Flowserve Q2 2010 Earnings Conference Call

July 29, 2010

Experience In Motion
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; our dependence on our customers’ ability to make required capital investment and maintenance expenditures; 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; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; our ability to execute and realize the expected financial benefits from our strategic realignment initiatives; economic, political and other risks associated with our international operations, including military actions or trade embargoes that could affect customer markets, particularly Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; our exposure to fluctuations in foreign currency rates, particularly in hyperinflationary countries such as Venezuela; 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; expectations regarding acquisitions and the integration of acquired businesses; our foreign subsidiaries autonomously conducting limited business operations and sales in certain countries 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; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; and other factors described from time to time in our filings with the Securities and Exchange Commission.

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

- Reported EPS* of $1.62, including $0.10 of realignment charges, and $0.19 of net after-tax currency related charges below the line
- Bookings of $1.13 billion
  - 7th consecutive quarter of bookings around $1 billion
  - Second quarter 2010 book-to-bill ratio of 1.18, year-to-date 2010 ratio of 1.15
  - Aftermarket bookings of 40% or $449 million, up 9.6% versus prior year and up 12.9% sequentially
- Margin performance
  - Margins remained stable despite lower sales caused by pricing headwind and volume declines
  - Benefits of realignment, cost controls, supply chain, and stable aftermarket mix
- Positioned the business for future disciplined profitable growth
  - Completed Valbart acquisition July 16
  - Focused on growth market expansion, strategic localization, and cost management through realignment and CAPEX programs
  - Executed plans to realign IPD operating platform and pursue higher margin market sectors

*Calculated using Q2 2010 fully diluted shares of 56.5 million
Business Outlook

- The global economies have experienced some volatility over the past several months which may continue in the near term.

- Exchange rates continue to be an area of caution – particularly with the Euro.

- Although pricing is still a headwind, the long-term fundamentals of the global infrastructure markets remain sound supporting ongoing investments in both new capital expenditures and operations.

- Emerging and developing economies continue to forecast investments in critical industries such as hydrocarbon processing, power generation, and water desalination.

We believe that our broad market presence, industry solution capabilities and global aftermarket service network will continue to provide growth opportunities.
Key Strategies

Disciplined Profitable Growth
Customer Intimacy
Innovation & Portfolio Mgmt
Strategic Localization
Operational Excellence
Sustainable Business Model

Selected Actions

- Remain focused on flow management as a core competency, added Valbart in July
- Maintain a value-based competitive offering meeting the needs of our customers
- The integration of our pump and seal business into a common customer facing organization
- The creation of our Integrated Solutions Group to focus on life cycle solutions
- R&D investment in diagnostic capabilities such as ValveSight and Intelligent Pumps
- Addition of Calder to expand capabilities in Desalination and Valbart to fill product gap in Oil & Gas
- Expansion of manufacturing capability and capacity in Brazil
- Continued investment in expanding and enhancing our global QRC footprint
- Expansion in global operations which leverage low cost sourcing
- Continued focus on expanding and utilizing our capabilities in OTD, CIP, LEAN and Six Sigma
- Realignment program to eliminate inefficient capacity and focus portfolio
- Strategically invest in growth maintaining the appropriate risk for superior long term returns
- Strategically expand and enhance our presence in developing regions around the world

Our key strategies provide the platform for sustaining disciplined profitable growth and increasing shareholder value
Market Outlook
2010 YTD Bookings & Industry Outlook

We continue to see long-term growth opportunities in our core industries globally.

**Oil & Gas**
- Project activity continues to have a positive long-term outlook particularly with the national oil companies in the developing regions.
- A majority of the projected refining capacity expansion over the next 5 years is located in the Middle East, China, Latin America and Southeast Asia.

**Power**
- Investment plans through 2015 for additional generating capacity around the world remain consistent from previous forecasts.
- Industry forecasts and news releases indicate a greater interest in Nuclear and Natural Gas power generation.

**Chemical**
- China and the Middle East lead investment planning for expansion of chemical production – particularly in petrochemicals.
- Long-term investment planning continues to show new capital in the developing regions and operational improvement focus in the mature regions.

**Water**
- Investment plan projections for desalination over the next 5 years have increased slightly to approximately 11 million m³/d.
- The majority of these projects are located in the Middle East and Africa.

