation Costs -------- Security Issues	Tight "Crack Spreads" Reduces Investment	High Operating & Feedstock Costs Reduce Profitability
Conventional Oil Recovery Investment		Acceptable "Crack Spreads" Increases Investments	Alternative Feedstock Investment Facilities Built Near Feedstock Improved Profitability
Challenges Investments	Challenges Investments	Challenges Investments	Challenges Alternative Feedstock Investments

Optimally Priced Oil

Long Term Investments Not Driven by Spot Prices

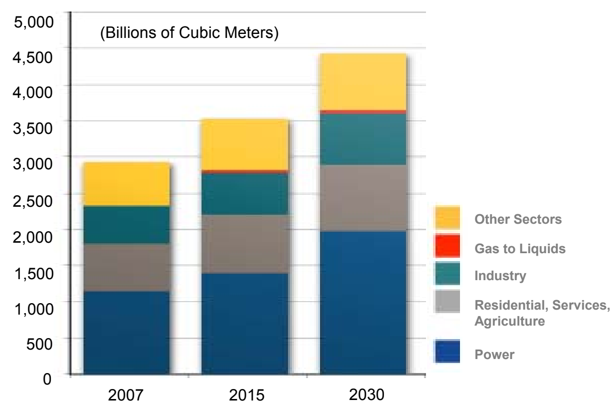
FLOWSERVE

Gas Industry

GAS DEMAND

Natural Gas Consumption by Major End Use

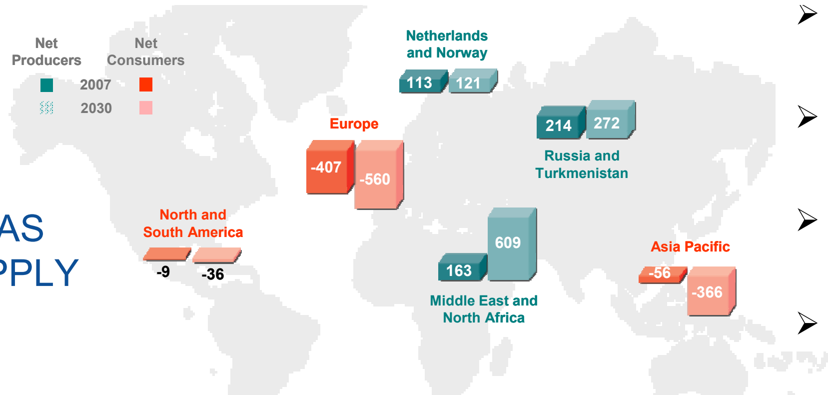
Long-Term Demand Forecast for Natural Gas



- Demand growth is being driven by power generation and overall growth in developing regions
- Demand for natural gas grows with favorable pricing supported by good infrastructure for transport
- Gas to Liquids (GTL) is forecasted to drive increased demand for natural gas to produce alternative fuels
- Natural gas is a clean reliable fuel source for power plants, residential heating and commercial applications

GAS SUPPLY

FORECAST: Gas Supply and Trade Movements 2007 vs 2030 *(Billion m³)*



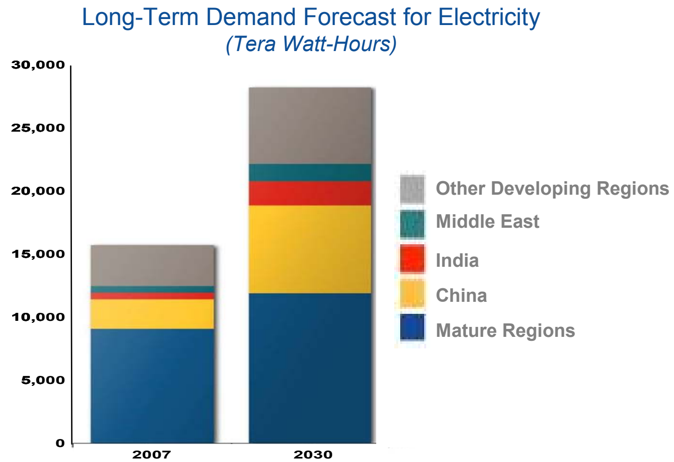
- Middle East, Russia and North Africa will become net producers of natural gas
- The Americas, Europe and Asia will be net consumers of natural gas
- Significant distances from supply sources to demand markets will require expansion in liquefied natural gas (LNG)
- LNG capacity is projected to triple between 2007 and 2030

Flowserve's opportunity is the expansion of LNG facilities and gas distribution systems which will require highly engineered and cryogenic flow systems, advanced sealing technologies and aftermarket services

