SAFE HARBOR STATEMENT: This presentation release 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 release are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in 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; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; economic, political and other risks associated with our international operations, including military actions 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 exchange 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 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 relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; access to public and private sources of debt financing; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; 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 release are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statement.
Flowserve Corporation

- **Leading manufacturer and aftermarket service provider of comprehensive flow control systems**
  - History dates back 1790 with more than 50 well-respected brands such as Worthington, IDP, Valtek, Limitorqure, Durco and Edward

- **Develop and manufacture precision-engineered flow control equipment for customer’s critical processes**
  - Portfolio includes pumps, valves, seals, automation and aftermarket services supporting global infrastructure industries
  - Focused on oil & gas, power, chemical, water and general industries

- **Worldwide presence with approximately 16,500 employees**
  - 65 manufacturing facilities and 175 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 companies, engineering & construction firms, and global distributors

- **Established commitment to safety and quality with a strong ethical and compliance culture**
Flowserve has a diverse mix of products, end markets and geographic exposures which has provided earning stability through the cycle and decreased the overall risk profile of the company.

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

Diverse of End Markets
- 3Q12 TTM Booking Mix
  - General Industries 22%
  - Water 5%
  - Chemical 18%
  - Power 14%
  - O&G 41%

Geographic Diversification
- 3Q12 TTM Sales Mix
  - Latin America 10%
  - Middle East & Africa 15%
  - Asia Pacific 21%
  - Europe 21%
  - North America 33%

Diverse OE / AM Mix
- 3Q12 TTM Sales Mix
  - AM 40%
  - OE 60%
Growing the Aftermarket
Supporting Our Diversified Risk Model

- Significant expansion in QRC network, now operating in 175 locations worldwide
- Enhanced services and solutions offerings
- Approximately 450 global customer alliances
- Resilient high margin business with less cyclicality

Our extensive network of company-owned QRCs – the largest in the industry – has positioned our aftermarket business for continued growth
Benefits of New COO Structure

**Evolution of Flowserve**

- **3 organizations**
- **2 organizations**
- **1 unified organization**

- Sales, project pursuit and QRC platform leverage
- Common processes
- Expense leverage & shared services
- Increased focus on Enterprise Frame Agreements as customers reduce number of vendors
The Flowserve Difference

Customer-Centric Culture
On-Time Delivery, Product Quality, Reliability, Local Service

Customer Intimacy
• Understanding of the process, application, and environment
• Local aftermarket presence
• End-to-end view of the project lifecycle

Technology Leadership
• Local engineering capabilities
• Technical and application expertise
• Company and customer funded R & D
• Investment in basic and advanced research

Operations
• Highest On-time-delivery in the industry
• Focus on quality
• Six Sigma culture
• Meeting our commitments to customers

Globalization
• Global Quick Response Center (QRC) network
• Shared engineering processes
• Strategic sourcing
• Project management expertise

We understand what is important to the customer
We have the technology to solve complex customer problems
We exceed customer expectations of delivery and quality
We have the largest network of company-owned facilities in the industry

Our products, global footprint, delivery, and commitment to customers’ needs make Flowserve the low-risk provider of flow control technologies and services
Total Served Market for Pumps, Valves and Seals

**Served* Market for Pumps, Valves & Seals**

(PVS, $B)

- Estimated total available market spending for PVS during 2011 was ~$120B
- Flowserve’s served markets* represent ~75% of the total market available
- In 2011, emerging market spend was estimated to surpass mature market spend for the first time (39% to 52% from 2004 to 2011)

* Portions of the total available market that Flowserve does not serve: Building and Construction, Marine, and “Other General Industrial”.

**While the emerging markets now rival the market spend of mature markets, both represent significant opportunities for Flowserve**
## World’s Primary Energy Demand

### Contribution by Fuel Source  
[Btoe = billion tons of oil equivalent]

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Contribution by Fuel Source</th>
<th>Total Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transportation</td>
<td>Industrial Use</td>
</tr>
<tr>
<td>2009</td>
<td>33%</td>
<td>27%</td>
</tr>
<tr>
<td>2020</td>
<td>30%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### CAGR 2009 to 2020

- OIL: 0.9%
- COAL: 2.0%
- GAS: 2.2%
- BIO MASS: 1.8%
- NUCLEAR: 2.6%
- HYDRO: 2.7%
- RENEWABLES: 10.2%

Steady long-term energy demand growth forecasted to fuel needs of a growing and modernizing world.