**Sources:** GlobalData, IEA, Platts, World Nuclear Association, ICIS.com, DesalData (GWI), Industrial Info Resources, Flowserve Internal Data
2010 YTD Sales & Regional Outlook

As part of our Strategic Localization and Disciplined Profitable Growth strategies, we will continue to evaluate these markets and invest appropriately for future growth.

**MIDDLE EAST**
- Industry forecasts support continued investments in oil, natural gas, power generation, chemical and desalination in this region.
- Many of the countries in this region remain focused on expanding into the higher value products within the oil and chemical industries.

**CHINA**
- First half GDP growth exceeded expectations at 11.1% over the same period in 2009.
- Current industry investment forecasts show China leading in power generation and petrochemical.
- A recent report stated that China’s power generation ambition is to reach 1,350 gigawatts (GW) by 2015 from a base of 960 GW.

**LATIN AMERICA**
- This region is forecasting growth opportunities in oil, natural gas, power generation, chemical, water, mining and pulp & paper.
- Brazil is leading in many of these areas with particular emphasis on oil through the planned investments from Petrobras.

**Sources:** Economist Intelligence Unit, Industrial Info Resources, GlobalData, Platts, ICIS.com, DesalData (GWI), Wall Street Journal, Flowservice Internal Data
Bookings for the first half of 2010 grew 8.1% compared to the same period in 2009 (including a benefit from currency)

Sales for the first half of 2010 continued to have a greater mix from aftermarket compared to same period in 2009

Looking forward:
- We continue to see challenges in aftermarket spending in the refinery portion of oil & gas
- The chemical industry is showing signs of increased aftermarket spending plans related to continuing operations
- We believe that our Integrated Solutions Group is well positioned to provide our customers with value added services and solutions

The combination of our global service network and our aftermarket solutions capabilities positions Flowserve to pursue market share growth opportunities

Sources: Flowserve Internal Data
Division Updates
FSG Highlights

- Bookings in Q2 were up primarily on orders from oil & gas projects
  - Includes over $80 million crude foreign oil & gas order
- Aftermarket bookings were resilient in all segments
  - Integrated Solutions approach driving growth in the face of stagnant maintenance spending
- Revenues in Q2 were down year over year
  - Lower project bookings in 2009 produced lower backlog levels coming into 2010
- Margin performance in EPD driven by favorable OE/aftermarket mix and operational excellence which helped to offset pricing headwinds

Driving bookings growth while maintaining margins under tough market conditions
# Engineered Product Division

## Q2 2010 Segment Results

Adjusted operating income excludes realignment charges of $9.3 million and $0.2 million for Q2 2009 and Q2 2010, respectively. Adjusted operating income excludes realignment charges of $17.2 million and $0.4 million for 2009 YTD and 2010 YTD, respectively.

**Constant FX represents the year over year variance assuming 2010 results at 2009 FX rates**

**Margin performance was sustained by favorable OE/aftermarket mix and operational excellence, helping offset lower sales levels**

<table>
<thead>
<tr>
<th></th>
<th>2nd Quarter</th>
<th>Year-To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td><strong>Bookings</strong></td>
<td>$ 588.6</td>
<td>$ 631.1</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>$ 580.3</td>
<td>$ 524.5</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$ 211.6</td>
<td>$ 193.6</td>
</tr>
<tr>
<td><strong>Gross Margin (%)</strong></td>
<td>36.5%</td>
<td>36.9%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>$ 101.1</td>
<td>$ 90.8</td>
</tr>
<tr>
<td><strong>SG&amp;A (%)</strong></td>
<td>17.4%</td>
<td>17.3%</td>
</tr>
<tr>
<td><strong>Income from Affiliates</strong></td>
<td>$ 3.0</td>
<td>$ 3.5</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$ 113.6</td>
<td>$ 106.3</td>
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<tr>
<td><strong>Operating Margin (%)</strong></td>
<td>19.6%</td>
<td>20.3%</td>
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<tr>
<td><strong>Adjusted Operating Income</strong>*</td>
<td>$ 122.9</td>
<td>$ 106.5</td>
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<tr>
<td><strong>Adjusted Operating Margin (%)</strong>*</td>
<td>21.2%</td>
<td>20.3%</td>
</tr>
</tbody>
</table>
Industrial Product Division
Q2 2010 Segment Results

Accelerating realignment activities to drive margin improvement

* Adjusted operating income excludes realignment charges of $3.1 million and $4.1 million for Q2 2009 and Q2 2010, respectively. Adjusted operating income excludes realignment charges of $4.4 million and $4.3 million for 2009 YTD and 2010 YTD, respectively.

