

FLOWSERVE CORPORATION

(NYSE: FLS)

William Blair
Growth Stock Conference

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Safe Harbor Statement

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.

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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.

Flowserve Overview

- **Leading manufacturer and aftermarket service provider of comprehensive flow control systems**
 - History dates back to 1790 with more than 50 well-respected brands such as Worthington, IDP, Valtek, Limitorque, Durco and Edward
 - Our pure-play flow control model focus of industry participants
- **Design, develop, manufacture and repair precision-engineered flow control equipment for customers' critical processes**
 - Portfolio includes pumps, valves, seals and support systems, automation and aftermarket services supporting global infrastructure
 - Focused on oil & gas, power, chemical, water and general industries
- **Worldwide presence with approximately 18,000 employees**
 - 69 manufacturing facilities and 179 aftermarket Quick Response Centers (QRCs) with Flowserve employees in more than 50 countries
- **Long-term relationships with leading energy customers**
 - National and international oil & gas, chemical and power companies, engineering & construction firms, and global distributors
- **Established commitment to safety, customer service, and quality with a strong ethical, compliance and performance culture**



Investment Highlights

- Focused flow control provider engaged primarily in energy infrastructure markets
- Diversified business model provides stability and foundation for earnings growth
 - Broad portfolio of distinguished brand names, with over 10,000 customers globally
 - Stable business platform due to global geographic exposure and mix of industries served
 - Combination of run-rate and large, late-cycle original equipment with recurring aftermarket
 - Substantial installed base in existing infrastructure with global aftermarket QRC network
- Emphasis on operational excellence drives margin and cash flow improvement
- Experienced, shareholder focused leadership team - **“One Flowserve”**
- Growth pursued through customer focus, innovation, expanding capabilities and strategic investments, primarily in emerging markets
- Disciplined capital allocation with emphasis on growth and shareholder value
- Expected growth will leverage earnings power of improving operating platform

Strong expected cash flow generation focused on growth initiatives and returns to shareholders

Diversified Business Model

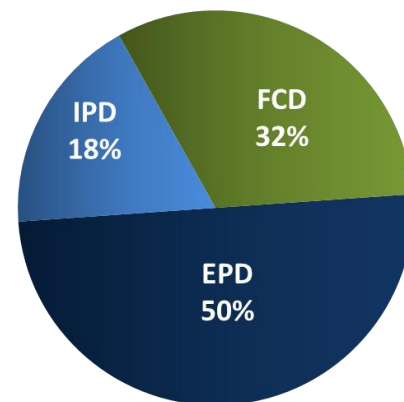
Diverse mix of products, end markets and geographies provided earnings stability through the cycle and decreases risk profile

Operating Segments

- Engineered Product Division (EPD) - highly-engineered pumps, seals and systems
- Industrial Product Division (IPD) - pre-configured pumps and systems
- Flow Control Division (FCD) - industrial valves and automation solutions

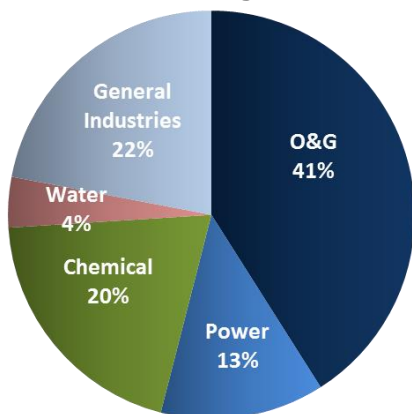
Segment Breakdown

2013 Sales - \$5.0B



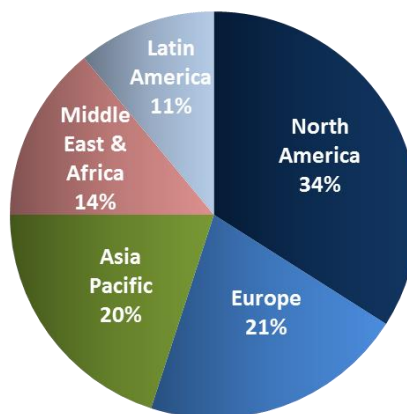
Energy-focused End Markets

2013 Bookings - \$4.9B



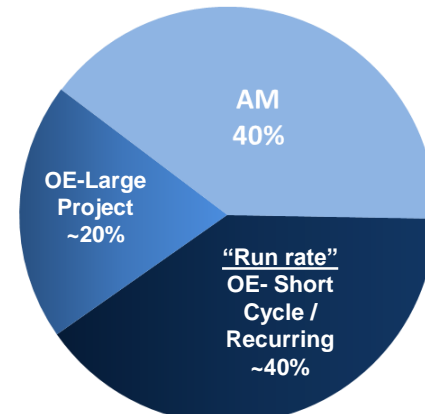
Geographic Exposure

2013 Sales



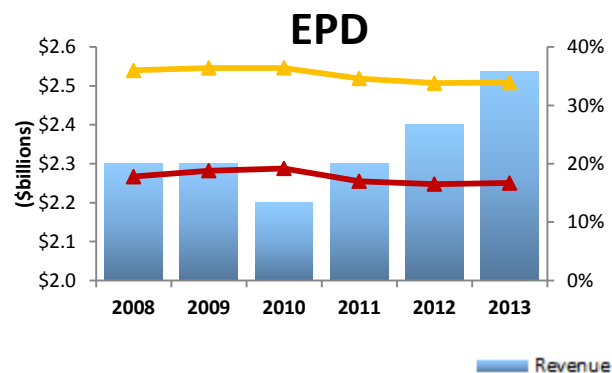
Diverse OE / AM Mix

2013 Sales

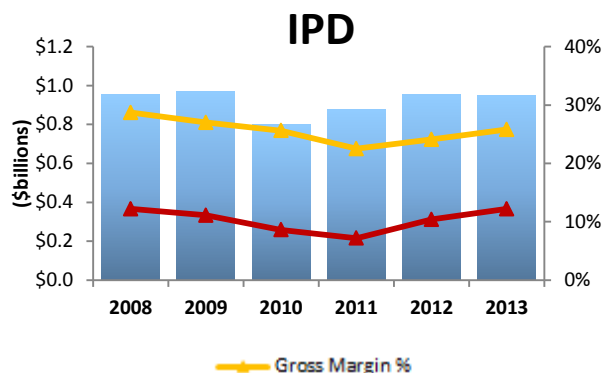


Balanced flow control portfolio of products and aftermarket services provides diversification and reduces earnings risk profile