Sources: BP 2008 Annual Energy Review, WEO Outlook 2008 Projections

Power Industry

POWER DEMAND



- Power demand growth is driven by three key factors:
  - Global population is projected to grow by 1.0 billion by 2030
  - Worldwide GDP is projected to grow by $72 trillion by 2030
  - Urban population is projected to grow by 1.4 billion by 2030
- Growth in demand from China is projected to outpace other markets - almost doubling from 2007 to 2030
- Developing regions account for almost 90% of the projected demand growth

POWER SUPPLY

Fuel Source	2006 (GW)	2030 (GW)	Net Change (GW)	CAGR ('06 – '30)
Coal	1,381	2,692	1,311	2.9%
Gas	1,124	1,694	570	1.8%
Hydro	919	1,736	517	2.0%
Oil	414	267	(147)	(1.9%)
Nuclear	368	433	65	0.7%
Wind	74	551	477	9.1%
Biomass	45	172	127	6.0%
Other Renewables	16	237	221	12.4%
TOTALS	**4,344**	**7,484**	**3,140**	**2.4%**

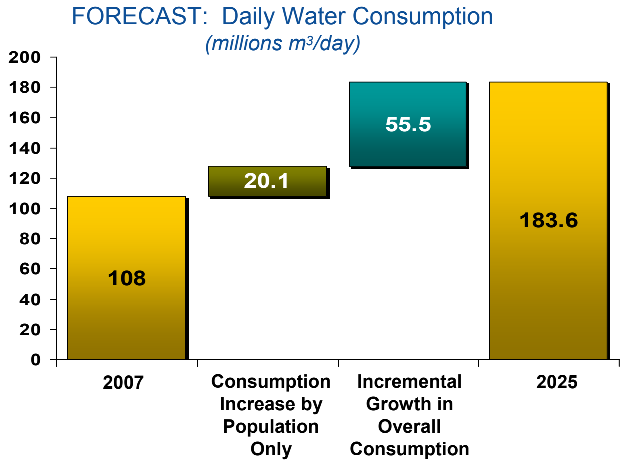
- Fossil fuels, coal and gas, remain the primary fuel source
- Capital investment plans continue for power generation projects globally
- Nuclear expansion - 436 current reactors could double
- Emerging renewables
  - Solar
  - Geothermal
  - Wind
  - Biomass

Flowserve's opportunity is in new plant construction, facility uprates, environmental upgrades, operational maintenance and leveraging our long standing N-stamp capabilities

Sources: WEO Outlook 2008 Projections, World Nuclear Association

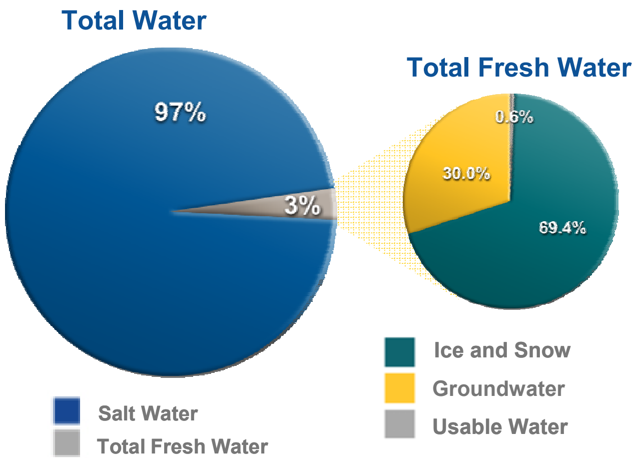
Water Industry

WATER DEMAND



- Water demand growth is directly coupled with population growth and urbanization
  - Projected Population Growth 2008 – 2030: 1.0B
  - Projected Urban Growth 2008 – 2030: 1.4B
- By 2025, forecasted per capita water consumption increases due to:
  - Increased urbanization
  - Increased industrialization

WATER SUPPLY



- There is a finite amount of usable water and it is not located where it is needed
- Keys to future water supply:
  - Transport of water to where it is needed
  - Conversion of salt water to potable water
- World-wide desalination capacity is projected to more than double by 2016
  - Spending on desalination is estimated at $64B over this period

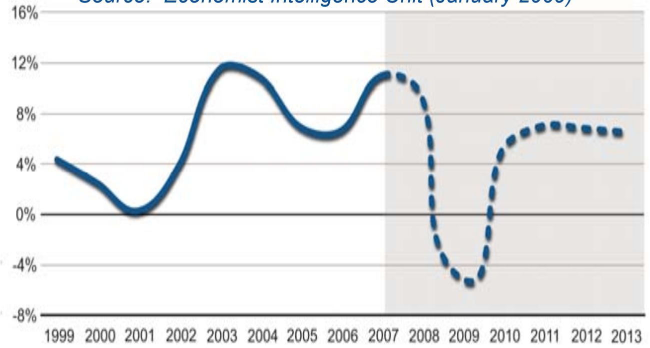
Flowserve's opportunity is in desalination, large water movement and water management which require engineered flow systems and aftermarket services