** Constant FX represents the year over year variance assuming 2010 results at 2009 FX rates.
FSG Near Term Market Dynamics

Oil & Gas

✓ Cautiously optimistic about opportunities in Middle East, Russia, Latin America, and Asia
✓ OE and maintenance spending in U.S. and Europe continues to be slow
✓ We are creating aftermarket opportunities through the Industrial Services Group and QRC expansion

Power

✓ Increasing opportunities in Asia, Middle East, and U.S.
✓ Project activity in India is particularly strong
✓ Nuclear market remains active

Chemical

✓ Chemical activity heaviest in Asia and Middle East

Water

✓ Moderate near-term activity in reverse osmosis desalination market
✓ Infrastructure spend remains low

Cautiously optimistic about near term opportunities
FSG Programs

- EPD is hitting stride and moving beyond re-segmentation
  - Continuing to expand QRC footprint
  - Accelerating product development efforts in mechanical seals
- IPD is executing plans to realign its operating platform while positioning itself to pursue higher margin market sectors
  - Dedicated project pursuit team
  - Realignment program focus
  - Changes in management team
  - Increasing supply chain efforts
  - Accelerating market and product development activities
- Integrated Solutions Group
  - ISG continued to gain traction and helped provide aftermarket bookings in otherwise stagnant market

Executing programs to sustain profitable growth
**FCD Highlights**

- Bookings in Q2 up versus prior year
  - Improvement in oil & gas, chemical, power, and general industries
  - Aftermarket bookings up versus prior year
- Gross margins up in Q2 versus prior year
- Acquisition of Valbart SRL will enhance the product line capability for the oil & gas sector
- Continuing investments in high growth areas
  - Capital
  - Product development
  - Service

*Executing strategic programs under tough market conditions*
Focus on power and oil & gas driving bookings and gross margin growth

* Adjusted operating income excludes realignment charges of $7.1 million and $3.1 million for Q2 2009 and Q2 2010, respectively. Adjusted operating income excludes realignment charges of $7.7 million and $3.1 million for 2009 YTD and 2010 YTD, respectively.

** Constant FX represents the year over year variance assuming 2010 results at 2009 FX rates.
**FCD Near Term Market Dynamics**

- Oil and Gas growth being driven by LNG strength and regional demand
  - Refinery projects in Middle East, shale gas projects in U.S., and floating production storage offloading (FPSO) driven by Africa
- Power market responding to demand in fossil and nuclear projects
  - Fossil coal unit demand being driven by China and India
  - Nuclear projects worldwide, including new plants and life extensions
- Chemical market seeing chlorine and PVC activity in Asia
- Mining and Pulp & Paper improving regionally
- Aftermarket experiencing some growth
  - Growth in nuclear MRO
  - Overall growth in Asia and U.S.
- Distribution channel seeing continued restocking
  - Chemical, district heating, steam products

*Growth in emerging regions and specific sectors of end markets coupled with stability in other areas*
**FCD Growth Programs**

- **Localization**
  - Drive to establish local manufacturing in Middle East
  - Continued localization of China product manufacturing

- **Technical proposal and overall service capabilities driving evaluations**

- **Remote monitoring & automation**

- **Adjacent space product moves**
  - Emerging markets

- **Portfolio selling**
  - Valbart trunnion acquisition to allow more complete oil & gas offerings for control, trunnion, and gate, globe and check valves

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**Continued traction on our growth programs**
Valbart Acquisition Strategic Rationale

The Trunnion-Mounted Ball Valve (TMBV) market is a global $3B business*

- Primarily focused on oil production & gas transmission applications
- Upstream and midstream applications
- Highly engineered product

Valbart’s full-range TMBV offering strengthens Flowserve’s ability to provide a more complete valve package to oil and gas projects

- Allows for bundling with current product portfolio

Leverages existing route to market

- Leverages aftermarket services by providing local technical support

Strengthens relationships with existing oil & gas customers

Offers additional applications in power and chemical industries

Industries Served

| Oil/Gas | Power | Chemical |

* EIF, BVAA estimates
Valbart Acquisition Key Facts

Locations:
- Mezzago (Milan), Italy – HQ and Mfg
- Chengdu, PRC – Mfg (67% owned JV)
- Houston, USA – Warehouse