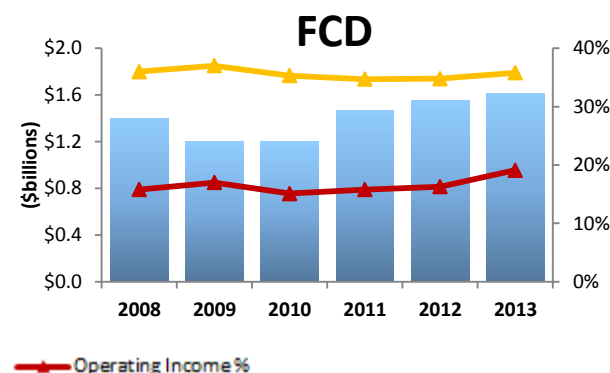
Broad Flow Control Platform



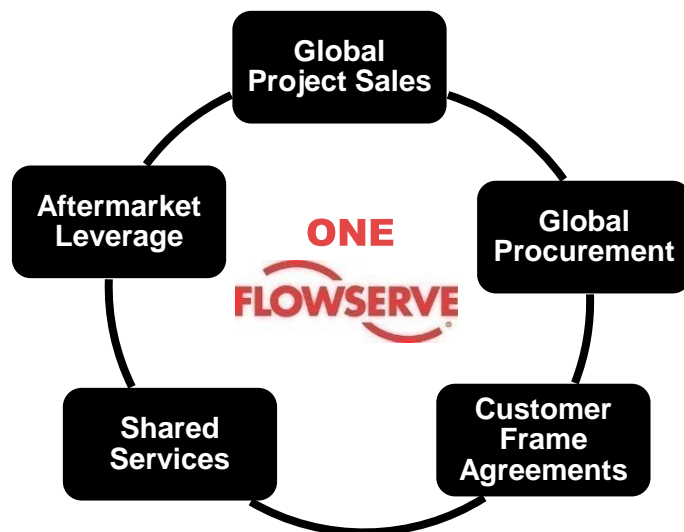
- Engineered Custom
- Late and long cycle-business
- Growing market share
- Solid aftermarket
- Direct sales to customers



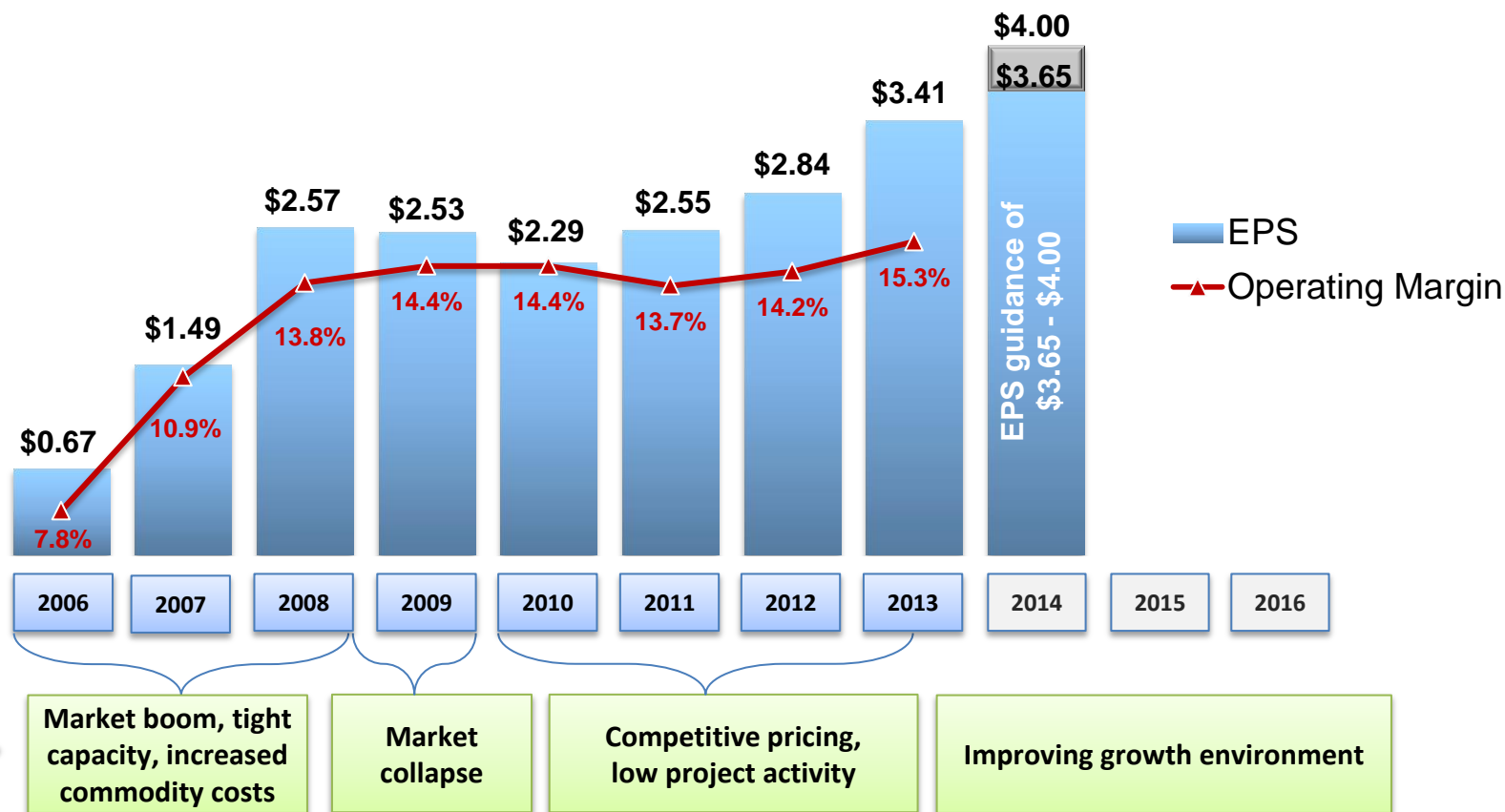
- Participates in projects
- Engineered to specifications
- Focus on improving product gaps
- Improving execution
- Direct sales and distribution



- Increasing exposure to oil and gas segment
- Consistent strong execution
- Focused on growth
- Direct sales and distribution



Earnings Stability Through the Cycle

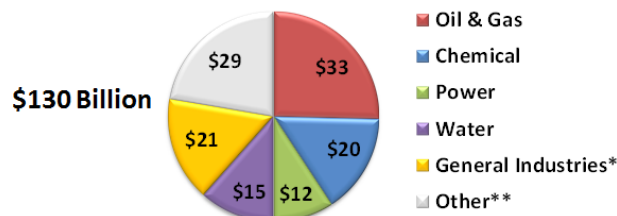


Disciplined execution of strategies and operating excellence drive earnings and cash generation for growth investments

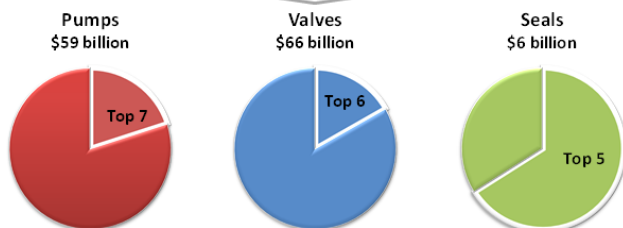
Flowserve's Served Market

- Flowserve offers the market a broad range of flow control products
- Served markets represent ~75% of total available market
- Pump, valve & seal spend increasingly taking place in developing regions
- Developing markets accounted for nearly 60% of 2013 spend