Sources: IEA WEO Outlook 2011, New Policy Scenario
Strategic Localization

- India Expansion
- China Expansion
- Russia Development
- Africa Development
- Brazil Expansion Program
- Latin America QRC Expansion
- Middle East Development
- Asia Pacific QRC Build-out

Expansion of manufacturing and QRC footprint follows the capital investment plans of our key customers and served markets
FLS Strategic Footprint

- **North America**
  - Manufacturing: 19
  - QRC: 58

- **Latin America**
  - Manufacturing: 6
  - QRC: 23

- **Europe, Middle East & Africa**
  - Manufacturing: 28
  - QRC: 53

- **Asia Pacific**
  - Manufacturing: 12
  - QRC: 41

**65 Manufacturing / 175 QRC Sites Globally**
*Excludes non-consolidated JV operations*
Repositioned to Capture Accelerating Emerging Market Growth

Bookings Growth in Emerging Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales ($million)</th>
<th>% of Total Bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$1,424</td>
<td>39%</td>
</tr>
<tr>
<td>2007</td>
<td>$1,545</td>
<td>36%</td>
</tr>
<tr>
<td>2008</td>
<td>$2,105</td>
<td>41%</td>
</tr>
<tr>
<td>2009</td>
<td>$1,611</td>
<td>42%</td>
</tr>
<tr>
<td>2010</td>
<td>$1,792</td>
<td>43%</td>
</tr>
<tr>
<td>2011</td>
<td>$2,123</td>
<td>46%</td>
</tr>
<tr>
<td>TTM 3Q12</td>
<td>$2,223</td>
<td>47%</td>
</tr>
</tbody>
</table>

Employee Growth in Emerging Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Total Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>15%</td>
</tr>
<tr>
<td>2007</td>
<td>16%</td>
</tr>
<tr>
<td>2008</td>
<td>17%</td>
</tr>
<tr>
<td>2009</td>
<td>19%</td>
</tr>
<tr>
<td>2010</td>
<td>20%</td>
</tr>
<tr>
<td>2011</td>
<td>23%</td>
</tr>
</tbody>
</table>

Strategic localization has driven investment in higher growth, developing regions to meet increased local demand and growing content requirements.
Engineered Product Division (EPD)

- **Products** - EPD provides highly custom engineered pump and seal packages
- **Industries** - 71% of bookings in the oil & gas and power markets
- **Regions** - Driven by large global capital projects and local aftermarket solutions
Industrial Product Division (IPD)

- **Products** - IPD provides pre-configured, industrial pump products
- **Industries** - 62% of bookings in the chemical, water and general industries
- **Regions** - Driven by local manufacturing availability and parts support
Flow Control Division (FCD)

- ¾-turn ball, plug, and butterfly valves designed for isolation of highly corrosive, erosive, or lethal processes
- Pneumatic valve actuation and automation solutions

*Products - FCD provides highly engineered and pre-configured valves*

*Industries – Bookings balanced across oil & gas, chemical, power, and GI*

*Regions - Driven by large global capital projects and local aftermarket solutions*
Q3 2012 Financial Highlights

Reported EPS* of $2.07, including $0.12 of currency related expenses in Other Expense, net

- Up 7.8% versus Q3 2011 Reported EPS of $1.92 which included $0.08 of currency related expenses in Other Expense, net and $0.02 impact from realignment charges
- Q3 2012 includes $0.18 above the line negative foreign currency translation impact

Solid bookings of $1.19 billion, up 2.3% versus prior year, up 9.0% on a constant currency basis, driven by the oil and gas industry in EPD and IPD, partially offset by decrease in power in EPD and chemical in FCD