2010 results (unaudited 12 mos. ending 5/31):
- Revenue of appx. $104 million (€81M)*
- Op Income of appx. $22 million (€17M)*
- Expected to be slightly dilutive in 2010 due to inventory revaluation and accretive in 2011

Employees: 230 total including JV

Factors mitigating integration risk
- Existing JV partnership with Flowserve, and existing and experienced management team stays in place
- Simple structure of one main manufacturing location and one operating system
- Lead center for trunnions
- Flowserve experience in Italy
- Detailed integration plan

*EUR/USD 1.2890 exchange rate
Financial Update
Q2 Highlights

- Reported EPS* of $1.62, including $0.19 of currency related charges and $0.10 of realignment charges
- Bookings of $1.13 billion
  - 7th consecutive quarter of bookings around $1 billion
- Sales of $961 million, down 11.9%
  - Down 10.6% excluding 1.3% currency headwind
- Operating margin of 15.2%, up 60 basis points
  - Operating margin of 16.0% excluding realignment charges of $7.6 million (80 basis points)
- Gross margin up 30 basis points to 35.7%
  - Gross margin of 36.4% excluding realignment charges $6.8 million (70 basis points)
- SG&A as a percentage of sales down 30 basis points to 20.9%
  - SG&A was 20.9% excluding realignment charges of $0.9 million
- Cash flow from operations of $96 million

*Calculated using Q2 2010 fully diluted shares of 56.5 million
Q2 Year-to-Date Highlights

- First half EPS* of $3.04, including $0.50 of currency related charges in Other Expense, net and $0.11 of realignment charges
  - Currency charges included
    - $0.15 per share* related to the Venezuelan currency devaluation to date
    - $0.35 per share* of other foreign currency expenses in Other Expense, net related to valuations in other currencies versus the US dollar
- First half bookings of $2.20 billion, up 10.3%
  - Up 8.4% excluding 1.9% currency tailwind
- Sales of $1.92 billion, down 9.2%
- Operating margin down 50 basis points to 15.0%
  - Operating margin of 15.4% excluding realignment charges of $8.1 million (40 basis points)
- Gross margin up 30 basis points to 36.0%
  - Gross margin of 36.4% excluding realignment charges of $7.5 million (40 basis points)
- SG&A as a percentage of sales down 10 basis points to 21.5%
  - SG&A was 21.5% excluding realignment charges of $0.6 million
- Cash flow use by operations of $53 million, an improvement of $24 million compared to first half 2009

*Calculated using Q2 2010 year-to-date fully diluted shares of 56.5 million
Q2 2010 – Consolidated Financial Results

<table>
<thead>
<tr>
<th></th>
<th>2nd Quarter</th>
<th>Year-To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ millions)</td>
<td>Constant FX (%)**</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Bookings</td>
<td>$ 1,036.0</td>
<td>$ 1,134.2</td>
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<tr>
<td>Sales</td>
<td>$ 1,090.4</td>
<td>$ 961.1</td>
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<tr>
<td>Gross Profit</td>
<td>$ 386.3</td>
<td>$ 343.4</td>
</tr>
<tr>
<td>Gross Margin (%)</td>
<td>35.4%</td>
<td>35.7%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>$ 231.3</td>
<td>$ 201.3</td>
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<tr>
<td>SG&amp;A (%)</td>
<td>21.2%</td>
<td>20.9%</td>
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<tr>
<td>Income from Affiliates</td>
<td>$ 3.8</td>
<td>$ 4.0</td>
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<tr>
<td>Operating Income</td>
<td>$ 158.8</td>
<td>$ 146.0</td>
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<tr>
<td>Operating Margin (%)</td>
<td>14.6%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Adjusted Operating Income*</td>
<td>$ 178.4</td>
<td>$ 153.6</td>
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<tr>
<td>Adjusted Operating Margin (%)*</td>
<td>16.4%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Other Income / (Expense), net</td>
<td>$(0.1)</td>
<td>$(12.3)</td>
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<tr>
<td>Tax Expense</td>
<td>$ 40.6</td>
<td>$ 33.6</td>
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<tr>
<td>Net Earnings</td>
<td>$ 108.6</td>
<td>$ 91.8</td>
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<tr>
<td>Diluted EPS</td>
<td>$ 1.92</td>
<td>$ 1.62</td>
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<tr>
<td>Adjusted EPS*</td>
<td>$ 2.17</td>
<td>$ 1.72</td>
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</table>

- As of 6/30/10, 2.5 million shares (112,500 Q2 2010) 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 $7.6 million for Q2 2009 and Q2 2010, respectively. Adjusted operating income and adjusted EPS exclude realignment charges of $29.6 million and $8.1 million for 2009 YTD and 2010 YTD, respectively.