Total Available Market



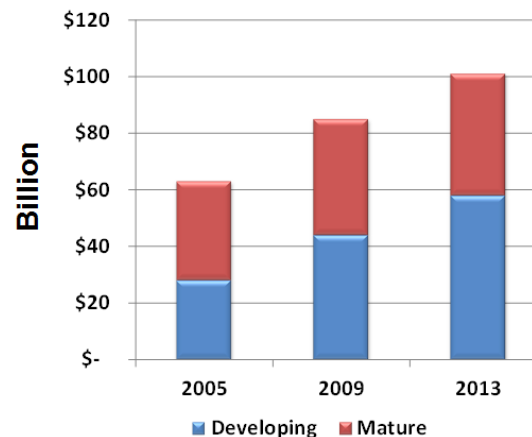
Total Available Market – By Pumps, Valves & Seals



Source: European Industrial Forecasting, company reports and internal estimates

*General Industries: Mining, Pulp & Paper and Food & Beverage **Other: Building & Construction, Marine and other

Served[†] Market for Pumps, Valves & Seals



Source: European Industrial Forecasting

[†] Includes oil & gas, chemical, power, water & general industries; excludes building & construction, marine & other

Pumps & valves are highly fragmented with many suppliers, whereas seals is concentrated among a few competitors

Key Drivers of Growth

<p>Energy and emerging market growth</p>	<p>Long-term tailwinds for our growth:</p> <ul style="list-style-type: none"> • Energy demand growth • Global economic and population growth • Resurgence of large project activity
<p>Opportunity “within four walls of Flowserve”</p>	<ul style="list-style-type: none"> • Operational excellence - propensity • Customer focus / performance culture • Strategic localization / geographic expansion • Building upon our Aftermarket strength
<p>Product Innovation</p>	<ul style="list-style-type: none"> • Breakthrough products • Product line extensions • Product enhancements
<p>Acquisitions</p>	<ul style="list-style-type: none"> • Niche, bolt-on strategy – top-line synergies • Attractive segments – filling in “gaps” • Strong fit with our competitive advantages • Solid economics to drive long-term value

Resurgence of Large OE Activity Expected



Fluor and JGC Joint Venture Awarded EPC Contract by Chevron Phillips Chemical for Gulf Coast Petrochemicals Project in Texas

Fluor Selected for Clean Fuels Project in Kuwait

Fluor and JGC Awarded EPC Contract for Kitimat LNG Project

CB&I Announces Contract For U.S. Ethylene Plant

CB&I and Chiyoda Awarded Contract for LNG Liquefaction and Export Facilities

CB&I Awarded Contract for LNG Liquefaction Terminal

CB&I Announces LNG Award in Australia



BECHTEL ENTERS INTO CONTRACT WITH CHENIERE FOR CORPUS CHRISTI LIQUEFACTION PROJECT

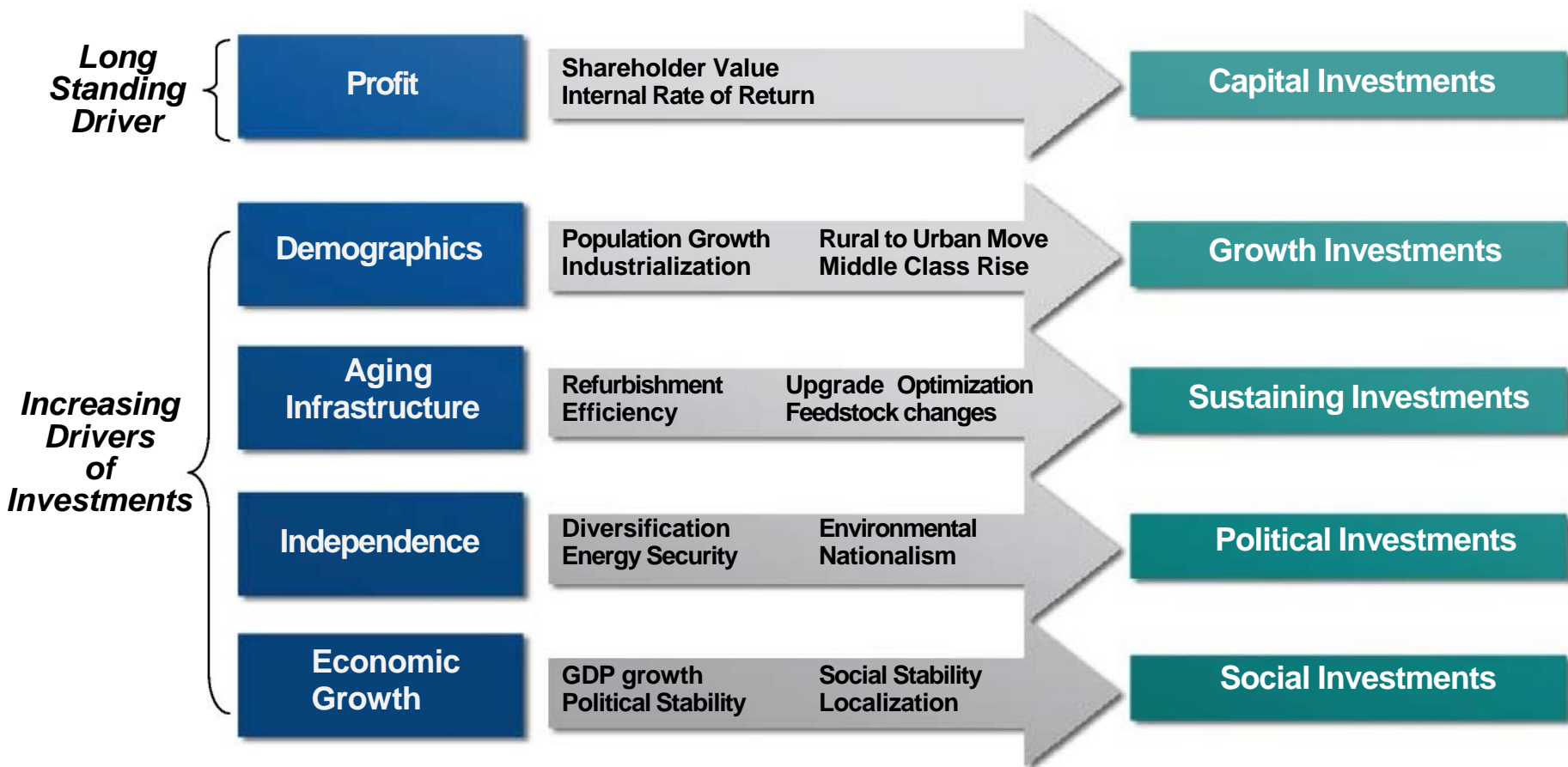
KBR Awarded Two Engineering, Procurement, and Construction Contracts for Agrium's Nitrogen Operations Facility



Jacobs Awarded Contract by Midwest Fertilizer

E&C awards for large infrastructure projects key leading indicator

Project Drivers are Beyond just Profit-Only



Motivation for infrastructure investments now reflect other critical drivers

Substantial OE Opportunities from New Infrastructure



Refinery - 300,000 bpd
\$60m - \$100m



Nuclear Power - 1700 MW
\$60m - \$80m



Coal Power Station - 600MW
\$30m - \$40m



Solar Power Station - 250 MW
\$20m - \$25m



Combined Cycle Power - 650 MW
\$10m - \$15m

Global Infrastructure build drives project growth and installed aftermarket base

Business Opportunity Framework

- Leverage broad portfolio of flow control products
- Design and manufacture highly engineered products that must work when put into critical services
- Equipment must meet strict industry standards and codes
- On-Time Delivery is critical to meet schedules
- Aftermarket Services Life-Cycle is 40-50 years
- Global manufacturing presence and aftermarket footprint essential