Sources: Global Water Intelligence, Economist Intelligence Unit, UN Water Statistics

Chemical Industry

DEMAND for CHEMICAL PRODUCTS

FORECAST - Consumer Spending Rate of Change
Source: Economist Intelligence Unit (January 2009)



- Chemical demand forecast is coupled with consumer spending projections
- Demand for many chemical end products has dropped significantly since December 2008
- Demand growth is still forecasted for certain products such as ethylene and chemicals for agriculture
- Current forecasts show negative growth for consumer spending at least through 2009

THE IMPACT

2009 EPS declines for chemical majors are projected to fall across a range of -18% (DuPont) to -44% (Huntsman)

DOW	EASTMAN	DUPONT	BASF The Chemical Company	MERCK
• Cutting 5,000 jobs – 11% of its workforce • Idling 180 plants • Decline of the Kuwait deal	• Removing labor $ / staff • Eliminating contractors • Reducing working capital	• 2,500 layoffs • Idling of 100 sites	• Shutting down 80 plants • Cutting production at another 100 facilities	• Cutting 7,200 jobs – 10% of its workforce

- Several of the majors are already taking significant cost control steps due to the economic uncertainty
- Economic de-stocking projected to continue until at least mid-2009 reducing the demand for oil feedstock
- Some projected declines in capital spending have moved into the -30% range compared to last year
  - Investments continue in the Middle East, India and Asia to prepare for future indigenous requirements
- Maintenance spending is projected to continue during the tough economic period

Flowserve's opportunity is in leveraging our presence in the developing regions where investments continue, utilizing our aftermarket infrastructure to support maintenance investments and positioning our specialty products for market share gains