- Includes IPD orders in excess of $90 million to supply offshore oil and gas platform equipment over the next five years, primarily in Latin America
- Solid aftermarket bookings of $475 million, down 2.6% or up 2.3% on a constant currency basis vs. 2011
- Strength in Latin America and North America, partially offset by decrease in Asia Pacific, Middle East/Africa and Europe

Reported operating margin of 14.2%, up 40 basis points versus prior year

- Operating margin impacted negatively by 2% mix shift towards lower margin original equipment and shipments of low margin legacy backlog
  - Expect legacy backlog to be removed as a margin issue in 2013
  - SG&A as a percent of sales declined 60 bps due, in part, to focused cost management

Backlog at $2.88 billion, up 7.1% over 2011 year-end

- Expected margins in backlog continued to improve with continued disciplined bid selectivity across all platforms
- Includes highest quarterly recorded aftermarket backlog of $713 million

*Calculated using Q3 2012 fully diluted shares of 51.3 million
Strong Focus on Working Capital Improvement

- Management actively engaged in reducing working capital with sharp operational excellence focus
  - Accounts receivable at 85 days at the end of Q3
    - Working to drive DSO into mid-60s over the next 9 – 15 months
  - Inventory levels in 2012 have been in line with revenue forecast and increased backlog
    - Inventory turns at 2.7x in the third quarter, with 15 – 21 months target of 4.0x to 4.5x turns

*Management actively driving for improvement in working capital efficiency*
Strategically Deploying Capital

- Forecast Long-Term Growth and Return Targets
- Establish Valuation Based on Business Plan

- Establish Credit Characteristics and Liquidity Objectives, and Adjust Debt/Cash as Indicated

- Fund Maintenance Capex, Pension and Benefit Plans, and Regular Dividend

- Allocate Excess Capital to Highest Risk-adjusted Return Alternative that Exceeds WACC

Allocation Alternatives

- Organic Growth Initiatives
- Acquisitions
- Repurchase Shares

Allocating Capital to the Most Accretive Alternative
## Capital Deployment

Approximately $2.8 billion in capital deployed from 2006 to Q3 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>2006 – Q3 2012</th>
<th>% of Total</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Repurchases/Dividends</td>
<td>$1.35B</td>
<td>49%</td>
<td>Returned capital to equity providers while continuing to invest in profitable growth</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$692M</td>
<td>25%</td>
<td>Invested in operational platform growth and efficiency and strategic investments in emerging markets</td>
</tr>
<tr>
<td>Acquisitions, net of divestitures</td>
<td>$287M</td>
<td>10%</td>
<td>Disciplined inorganic growth focused on strategic fit to strengthen capabilities</td>
</tr>
<tr>
<td>U.S. Pension Contributions</td>
<td>$236M</td>
<td>9%</td>
<td>Fully funded on a Pension Protection Act basis as of 1/1/2011</td>
</tr>
<tr>
<td>Realignment</td>
<td>$72M</td>
<td>3%</td>
<td>Scaled and optimized operating platform globally</td>
</tr>
<tr>
<td>Increase in Cash</td>
<td>$119M</td>
<td>4%</td>
<td>Strengthened cash position while maintaining a balanced approach to cash deployment</td>
</tr>
</tbody>
</table>
Business Outlook

- COO structure and “One Flowserve” initiatives continued to drive disciplined, profitable growth
  - Focus on front-end processes and long-cycle market improvements combined to increase expected margin quality in backlog
- Recently announced Dow Benelux five year service agreement driven by strategic investments in our end user strategies
- Focus on driving increased total shareholder return and optimal capital allocation
  - Increased balance sheet efficiency by issuing $500 million 10-year notes at 3.5% as we target gross debt to EBITDA of 1 to 2 times
  - Repurchased $101 million of shares in Q3 2012 and $534 million YTD as we work to complete remaining $524 million of $1 billion share repurchase program in 2013
  - Continued to focus on organic growth investments and bolt-on acquisitions
- Strong third quarter and improving backlog position us well for Q4 and 2013
  - Diversified end-market and geographic exposures continue to mitigate risk and provide incremental opportunities for enhanced growth and profitability
# 2012 Guidance Range