Mark 200 Control Valve



WIK Decoking Jet Pump



Wireless monitoring for asset management services



ISC2 Mechanical Seal

Providing solutions for customers' complex, critical processes

Targeting Acquisitions to Leverage Competitive Advantages



2013 Acquisition
Cash Paid - \$78.7M
Price/EBITDA ~11x



Acquisition strategy seeks to pursue growth in:

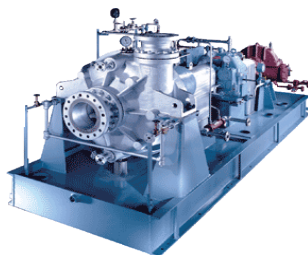
- Markets/units that have “earned the right to grow”
 - High profitability and strong growth
- Attractive businesses (profitable, growing, filling “gaps”)
- Targets that fit with Flowserve competitive advantages
 - AM network, installed base, global manufacturing and sales footprint, etc.
- Targeted acquisitions are designed to be quickly accretive and meet Internal Rate of Return (IRR) targets



Audco India JV - MM Nagar
2013 Acquisition/Divestiture
Net Cash Rec'd – \$36.1M



2011 Acquisition
Cash Paid - \$88.2M
Price/EBITDA – 8.8x



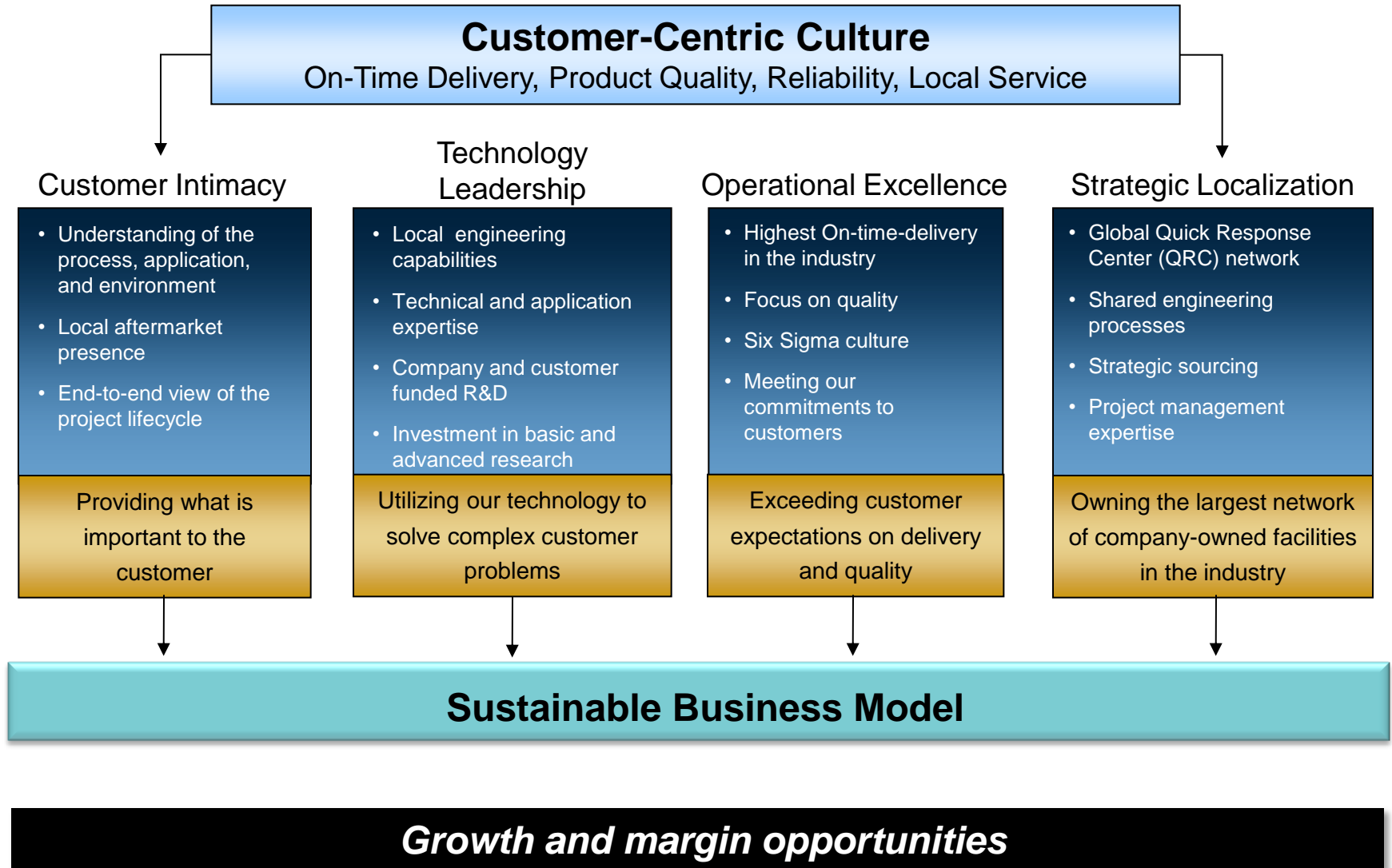
Recent acquisitions have reinforced our core business and markets

- Recent acquisitions at favorable multiples have been relationship driven as opposed to an auction process



2010 Acquisition
Cash Paid - \$199.4M
Price/EBITDA – 8.1x

One Flowserve



Global Provider of OEM & Aftermarket Services

Lead Product Operation	Secondary Product Operation	Quick Response Centers
<ul style="list-style-type: none"> • “<i>Product line custodian</i>” and recognized as the world wide product leader • Common processes and procedures • Ensures products are identical irrespective of where it is manufactured • Global product focus 	<ul style="list-style-type: none"> • Implements the manufacturing and aftermarket support within the <i>designated geographical region</i> for the assigned product • Local contract execution • Local manufacturing • Local market pricing 	<ul style="list-style-type: none"> • Local service and repair • Field engineering and technical service • Root cause analysis • Asset management services • Hydraulic upgrade technologies • Customer training

<u>Assets</u>	<u>Total</u>	<u>NA</u>	<u>LA</u>	<u>EMA</u>	<u>AP</u>
Employees*	18,500	6,345	2,005	6,630	3,520
Mfg Sites	69	20	7	29	13
QRCs**	179	60	23	51	45

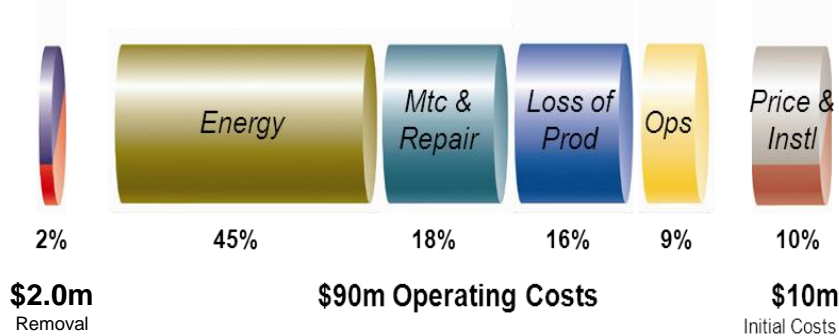
* appx., includes temporary employees

** includes four shared sites

Flowserve’s 248 facilities provide manufacturing and service to support customers worldwide and optimize our asset base