Sources: Company reports, Economist Intelligence Unit

Flowserve's Key Differentiators

Customer-Centric Culture

On-Time Delivery, Product Quality, Local Service

End User Strategy

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

Technology Leadership

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

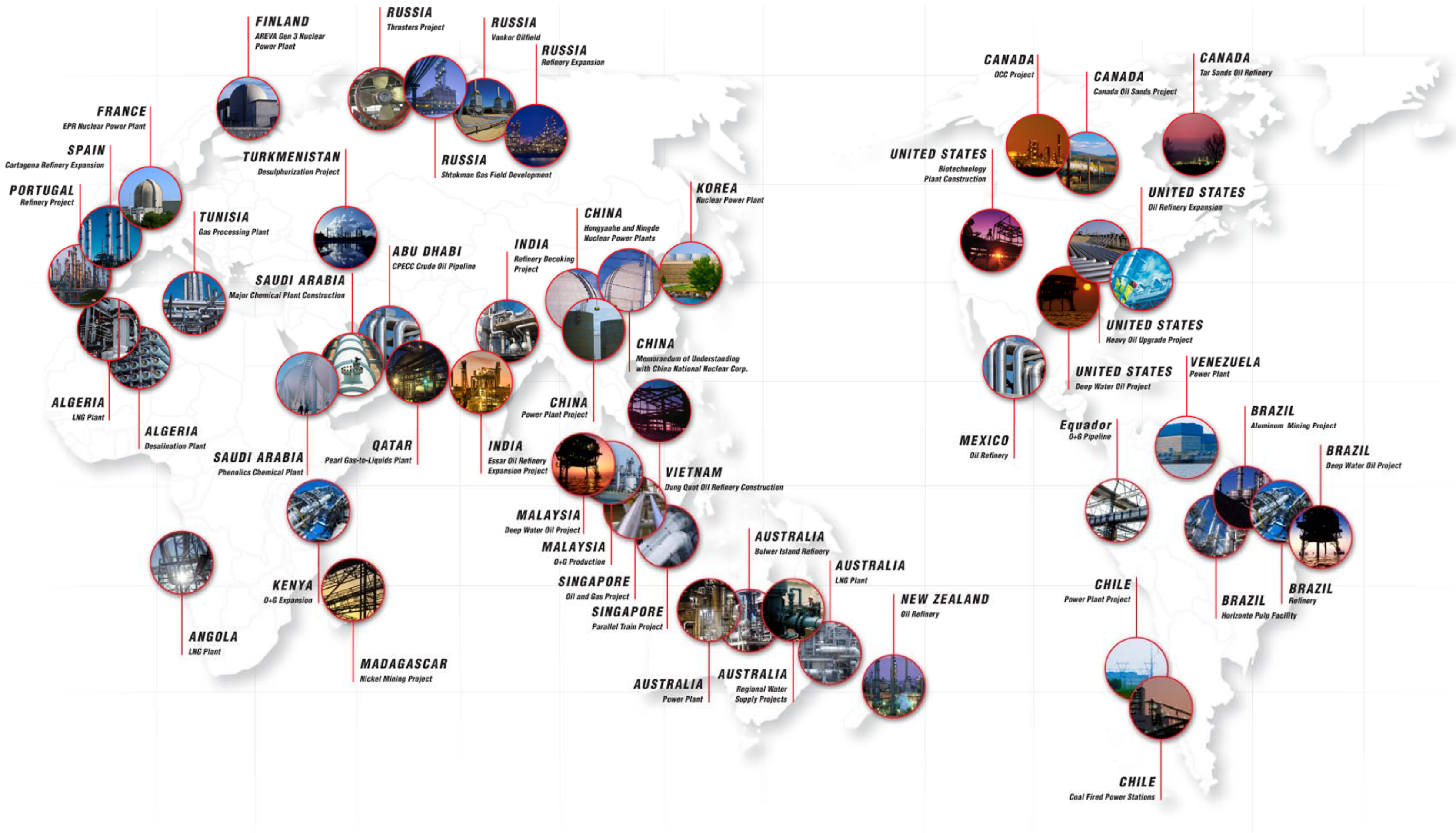
Globalization

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

Strong Balance Sheet

Achieving World Class Performance Increases Our Competitiveness in the Global Market

Major Project Wins Around the World



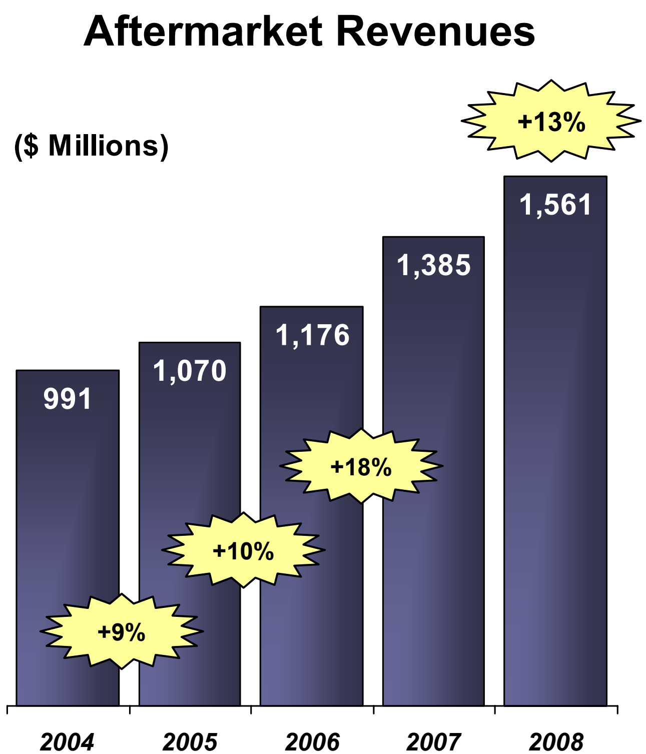
Customers Continue to Demonstrate Long Term Trust in Flowserve

Continuing Key Strategies

- Continuing to Move Strategic Sourcing, Subassembly Production and Final Assembly to Low Cost Countries
- Reducing and Optimizing Certain Non-Strategic Manufacturing Facilities
- Minimizing Fixed Cost Structure by utilizing Temporary Employees
- Using Multiple Shifts vs. “Brick & Mortar” to Allow Flexibility Through the Business Cycle
- Integrating our Global ERP Systems to Increase Efficiency
- Developing a Global Engineering Platform to Minimize Cost & Maximize Efficiency
- Expanding our India Research & Engineering Centers
- Adding New Automated Machining Centers Worldwide to Ensure Consistency, Lower Costs and Increased Speed to Market
- Continuing SG&A Reductions
- Accelerating Continuous Improvement Programs Throughout the Organization

Positioning the Company for All Phases of the Business Cycle

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

ADDITIONAL OPPORTUNITIES:

1) Owners Outsourcing Service to Variablize Fixed Costs
2) Servicing Competitors’ Products
3) Displacing Replicators or “Pump Pirates”
4) Optimizing, Upgrading and Modernizing Systems
5) Increasing Fixed Fee and Alliance Agreements

- Aftermarket revenues from continuing operations (excluding GSG revenues in 2004 – 2005)

Global Aftermarket Continues to Provide Opportunities for Growth and Sustainable Revenues through All Phases of the Business Cycle