** Constant FX represents the year over year variance assuming 2010 results at 2009 FX rates
Combined realignment program included initiatives to:

- Scale the business and reduce cost
- Help optimize certain non-strategic manufacturing facilities and other assets
- Enhance our customer facing organization

Total costs incurred to date – $76.2 million

- Net charge for first-half 2010 approximately $8.1 million
- Approximately $10 million of charges programmed for the balance of 2010

2010 realignment savings expected to approximate $92 million

- Savings in Q2 2010 approximated $22 million

Annual run rate savings estimated at about $110 million by 2011

The effects of realignment have started to provide margin benefits
### Q2 2010 Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Q1 2010</th>
<th>Q2 2010</th>
<th>YTD 2010</th>
<th>YTD 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>80</td>
<td>92</td>
<td>172</td>
<td>201</td>
</tr>
<tr>
<td><strong>Depreciation and Amortization</strong></td>
<td>25</td>
<td>24</td>
<td>49</td>
<td>48</td>
</tr>
<tr>
<td><strong>Change in Working Capital</strong></td>
<td>(268)</td>
<td>(25)</td>
<td>(293)</td>
<td>(345)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>14</td>
<td>5</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total Operating Activities</strong></td>
<td>(149)</td>
<td>96</td>
<td>(53)</td>
<td>(77)</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>(15)</td>
<td>(10)</td>
<td>(25)</td>
<td>(64)</td>
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<tr>
<td><strong>Acquisition and Other</strong></td>
<td>8</td>
<td>-</td>
<td>8</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Total Investing Activities</strong></td>
<td>(7)</td>
<td>(10)</td>
<td>(17)</td>
<td>(93)</td>
</tr>
<tr>
<td><strong>Net payments under lines of credit</strong></td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>(15)</td>
<td>(16)</td>
<td>(31)</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Proceeds of debt or other</strong></td>
<td>10</td>
<td>1</td>
<td>11</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Repurchase of common shares</strong></td>
<td>(12)</td>
<td>(11)</td>
<td>(23)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Proceeds from stock option activity</strong></td>
<td>5</td>
<td>-</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Financing Activities</strong></td>
<td>(13)</td>
<td>(26)</td>
<td>(39)</td>
<td>(46)</td>
</tr>
<tr>
<td><strong>Effect of exchange rates</strong></td>
<td>(17)</td>
<td>(25)</td>
<td>(42)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash</strong></td>
<td>(186)</td>
<td>35</td>
<td>(151)</td>
<td>(221)</td>
</tr>
</tbody>
</table>
2010 Full Year Guidance

- Exchange rate volatility has impacted earnings in 2010 as approximately 70% of our business is international
  - We use forward currency contracts to hedge certain transactions, therefore we recognize mark-to-market gains and losses in other income/expense every quarter
  - We also have translation exposures on our foreign operations that affect the valuation of our income statement, balance sheet, and statement of cash flows
  - Significant strengthening of the U.S. dollar against multiple foreign currencies negatively impacted our earnings outlook by an estimated $0.47 per share in both above and below the line charges (not including $0.15 related to Venezuela)
  - Our updated guidance for full-year 2010 is based on a EUR/US exchange rate of 1.25 for the second half 2010, generating an expected adverse currency impact for the second half when compared to original guidance which used EUR/US 1.43

- Reducing our full year estimated after-tax charge related to the Venezuelan currency devaluation to the $0.15 per share already taken in the first half of 2010

Affirming 2010 full year EPS target range to between $6.35 to $7.15 including up to $20 million (approximately $0.26 per share) in realignment charges and an estimated after-tax charge of around $8.6 million (approximately $0.15 per share) related to the Venezuelan Currency Devaluation
Questions and Answers
Appendix
Quarterly Bookings Performance

($ millions)