Proximity to Customers Provides Aftermarket Opportunities

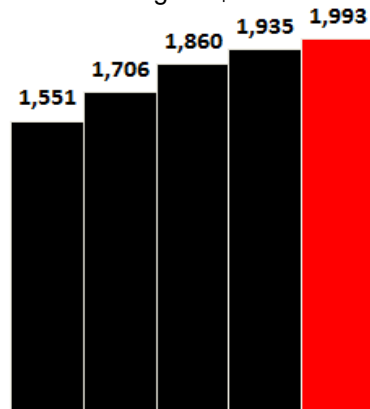
Typical Refining Pump Life Cycle Costs



End user customers vary in maintenance philosophies

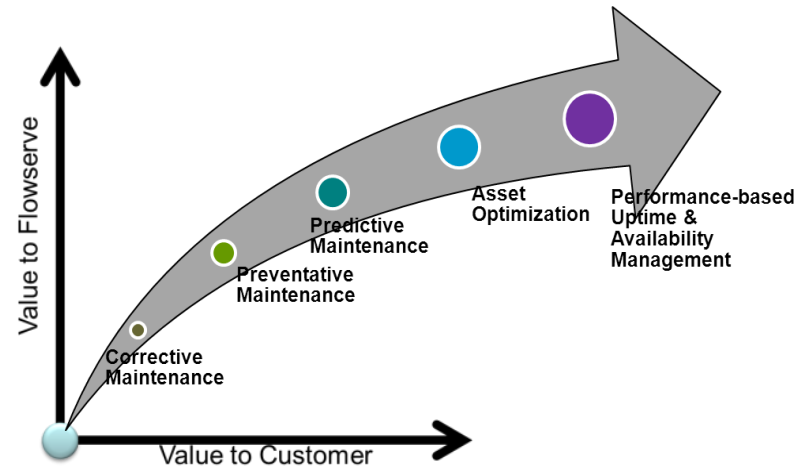
2010 – 2013 AM CAGR = 6.5%

AM Bookings in \$Millions



■ 2009 ■ 2010 ■ 2011 ■ 2012 ■ 2013

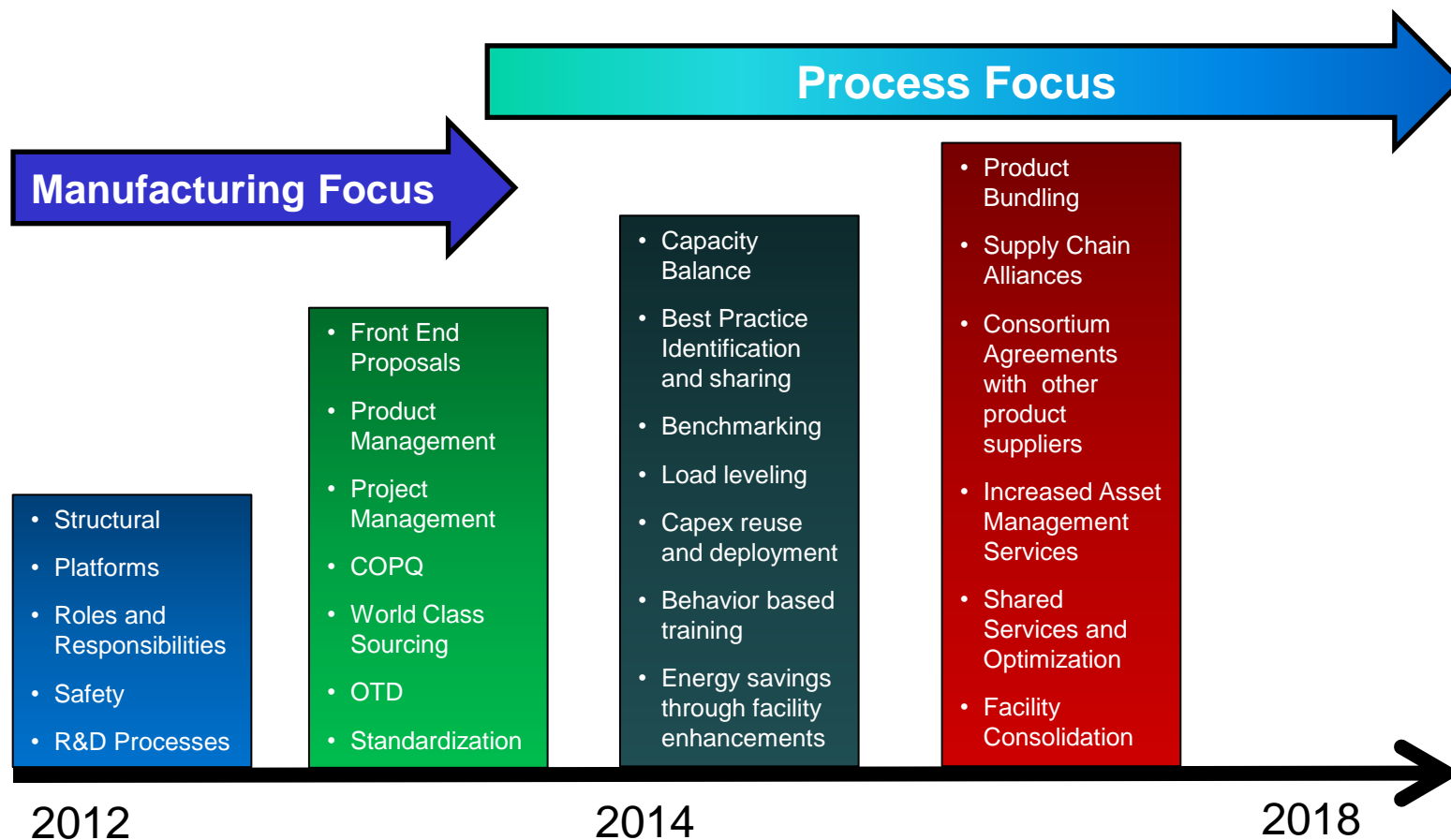
End-user customers typically experience approximately nine times the initial purchase and installation costs over the equipment's operating life



FLS Services & Solutions business drives aftermarket growth

Leveraging large projects, run rate and aftermarket opportunities over the 40 to 50 year cycle