Pursuing Opportunities in Alternative Energy Solutions

Currently Served Markets

Clean Coal – Coal to Liquids & Coal Gasification

Solar Power

Bio-Technology

Gas Fuel Compression Liquefied Natural Gas (LNG)

Markets Under Development

Geo-Thermal Power

Wind Power

Compressed Hydrogen Gas Fuel

Ocean Energy Conversion

Flowserve is Already Supporting Many Advancements in These Critical Areas

Spending Through the Business Cycle

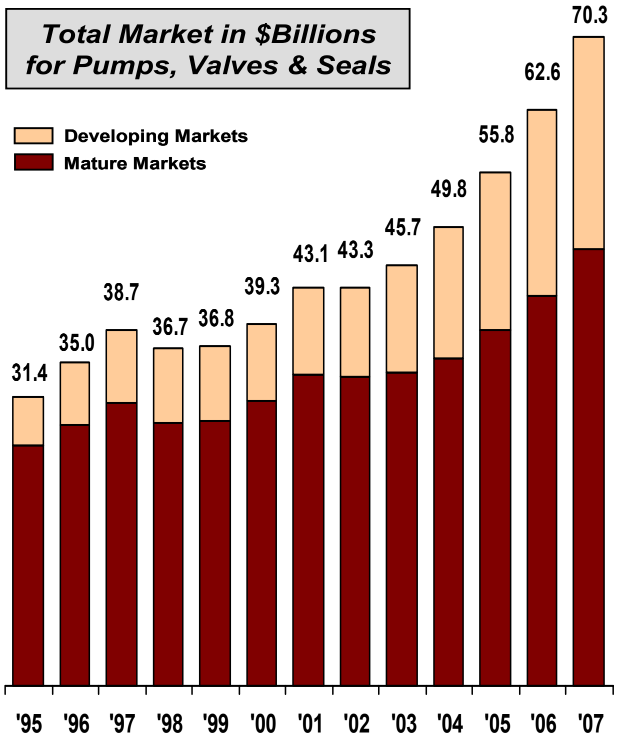


Chart Source: European Industrial Forecast adjusted to nominal dollars

- **Infrastructure Investment continues through all phases of the business cycle**
- **Aftermarket spend continues in order to keep:**

Oil & Gas Flowing	***Water Available***	***Chemicals Available***	***Electricity "On"***

- **Customers will select Suppliers who:**
  - ✓ **Deliver on Time**
  - ✓ **Deliver a Quality Product**
  - ✓ **Support all Products in the Field**
  - ✓ **Maintain a Strong Balance Sheet**

Strong Companies Continue to Perform During All Phases of the Business Cycle

Financial Update

2008 Key Financial Highlights

- Strong Backlog
  - ✓ Expect to ship over 87% of 2008 year-end backlog in 2009 (approximately $2.5 billion)
- Aftermarket
  - ✓ Continued strong execution on our aftermarket strategies
  - ✓ Strong growth in Flowserve's AM business in 2008 with bookings up approximately 14%, including 16% bookings growth for FPD
  - ✓ AM revenues were $1.6 billion in 2008, representing a 33% growth over 2 years
- Continued Strong Operating Margin Expansion of 280 bps in 2008 Driven by:
  - ✓ Operational excellence, higher end product sales, improved pricing and volume leverage, resulting in improved gross margin of 210 basis points in 2008 despite a mix shift from 63% to 65% in original equipment
  - ✓ Cost containment, operational excellence and volume leverage resulting in a reduction in SG&A of 80 basis points in 2008
  - ✓ Q4 2008 SG&A increased 90 basis points to 21.9%, which includes
    - ✓ A discrete 2008 bad debt accrual of $7.3 million (60 basis points)
    - ✓ Q4 2007 gains totaling $15 million from an asset sale and discrete legal matters (140 basis points)

2008 Key Financial Highlights

- Strong Cash Flows
  - ✓ Over $400 million in operating cash flow (includes uses of $64 million to eliminate factoring, $51 million for US pension funding and $27 million in Niigata working capital)
  - ✓ Debt leverage down to 5.2% net debt / book capital
  - ✓ Strong balance sheet providing financial stability and flexibility
- Tax Planning
  - ✓ Net benefits from tax items of $0.38 in 2008
    - ✓ Immaterial amount in Q4
  - ✓ Full year tax rate of 25.0%

The Company is Well Positioned for 2009 and Beyond

Q4 2008 Currency Effects

- About two-thirds of our business is international and we use forward currency contracts to hedge future cash flows for significant transactions
  - ✓ We had anticipated a currency headwind in earnings for Q4 which did not fully materialize
    - ✓ EUR and JPY strengthened
    - ✓ Other unhedged currencies weakened during the quarter
  - ✓ Since the end of 2008, currencies have weakened back to levels from last call
  - ✓ Guidance for 2009 reflects current currency rates