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>$8.20 – $8.70</td>
</tr>
<tr>
<td>Revenue Growth (^1)</td>
<td>5 – 7%</td>
</tr>
<tr>
<td>Current Currency Impact (^2)</td>
<td>~ ($1.00 - $1.10) of EPS</td>
</tr>
<tr>
<td>Share Repurchase Impact (^3)</td>
<td>~ $0.30 of EPS</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$125 - 135M</td>
</tr>
<tr>
<td>Pension Contributions</td>
<td>$20 – $25M</td>
</tr>
</tbody>
</table>

**Longer Term Guidance:**

- 2-3 Year Operating Margin Improvement Target: 150 – 250 bps
- 2-3 Year SG&A as % Sales Target: 18%
- Capital Returned to Shareholders \(^4\): 40-50% of Net Earnings

---

\(^1\) Does not assume impact of potential attractive acquisitions which may arise

\(^2\) Negative currency effects of approximately $1.00 to $1.10 when compared to average 2011 exchange rates due to strengthening dollar

\(^3\) Execution on capital structure strategy with increased share repurchase activity, offset by incremental interest expense to yield a net benefit of approximately $0.30

\(^4\) Financial policy to return 40 - 50% of 2 year average of net earnings to shareholders on a annual basis

---

As of Oct 30\(^{th}\), tightened 2012 full year EPS target range to $8.20 to $8.70
Positioned for Profitable Growth and Long Term Shareholder Value Creation

- Executing *One Flowserve* initiative driving unified leadership to leverage operational excellence across all operations.
- Diverse end markets, geographic, long and short cycle original equipment and aftermarket exposures provide reduced risk and earnings stability through cycles.
- Consistent, strong cash flow generation and solid balance sheet provide financial flexibility to support profitable growth and value creation.
- Market-leading, differentiated products and global reach enable Flowserve to capitalize on compelling growth opportunities.
- Focus on high-margin segments including customized products and aftermarket through innovation and continuous portfolio management.
- Disciplined cost management culture has supported margins through downturn and continues to drive operating efficiencies.
- Deep commitment to serving customers and generating long-term shareholder value.
QUESTIONS & ANSWERS
APPENDIX
2012 YTD Consolidated Bookings & Sales

**BOOKINGS**

<table>
<thead>
<tr>
<th></th>
<th>3Q12 YTD</th>
<th>3Q11 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Equipment</td>
<td>60%</td>
<td>61%</td>
</tr>
<tr>
<td>Aftermarket</td>
<td>40%</td>
<td>39%</td>
</tr>
</tbody>
</table>

$3.64B

**SALES**

<table>
<thead>
<tr>
<th></th>
<th>3Q12 YTD</th>
<th>3Q11 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Equipment</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Aftermarket</td>
<td>40%</td>
<td>41%</td>
</tr>
</tbody>
</table>

$3.42B

**Bookings**

YTD bookings for 2012 increased 3.1% over prior year, or 8.4% on a constant currency basis, driven by the oil and gas and chemical industries in EPD and IPD, partially offset by the power industry in EPD.

**Sales**

YTD sales for 2012 strengthened 5.5% over prior year, or 11.2% on a constant currency basis, reflecting improved original equipment sales with increased activity in North America and Asia Pacific, partially offset by a decrease in Europe.

**Sources:** Flowserve Internal Data
2012 YTD Bookings & Industry Outlook

**OIL & GAS**
- Positive long-term outlook due to emerging market demand growth; this is driving high levels of capital spending
- Western hemisphere increasingly important in upstream given deep water, oil sands and shale resources
- New refining capacity centered in Middle East & China; opportunities elsewhere mixed

**POWER**
- Emerging markets and environmental factors fuel long-term power investment, but current market soft due to weak global economic growth
- Coal-fired power investment concentrated in Asia & East Europe; gas-fired and renewables in North America, West Europe & Middle East
- Nuclear market is still in transition but there are more proposed and planned nuclear reactors today versus last year

**CHEMICAL**
- China’s construction & manufacturing expansion drives chemical demand; future growth rates high but expected to moderate
- Capacity expansion is mostly in Asia & Middle East, but shale gas is putting North America back in play