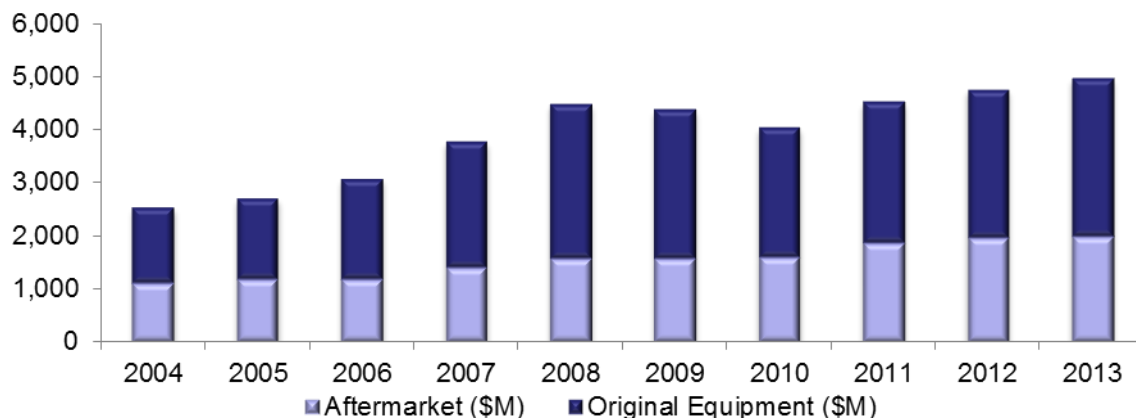
Process Improvement Continuum



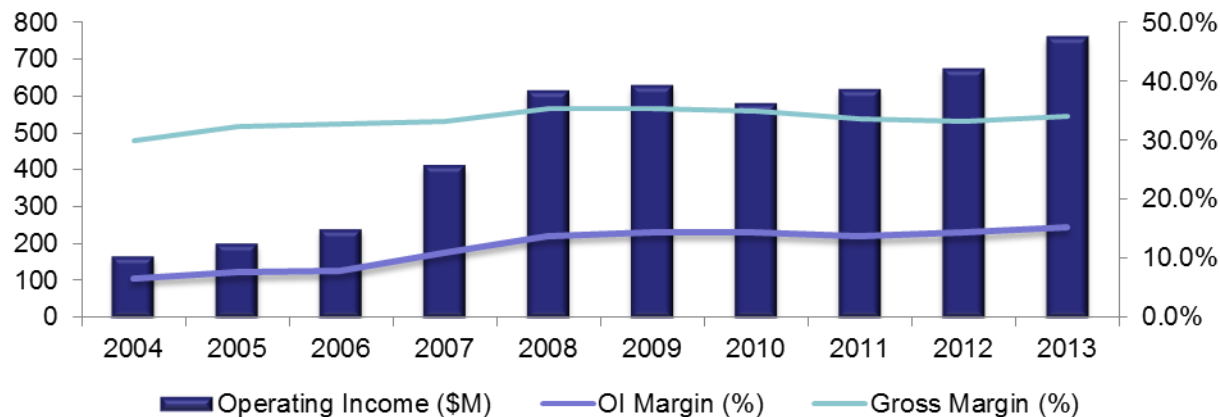
Expanding CIP throughout the business

Strong Annual Financial Performance

Sales

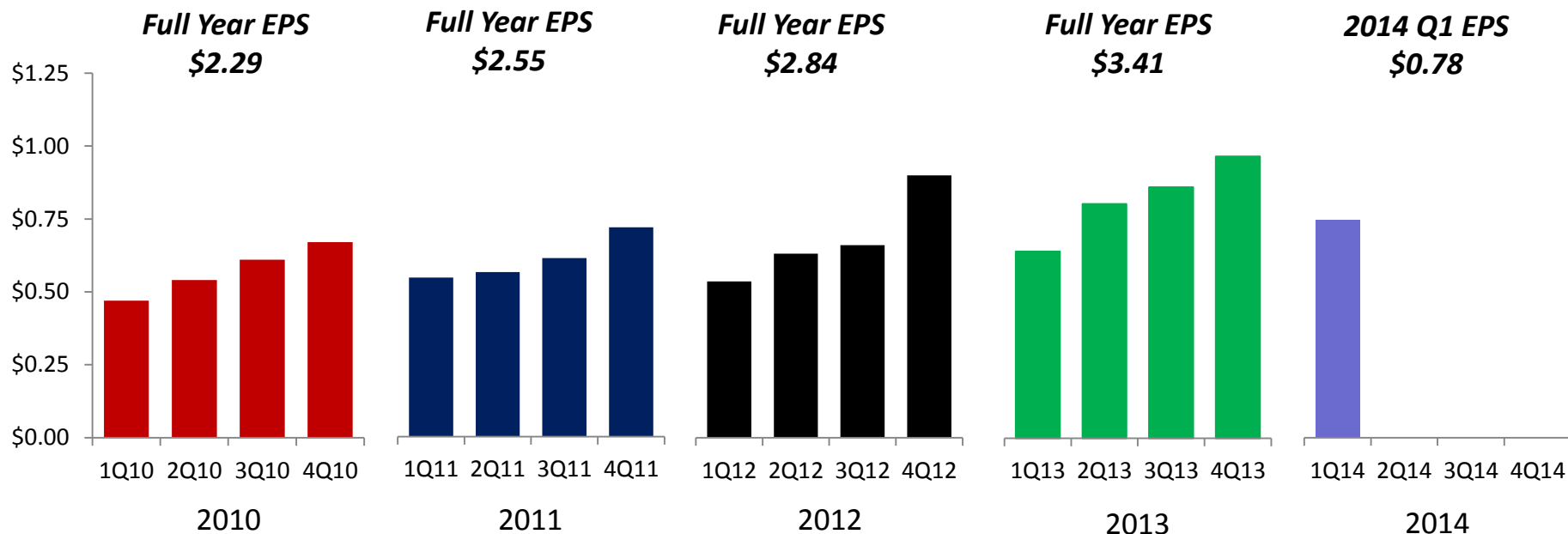


Operating Results



EPS Seasonally Second-Half Weighted

(Quarterly EPS - diluted)

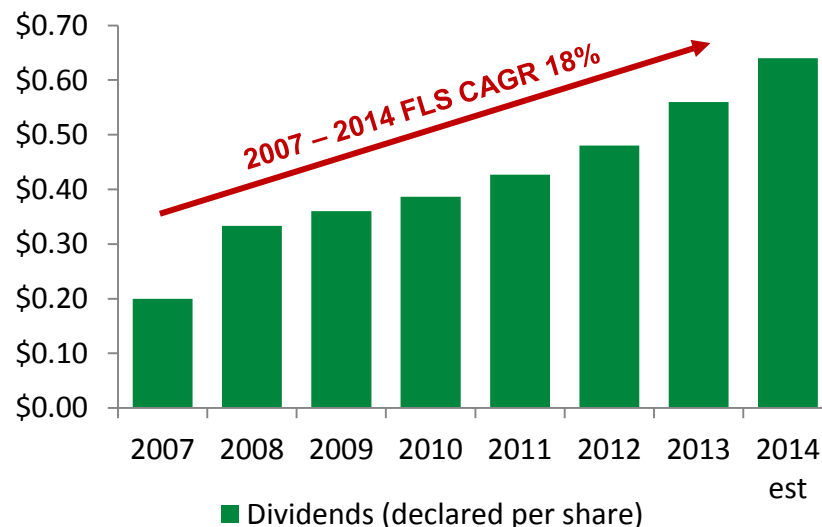
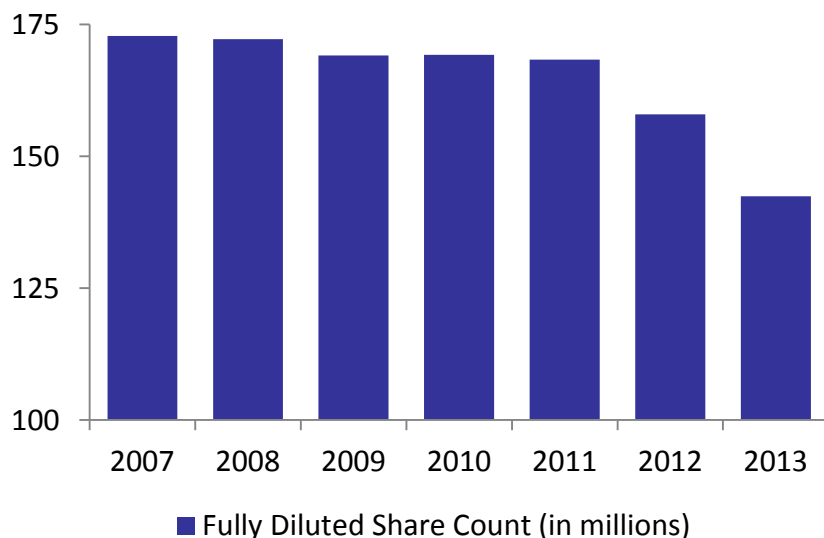