Q4 & 2008 – Consolidated Financial Results

($ millions)	4th Quarter					Full Year				
	2007	2008	Delta ($)	Delta (%)	Constant FX (%)**	2007	2008	Delta ($)	Delta (%)	Constant FX (%)**
Bookings	$ 1,115.6	$ 1,024.4	$ (91.2)	(8.2%)	(1.4%)	$ 4,318.7	$ 5,105.7	$ 787.0	18.2%	14.0%
Sales	$ 1,109.4	$ 1,169.0	$ 59.6	5.4%	13.4%	$ 3,762.7	$ 4,473.5	$ 710.8	18.9%	15.9%
Gross Profit	$ 366.2	$ 411.6	$ 45.4	12.4%		$ 1,247.7	$ 1,580.3	$ 332.6	26.7%	
Gross Margin (%)	33.0%	35.2%		220 bps		33.2%	35.3%		210 bps	
SG&A	$ 233.2	$ 255.7	$ 22.5	9.6%	14.3%	$ 856.5	$ 984.4	$ 127.9	14.9%	12.3%
SG&A (%)	21.0%	21.9%		(90 bps)		22.8%	22.0%		80 bps	
Income from Affiliates	$ 4.4	$ 3.1	$ (1.3)	(29.5%)		$ 18.7	$ 17.0	$ (1.7)	(9.1%)	
Operating Income	$ 137.4	$ 159.0	$ 21.6	15.7%	29.6%	$ 409.9	$ 612.9	$ 203.0	49.5%	44.6%
Operating Margin (%)	12.4%	13.6%		120 bps		10.9%	13.7%		280 bps	
Interest Expense, net	$ 13.1	$ 10.8	$ (2.3)	(17.6%)		$ 55.8	$ 42.9	$ (12.9)	(23.1%)	
Other Income / (Expense), net	$ 3.8	$ 11.8	$ 8.0	210.5%		$ 5.9	$ 20.2	$ 14.3	242.4%	
Tax Expense	$ 32.1	$ 45.5	$ 13.4	41.7%		$ 104.3	$ 147.7	$ 43.4	41.6%	
Net Earnings	$ 95.9	$ 114.4	$ 18.5	19.3%		$ 255.8	$ 442.4	$ 186.6	72.9%	
Diluted EPS*	$ 1.67	$ 2.03	$ 0.36	21.6%		$ 4.46	$ 7.74	$ 3.28	73.5%	

- Includes Niigata Q4 2008 impact of bookings of $20.8 million, sales of $30.8 million, and SG&A of $2.7 million, and Full Year 2008 impact of bookings of $68.5 million, sales of $87.0 million, and SG&A of $9.8 million

** As of 12/31/08, 1.7 million shares had been repurchased in conjunction with the company's previously announced $300 million share buyback program*

*** Constant FX represents the year over year variance assuming 2008 results at 2007 FX rates*

Record Financial Performance in 2008

Flowserve Pump Division – Q4 & 2008 Segment Results

($ millions)	4th Quarter					Full Year				
	2007	2008	Delta ($)	Delta (%)	Constant FX (%)*	2007	2008	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 682.1	$ 587.4	$ (94.7)	(13.9%)	(7.0%)	$ 2,551.4	$ 3,040.3	$ 488.9	19.2%	14.6%
Sales	$ 655.1	$ 681.3	$ 26.2	4.0%	11.9%	$ 2,095.4	$ 2,514.8	$ 419.4	20.0%	16.8%
Gross Profit	$ 187.7	$ 210.5	$ 22.8	12.1%		$ 596.6	$ 786.0	$ 189.4	31.7%	
Gross Margin (%)	28.6%	30.9%		230 bps		28.5%	31.3%		280 bps	
SG&A	$ 90.8	$ 100.9	$ 10.1	11.1%	15.9%	$ 327.8	$ 397.3	$ 69.5	21.2%	17.5%
SG&A (%)	13.9%	14.8%		(90 bps)		15.6%	15.8%		(20 bps)	
Income from Affiliates	$ 1.4	$ 0.1	$ (1.3)	(92.9%)		$ 5.4	$ 2.3	$ (3.1)	(57.4%)	
Operating Income	$ 98.3	$ 109.8	$ 11.5	11.7%	21.9%	$ 274.2	$ 391.0	$ 116.8	42.6%	38.6%
Operating Margin (%)	15.0%	16.1%		110 bps		13.1%	15.5%		240 bps	