Q1: 2006 $879, 2007 $1,089, 2008 $1,072, 2009 $1,129, 2010 $1,429

Q2: 2006 $912, 2007 $1,053, 2008 $1,036, 2009 $1,134, 2010 $1,311

Q3: 2006 $975, 2007 $1,061, 2008 $975, 2009 $1,373, 2010 $1,373


- Represents Q2 2010 gross bookings excluding cancellations of $5.6 million
- Q2 2010 bookings included negative currency impact of approximately $12 million compared to Q2 2009
<table>
<thead>
<tr>
<th>Quarter</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Q1</td>
<td>$803</td>
<td>$993</td>
<td>$959</td>
<td>$1,058</td>
<td>$1,025</td>
</tr>
<tr>
<td>Q2</td>
<td>$803</td>
<td>$959</td>
<td>$931</td>
<td>$1,090</td>
<td>$1,158</td>
</tr>
<tr>
<td>Q3</td>
<td>$771</td>
<td>$919</td>
<td>$961</td>
<td>$1,154</td>
<td>$1,154</td>
</tr>
<tr>
<td>Q4</td>
<td>$1,109</td>
<td>$1,169</td>
<td>$1,199</td>
<td>$1,051</td>
<td>$1,109</td>
</tr>
</tbody>
</table>

- Q2 2010 sales included negative currency impact of approximately $14 million compared to Q2 2009
## Q2 Year-to-Date Realignment Overview

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Restructuring</th>
<th>Non-Restructuring</th>
<th>Total Realignment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EPD</td>
<td>IPD</td>
<td>FCD</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>-1.0</td>
<td>-0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.4</td>
<td>1.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>

- All amounts noted above are under review and subject to change
## Primary Working Capital

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

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Q2 2009</th>
<th></th>
<th>Q4 2009</th>
<th></th>
<th>Q2 2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>Receivables</td>
<td>853</td>
<td>19.2%</td>
<td>792</td>
<td>18.1%</td>
<td>763</td>
<td>18.3%</td>
</tr>
<tr>
<td>Inventory</td>
<td>892</td>
<td>20.1%</td>
<td>795</td>
<td>18.2%</td>
<td>798</td>
<td>19.1%</td>
</tr>
<tr>
<td>Payables</td>
<td>(438)</td>
<td>(9.9%)</td>
<td>(493)</td>
<td>(11.3%)</td>
<td>(388)</td>
<td>(9.3%)</td>
</tr>
<tr>
<td>Primary Working Capital</td>
<td>1,307</td>
<td>29.4%</td>
<td>1,094</td>
<td>25.0%</td>
<td>1,173</td>
<td>28.1%</td>
</tr>
<tr>
<td>Advance Cash*</td>
<td>(403)</td>
<td>(9.1%)</td>
<td>(385)</td>
<td>(8.8%)</td>
<td>(334)</td>
<td>(8.0%)</td>
</tr>
<tr>
<td>Total</td>
<td>904</td>
<td>20.3%</td>
<td>709</td>
<td>16.2%</td>
<td>839</td>
<td>20.1%</td>
</tr>
<tr>
<td>Backlog</td>
<td>2,715</td>
<td></td>
<td>2,371</td>
<td></td>
<td>2,501</td>
<td></td>
</tr>
</tbody>
</table>

*Advance cash commitments from customers to fund working capital

---

**Improvement in primary working capital**
Non-GAAP Reconciliation
**Divisional Adjusted Operating Income**

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>EPD</th>
<th>IPD</th>
<th>FCD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q2 2010</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported GAAP Operating Income</td>
<td>106.3</td>
<td>15.9</td>
<td>42.2</td>
</tr>
<tr>
<td>Realignment Charges</td>
<td>0.2</td>
<td>4.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Adjusted Operating Income</td>
<td>106.5</td>
<td>20.0</td>
<td>45.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>EPD</th>
<th>IPD</th>
<th>FCD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year-To-Date</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported GAAP Operating Income</td>
<td>208.6</td>
<td>36.9</td>
<td>82.2</td>
</tr>
<tr>
<td>Realignment Charges</td>
<td>0.4</td>
<td>4.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Adjusted Operating Income</td>
<td>209.0</td>
<td>41.2</td>
<td>85.3</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Q2 2010</th>
<th>Year-To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating Income</td>
<td>Diluted EPS</td>
</tr>
<tr>
<td>Reported GAAP</td>
<td>146.0</td>
<td>$1.62</td>
</tr>
<tr>
<td>Realignment Charges</td>
<td>7.6</td>
<td>$0.10</td>
</tr>
<tr>
<td>Adjusted</td>
<td>153.6</td>
<td>$1.72</td>
</tr>
</tbody>
</table>

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.