Earnings continue to be seasonal, expect over 80% of full-year 2014 target range will be generated during final three quarters of the year

Note: EPS adjusted to reflect 3-for-1 stock split effective June 21, 2013

Consistent Returns to Shareholders

- Total diluted share count has been reduced by nearly 16% since 2005
- Cumulative annual declared dividends increased 220% to the anticipated \$0.64 per share in 2014 from \$0.20 per share in 2007



Note: Dividends and share count adjusted to reflect 3-for-1 stock split effective June 21, 2013

Long-Term Capital Deployment Plan








- Capital deployment priorities will continue to focus on accretive investments to maximize the operating platform and total shareholder return
- From 2009-2013, Flowserve generated \$1.4 billion in free cash flow and \$626 million of net incremental debt
- In the current 5-Year plan, forecast assumes continued strong cash generation and incremental net debt of \$750 - \$900 million to maintain the mid-range of leverage target

Planned Cash Deployment	2014 - 2018
Share Repurchases & Dividends	40% - 50% of average two-year net earnings
Capital Expenditures	~ \$700 - \$800 million
Pension Contribution	~ \$140 - \$160 million
Growth Investments	In excess of \$2 billion

¹ Includes borrowing capacity to maintain mid point of our stated total debt to EBITDA leverage target

Growth is a heightened priority through 2018

Financial Commitments Made and Delivered

Commitment	Result	Status
Revenue Growth Rate <ul style="list-style-type: none"> 2013 guidance growth rate of 4% - 6%, Long-term revenue CAGR of 8-10% 	<ul style="list-style-type: none"> Delivered an increase of 4.3% or 5% on constant currency basis in 2013 On track; 7.4% CAGR since 2010 with limited acquisition activity 	
SG&A <ul style="list-style-type: none"> Long-term SG&A to sales target of 18% 	<ul style="list-style-type: none"> Continue to make progress in improving SG&A leverage and cost containment. Ended 2013 at 19.5%, an improvement of 80 bps since 2011 	
Operating Margin Improvement <ul style="list-style-type: none"> Improve 150-250 bps from 2011 levels by end of 2014 	<ul style="list-style-type: none"> At year end 2013, have delivered a 160 bps improvement from 2011 levels, achieving the lower end of the range with a year remaining for further improvement 	
IPD Margin Improvement <ul style="list-style-type: none"> Improve operating margin to 14% - 15% by end of 2015 	<ul style="list-style-type: none"> Operating margin improvement remains on track at 12.2%, with 180 bps improvement in 2013 and 500 bps since 2011 	
Working Capital Improvement <ul style="list-style-type: none"> Achieve DSO in the mid 60s and inventory turns of 4.0x to 4.5x 	<ul style="list-style-type: none"> Despite increased sales in emerging markets, we made progress with DSO at 75 days at year-end 2013 and improved inventory turn by over three-tenth of a turn to 3.5x 	
Shareholder Return <ul style="list-style-type: none"> Returning 40% - 50% of 2-year average net earnings to shareholders annually 	<ul style="list-style-type: none"> Returned \$1.4 billion through share repurchases and dividends since 2012 	
Leverage Ratio <ul style="list-style-type: none"> A long-term target gross leverage ratio of 1.0x-2.0x total debt to EBITDA 	<ul style="list-style-type: none"> Ended 2013 with a leverage ratio of 1.4x, with 10-Year Senior Note offerings of \$500 million in September 2012 and \$300 million in November 2013 	

Continue to deliver on our commitments

2014 Outlook

2014 EPS ¹	\$3.65 – \$4.00
Revenue Growth (Constant Currency) ²	3 – 6%
Tax Rate	~30%
Capital Expenditures	\$130 – \$140 M
Pension Contributions	\$30 – \$35 M
Scheduled Debt Reduction	\$40 M
Longer Term Guidance:	
Operating Margin Improvement (from 2011 levels)	150 – 250 bps
SG&A as a Percent of Sales	18%

¹ Reaffirmed as of April 24, 2014; Similar to recent years, 2014 earnings are expected to be second half weighted

² Excludes potential impact of acquisition or divestiture activity that may arise

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APPENDIX

Q1 2014 Consolidated Bookings & Sales

BOOKINGS

■ Original Equipment

■ Aftermarket



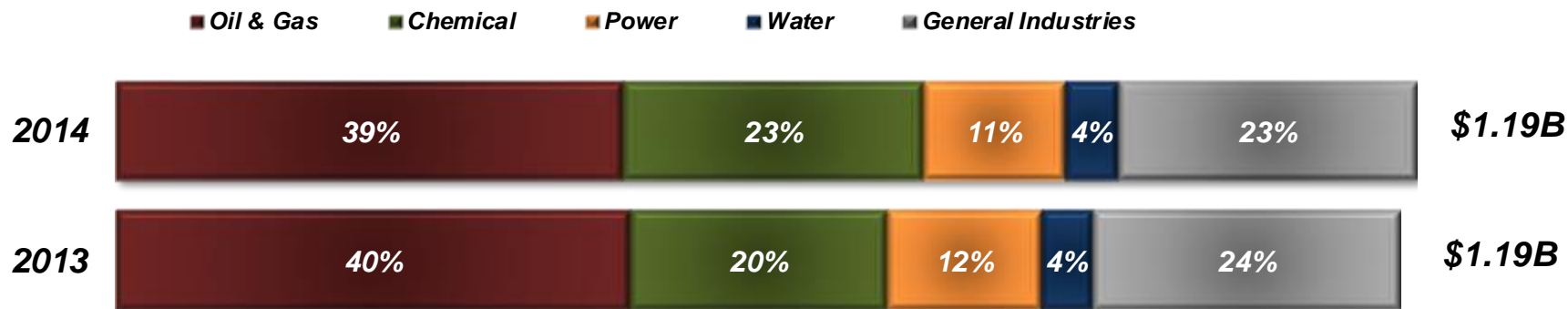
Bookings

- Bookings in Q1 2014 increased 0.3%, or 2.3% on a constant currency basis, driven primarily by continued strength in the chemical industry – Regional growth was driven by strength in North America, Europe and the Middle East & Africa
 - Record Q1 aftermarket bookings of \$517 million increased 8.2% versus prior year