- Includes Niigata Q4 2008 impact of bookings of $20.8 million, sales of $30.8 million, and SG&A of $2.7 million, and Full Year 2008 impact of bookings of $68.5 million, sales of $87.0 million, and SG&A of $9.8 million

** Constant FX represents the year over year variance assuming 2008 results at 2007 FX rates*

Strong 2008 Bookings, Sales, Gross Margin and Operating Margin

Flow Control Division – Q4 & 2008 Segment Results

($ millions)

	4th Quarter					Full Year				
	2007	2008	Delta ($)	Delta (%)	Constant FX (%)*	2007	2008	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 297.6	$ 299.4	$ 1.8	0.6%	7.2%	$ 1,245.7	$ 1,486.4	$ 240.7	19.3%	15.2%
Sales	$ 314.4	$ 346.0	$ 31.6	10.1%	18.2%	$ 1,163.2	$ 1,381.7	$ 218.5	18.8%	15.8%
Gross Profit	$ 110.2	$ 126.1	$ 15.9	14.4%		$ 405.8	$ 497.7	$ 91.9	22.6%	
Gross Margin (%)	35.0%	36.4%		140 bps		34.9%	36.0%		110 bps	
SG&A	$ 67.0	$ 75.7	$ 8.7	13.0%	19.8%	$ 248.9	$ 287.3	$ 38.4	15.4%	12.9%
SG&A (%)	21.3%	21.9%		(60 bps)		21.4%	20.8%		60 bps	
Income from Affiliates	$ 1.8	$ 1.2	$ (0.6)	(33.3%)		$ 6.8	$ 8.0	$ 1.2	17.6%	
Operating Income	$ 45.1	$ 51.5	$ 6.4	14.2%	25.3%	$ 163.7	$ 218.4	$ 54.7	33.4%	29.7%
Operating Margin (%)	14.3%	14.9%		60 bps		14.1%	15.8%		170 bps	

** Constant FX represents the year over year variance assuming 2008 results at 2007 FX rates*

Continued SG&A Leverage and Strong Operating Margin

Flow Solutions Division – Q4 & 2008 Segment Results

($ millions)

	4th Quarter					Full Year				
	2007	2008	Delta ($)	Delta (%)	Constant FX (%)*	2007	2008	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 154.2	$ 155.3	$ 1.1	0.7%	7.7%	$ 592.5	$ 668.8	$ 76.3	12.9%	9.7%
Sales	$ 160.1	$ 158.2	$ (1.9)	(1.2%)	6.5%	$ 564.5	$ 653.7	$ 89.2	15.8%	13.1%
Gross Profit	$ 69.7	$ 75.8	$ 6.1	8.8%		$ 252.6	$ 299.1	$ 46.5	18.4%	
Gross Margin (%)	43.6%	47.9%		430 bps		44.7%	45.8%		110 bps	
SG&A	$ 41.2	$ 46.7	$ 5.5	13.3%	19.2%	$ 148.2	$ 178.7	$ 30.5	20.6%	17.8%
SG&A (%)	25.8%	29.5%		(370 bps)		26.3%	27.3%		(100 bps)	
Income from Affiliates	$ 1.7	$ 1.8	$ 0.1	5.9%		$ 7.1	$ 6.9	$ (0.2)	(2.8%)	
Operating Income	$ 30.1	$ 30.7	$ 0.6	2.0%	15.3%	$ 111.5	$ 127.3	$ 15.8	14.2%	11.5%
Operating Margin (%)	18.8%	19.4%		60 bps		19.8%	19.5%		(30 bps)	

** Constant FX represents the year over year variance assuming 2008 results at 2007 FX rates*

Investment in Global QRC Network Expansion
Has Supported Growth in Bookings and Sales

FLOWSERVE

Primary Working Capital

Balances for Year-End Periods as a % of Trailing Twelve Months Sales
($ millions)

	2006		2007		2008	
($Mil)	**$**	**%**	**$**	**%**	**$**	**%**
Receivables*	552	18.0%	667	17.7%	809	18.1%
Inventory	547	17.9%	680	18.1%	835	18.7%
Payables	(413)	(13.5%)	(513)	(13.6%)	(598)	(13.4%)
Primary Working Capital**	**686**	**22.4%**	**834**	**22.2%**	**1,046**	**23.4%**
Advance Cash***	(119)	(3.9%)	(252)	(6.7%)	(428)	(9.6%)
Total	**567**	**18.5%**	**582**	**15.5%**	**618**	**13.8%**
Backlog	**1,630**		**2,277**		**2,825**	

** 2008 Full Year included impact of receivable factoring elimination of approximately $64 million*
*** 2008 Full Year included impact of $27 million primary working capital related to Niigata Worthington acquisition*
**** Advance cash commitments from customers to fund working capital*