**GENERAL INDUSTRIES**
- Miners spending more carefully with concerns about demand and overcapacity; seeing some project delays while others move forward
- Favorable long-term outlook in mining and mineral project activity given emerging market demand and global population growth

**Sources:** GlobalData, IEA, Platts, World Nuclear Association, ICIS.com, DesalData (GWI), Industrial Info Resources, Flowserve Internal Data
2012 YTD Sales & Regional Outlook

**NORTH AMERICA**
- Unconventional oil & gas boom resulting in strong pipeline, storage and natural gas liquid (NGL) spend, as well as downstream chemical investment
- Shift from coal- to gas-fired power generation capacity accelerated due to economic and environmental factors

**EUROPE**
- Downward pressure on investment remains given European economic crisis as well as structural changes in refining and power markets
- East Europe and Russia experiencing good level of project activity in energy and industrial markets

**MIDDLE EAST**
- Nearly a third of new refining capacity to be built in the next few years will be based in the Middle East
- Region diversifying its power generation base with addition of new gas-fired and renewable power; Middle East & North Africa investing in solar

**ASIA-PACIFIC**
- Liquified natural gas (LNG) investment continues in Australia with near- and long-term potential emerging in other market regions
- China and the rest of Asia accounts for the majority of new refining and chemical capacity planned in the next few years

**LATIN AMERICA**
- Deep water project investments are a priority for the oil & gas industry in Brazil and Mexico
- Strong level of mining and mineral processing activity expected to continue in the region

Regional Sales Data includes estimates and sales to contractors, distributors and end users who may transfer product to different region

**Sources:** Economist Intelligence Unit, Industrial Info Resources, GlobalData, Platts, ICIS.com, DesalData (GWI), Wall Street Journal, Flowserve Internal Data
### Q3 2012 - Consolidated Financial Results

<table>
<thead>
<tr>
<th></th>
<th>3rd Quarter</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 ($)</td>
<td>2011 ($)</td>
</tr>
<tr>
<td><strong>Bookings</strong></td>
<td>$1,186.1</td>
<td>$1,159.7</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>$1,165.9</td>
<td>$1,121.8</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$389.6</td>
<td>$376.6</td>
</tr>
<tr>
<td><strong>Gross Margin (%)</strong></td>
<td>33.4%</td>
<td>33.6%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>$227.8</td>
<td>$226.0</td>
</tr>
<tr>
<td><strong>SG&amp;A (%)</strong></td>
<td>19.5%</td>
<td>20.1%</td>
</tr>
<tr>
<td><strong>Income from Affiliates</strong></td>
<td>$3.9</td>
<td>$4.4</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$165.7</td>
<td>$155.0</td>
</tr>
<tr>
<td><strong>Operating Margin (%)</strong></td>
<td>14.2%</td>
<td>13.8%</td>
</tr>
<tr>
<td><strong>Adjusted Operating Income</strong></td>
<td>$165.1</td>
<td>$166.2</td>
</tr>
<tr>
<td><strong>Adjusted Operating Margin (%)</strong></td>
<td>14.2%</td>
<td>13.9%</td>
</tr>
<tr>
<td>**Other (Expense) / Income, net *****</td>
<td>$(9.2)</td>
<td>$(6.6)</td>
</tr>
<tr>
<td><strong>Tax Expense</strong></td>
<td>$37.8</td>
<td>$32.1</td>
</tr>
<tr>
<td><strong>Net Earnings</strong></td>
<td>$106.3</td>
<td>$107.8</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>$2.07</td>
<td>$1.92</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong></td>
<td>$2.06</td>
<td>$1.94</td>
</tr>
</tbody>
</table>

Repurchased 4,318,085 shares YTD 2012 in conjunction with the company’s previously announced buyback programs

* Adjusted operating income and adjusted EPS exclude realignment charges of $(0.6) million and $1.2 million for Q3 2012 and Q3 2011, respectively, and $10.4 million for YTD 2011