Sales

- Sales in Q1 2014 decreased 2.6%, or 1.3% on a constant currency basis, driven primarily by lower OE sales in EPD – Regional sales declines driven primarily by lower sales into the Middle East & Africa and Europe

Q1 2014 Bookings & Industry Outlook



OIL & GAS

- ✓ Market conditions support price levels that encourage investment; recent signs of a shift in some upstream capital expenditures
- ✓ New refining capacity additions in the Middle East and other emerging markets; preference for cleaner fuels also spurring investment
- ✓ Impact of East-West tensions difficult to assess at this time but slower economic growth forecasted for Russia this year

POWER

- ✓ New coal-fired power capacity concentrated in China and India, with gas-fired and renewables in North America, Western Europe and the Middle East
- ✓ Favorable long-term nuclear prospects but expected new capacity coming online by 2018 down from prior expectations; new nuclear primarily in developing markets
- ✓ Solar thermal is a small, but rapidly growing market; opportunities in Europe, the Middle East and U.S.

CHEMICAL

- ✓ Positive chemical outlook given future demand in emerging markets and improvements in U.S. and European economies
- ✓ Most new chemical capacity additions in the Middle East and BRIC countries; North America also an important market due to low-cost feedstock

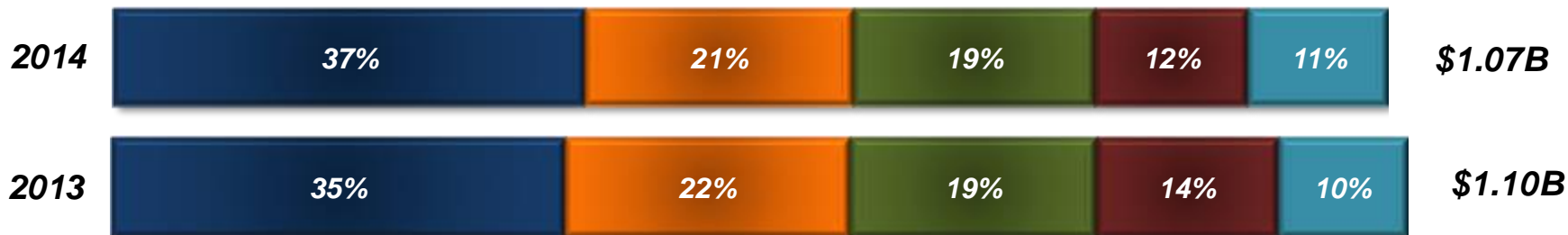
GENERAL INDUSTRIES

- ✓ New mining project spending under pressure; Latin America and Asia Pacific key copper mining markets
- ✓ Good levels of business activity through distribution channels to general industries

Sources: GlobalData, Industrial Info Resources, American Chemistry Council, Global Water Intelligence, ITR Economics, IMF, Flowserve internal data

Q1 2014 Sales & Regional Outlook

■ North America ■ Europe ■ Asia-Pacific ■ Middle East & Africa ■ Latin America



NORTH AMERICA

- ✓ Continued focus on North American unconventional resources with opportunities upstream, midstream and downstream
- ✓ Petrochemical market gains momentum with additional project announcements, EPC awards and equipment orders
- ✓ Economic and environmental factors support renewables and natural gas for conversions and new combined-cycle plants at expense of coal plant closures

EUROPE

- ✓ Western Europe turning the corner from recession to recovery, but political volatility in Eastern Europe and Russia
- ✓ Refining and chemical in Western Europe squeezed by the Middle East, U.S. and Asia Pacific capacity additions

MIDDLE EAST

- ✓ Numerous opportunities in oil and gas upstream and downstream, particularly in the Persian Gulf States
- ✓ Ongoing activity in power generation, desalination and water infrastructure to support economic development in the region

ASIA-PACIFIC

- ✓ Continued strength in Asia Pacific oil and gas and power market opportunities expected as region's economies advance
- ✓ About half of global chemical capacity additions planned for China, India and other Asia Pacific countries over next five years

LATIN AMERICA

- ✓ Both Brazil deep water oil and gas and Mexico's proposed energy reforms promising for growth in the region
- ✓ Latin America a key mining market, particularly new copper production; mining-related desalination activity on the rise

Q1 2014 Consolidated Financial Results

(\$ millions)	1st Quarter				
	2014	2013	Delta (\$)	Delta (%)	Constant FX (%)*
Bookings	\$ 1,193.9	\$ 1,190.0	\$ 3.9	0.3%	2.3%
Sales	\$ 1,068.1	\$ 1,096.6	\$ (28.5)	(2.6%)	(1.3%)
Gross Profit	\$ 377.1	\$ 373.3	\$ 3.8	1.0%	
Gross Margin (%)	35.3%	34.0%		130 bps	
SG&A	\$ 216.2	\$ 234.5	\$ (18.3)	(7.8%)	(6.5%)
SG&A (%)	20.2%	21.4%		(120 bps)	
Income from Affiliates	\$ 3.4	\$ 31.7	\$ (28.3)	(89.3%)	
Operating Income	\$ 164.3	\$ 170.5	\$ (6.2)	(3.6%)	(1.9%)
Operating Margin (%)	15.4%	15.5%		(10 bps)	
Other Expense, net**	\$ (2.9)	\$ (11.0)	\$ 8.1	(73.6%)	
Tax Expense	\$ 38.0	\$ 48.7	\$ (10.7)	(22.0%)	
Net Earnings	\$ 107.7	\$ 97.8	\$ 9.9	10.1%	
Diluted EPS	\$ 0.78	\$ 0.67	\$ 0.11	16.4%	

- Diluted EPS calculated using fully diluted shares of 138.9 million and 145.6 million shares in Q1 2014 and Q1 2013, respectively

- Flowserve repurchased 1,436,423 and 2,977,104 shares in Q1 2014 and Q1 2013, respectively (Q1 2013 shares have been adjusted for the stock-split in Q2 2013)

* Constant FX represents the year over year variance assuming 2014 results at 2013 FX rates

** Q1 2014 includes \$2.2 million impact of losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of \$10.8 million in Q1 2013

Q1 2014 Cash Flows

(\$ millions)	Q1	
	2014	2013
Net Income	\$ 109	\$ 99
Depreciation and amortization	27	25
Change in working capital	(207)	(212)
Other	(14)	(20)
Total Operating Activities	(85)	(108)
Capital expenditures	(32)	(34)
Dispositions, acquisitions and other	47	36
Total Investing Activities	15	2
Payments on long-term debt	(10)	(5)
Dividends	(19)	(18)
Proceeds from revolving credit facility and other	10	154
Repurchase of common shares	(110)	(156)
Total Financing Activities	(129)	(25)
Effect of exchange rates	(1)	(4)
Net Decrease in Cash	\$ (199)	\$ (135)

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