Improved Working Capital Efficiency

FLOWSERVE

Quarterly & Full Year 2008 Cash Flows

($ millions)

	Q1	Q2	Q3	Q4	Full Year	
	2008	2008	2008	2008	2007	2008
Net Income	88	123	117	114	256	442
Depreciation and Amortization	21	21	21	20	80	83
Change in Working Capital*	(272)	(116)	70	234	95	(84)
Other**	(9)	(34)	(35)	43	(14)	(35)
Total Operating Activities	**(172)**	**(6)**	**173**	**411**	**417**	**406**
Capital expenditures	(14)	(23)	(36)	(54)	(89)	(127)
Other	1	3	6	(0)	12	10
Total Investing Activities	**(13)**	**(20)**	**(30)**	**(54)**	**(77)**	**(117)**
Net borrowings under lines of credit	-	-	-	-	-	-
Dividends	(9)	(14)	(14)	(14)	(26)	(51)
Proceeds of debt or other	8	10	4	(1)	4	21
Repurchase of common shares	-	(35)	(100)	(30)	(45)	(165)
Proceeds from stock option activity	8	2	1	1	17	12
Total Financing Activities	**7**	**(37)**	**(109)**	**(44)**	**(50)**	**(183)**
Effect of exchange rates	**6**	**2**	**(18)**	**5**	**13**	**(5)**
Net Increase / (Decrease) in Cash	**(172)**	**(61)**	**16**	**318**	**303**	**101**

** Full Year 2008 included $64 million impact of receivable factoring elimination and $27 million of primary working capital impact related to Niigata Worthington acquisition*

*** Full Year 2008 included $51 million optional contribution to U.S. pension plan, 2007 included $16 million*

Strong Year-End Balance Sheet

($ millions)

As of 12/31/08	Facility Size	Drawn Amount	LC's Written	Available	Maturity Date	Highlights
Term Debt	$ 550	$ 550	$ -	$ -	Aug 2012	Interest Rate LIBOR + 150 bps
Revolver	$ 400	$ -	$ 104	$ 296	Aug 2012	Interest Rate LIBOR + 87.5 bps Bank of America - Lead Bank
Cash				$ 472		
European LC Facility	€ 110	€ -	€ 104	€ 6	Sept 2009	Renewed and Expanded Sept 2008
Approximate $ Available from All Sources				**$ 776**	Calculation to $US spot rate of 1.40 per EUR	

Limited Interest Rate Risk
- *Hedges in place for 70% of term debt LIBOR exposure*

Received Rating Upgrade from Standard & Poor's in September
- *Raised to BB/positive outlook from BB-/positive outlook*

Strong Balance Sheet Provides Financial Flexibility

2009 Key Uses of Cash

- Capital Expenditures
  - ✓ Estimate Capital Expenditures to be around $100 million in 2009
  - ✓ Emphasis on strategic initiatives supporting IT systems, capacity optimization, low cost sourcing, and highly targeted geographic or product expansion
- Dividends
  - ✓ Increased dividend 8% from $0.25 / share to $0.27 /share
- Share Repurchase
  - ✓ $135 million remaining under authorized $300 million share repurchase program
- Pension Fund Contribution
  - ✓ Estimate U.S. pension fund contributions between $55 million and $75 million
- Realignment Costs
  - ✓ Announced realignment costs up to $40 million in 2009
- Strategic Acquisition Opportunities

Realignment / Cost Optimization

- Ongoing Effort that We Are Going to Accelerate in 2009
- Reducing and Optimizing Certain Non-Strategic Manufacturing Facilities
- Reducing Headcount
- Continuing SG&A Expense Reductions
- Accelerating Continuous Improvement Programs Throughout the Organization

Optimizing the Business and Driving Efficiency

FY 2009 Outlook

Looking Forward

- Reaffirmed 2009 Full Year EPS Target Range of $6.75 to $7.50
  - ✓ Includes full effect of up to $40 million, or approximately $0.50 / share in realignment costs
- Company Positioned Well to Capture Aftermarket Business
  - ✓ Leveraging strong installed base, alliances, and end-user strategy
- Record Year-End Backlog Provides a Solid Base for 2009 Sales
- Robust Balance Sheet and Cash Flow Provide Strength and Opportunity
  - ✓ Flexibility to provide shareholder returns, maintain liquidity, and respond to opportunities
- Planned Realignment Actions to Optimize Platform for Cost Efficiency
  - ✓ Proven track record of taking cost out efficiently
- Continued Focus on SG&A Costs
  - ✓ Driving to a goal of 20% as a percentage of sales

The Company is Well Positioned for 2009 and Beyond

Questions and Answers