** Constant FX represents the year over year variance assuming 2012 results at 2011 FX rates

*** YTD 2012 includes $21.6 million impact of foreign exchange contract losses and losses arising from transactions in currencies other than our sites’ functional currencies vs. a gain of $7.9 million YTD 2011
### Q3 2012 Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Q1 2012</th>
<th>Q2 2012</th>
<th>Q3 2012</th>
<th>YTD 2012</th>
<th>YTD 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$94</td>
<td>$108</td>
<td>$107</td>
<td>$309</td>
<td>$304</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>28</td>
<td>27</td>
<td>26</td>
<td>81</td>
<td>80</td>
</tr>
<tr>
<td><strong>Change in working capital</strong></td>
<td>(214)</td>
<td>31</td>
<td>(70)</td>
<td>(253)</td>
<td>(575)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(16)</td>
<td>2</td>
<td>0</td>
<td>(14)</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total Operating Activities</strong></td>
<td>(108)</td>
<td>168</td>
<td>63</td>
<td>123</td>
<td>(150)</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>(29)</td>
<td>(28)</td>
<td>(27)</td>
<td>(84)</td>
<td>(71)</td>
</tr>
<tr>
<td><strong>Acquisitions &amp; Other</strong></td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Investing Activities</strong></td>
<td>(27)</td>
<td>(28)</td>
<td>(26)</td>
<td>(81)</td>
<td>(69)</td>
</tr>
<tr>
<td><strong>Proceeds of debt</strong></td>
<td>1</td>
<td>304</td>
<td>893</td>
<td>1,198</td>
<td>1</td>
</tr>
<tr>
<td><strong>Payments on debt</strong></td>
<td>(6)</td>
<td>(6)</td>
<td>(763)</td>
<td>(775)</td>
<td>(19)</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>(17)</td>
<td>(20)</td>
<td>(18)</td>
<td>(56)</td>
<td>(52)</td>
</tr>
<tr>
<td><strong>Repurchase of common shares</strong></td>
<td>(22)</td>
<td>(411)</td>
<td>(101)</td>
<td>(534)</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>11</td>
<td>0</td>
<td>(9)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Financing Activities</strong></td>
<td>(34)</td>
<td>(133)</td>
<td>2</td>
<td>(165)</td>
<td>(110)</td>
</tr>
<tr>
<td><strong>Effect of exchange rates</strong></td>
<td>4</td>
<td>(5)</td>
<td>4</td>
<td>3</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Net (Decrease) / Increase in Cash</strong></td>
<td>$165</td>
<td>$3</td>
<td>$42</td>
<td>$120</td>
<td>$330</td>
</tr>
</tbody>
</table>

*Repurchased 4.318 Million Shares YTD, Executed New $1.25 Billion Credit Facility and Issued $500 Million, 3.5% 10-Year Senior Notes*

*$411 million repurchase of shares in Q2 2012 includes $60 million paid under the accelerated share repurchase program for shares that will be settled at the conclusion of the program*
Primary Working Capital

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

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Q3 2012</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,106</td>
<td>23.6%</td>
</tr>
<tr>
<td>Inventory, net</td>
<td>1,156</td>
<td>24.7%</td>
</tr>
<tr>
<td>Payables</td>
<td>(516)</td>
<td>(11.0%)</td>
</tr>
<tr>
<td><strong>Primary Working Capital</strong></td>
<td><strong>1,746</strong></td>
<td><strong>37.3%</strong></td>
</tr>
<tr>
<td>Advance Cash*</td>
<td>(413)</td>
<td>(8.8%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,333</td>
<td>28.5%</td>
</tr>
<tr>
<td>Backlog</td>
<td>2,881</td>
<td></td>
</tr>
</tbody>
</table>

**Accounts Receivable**
Accounts Receivable DSO of 85 days in Q3 2012
- **Driving toward a DSO target in the mid 60’s**

**Inventory**
Inventory turns improved to 2.7x
- **Successfully reduced targeted Q1 2012 legacy past due backlog**
- **Driving towards inventory turns goal of 4.0x to 4.5x**

* Continued Management Focus on Working Capital Utilization

* Advance cash commitments from customers to fund working capital