



## *Flowserve Q3 2011 Earnings Conference Call*

*October 28, 2011*



*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,” “projects,” “predicts,” “plans,” “anticipates,” “estimates,” “believes,” “forecasts,” 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 petroleum, chemical, power and water 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 petroleum 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 and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; 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 intangibles; 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.*

# ***Business Overview***

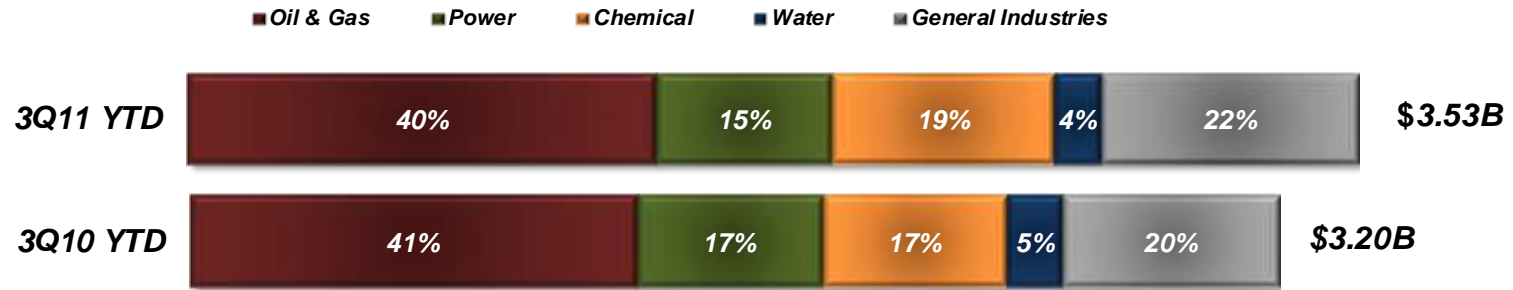
- Top line growth and improved operating performance delivered another solid earnings and bookings quarter notwithstanding challenging global conditions
- Short cycle business remains strong supported by improved activity in the chemical, general industries and oil and gas sectors
- Long cycle, smaller project activity volume was steady to improving while large projects remained competitive
- Strategic investments in building out our QRC network and supporting our customers around the world delivered our strongest aftermarket quarter
- Ongoing cost reductions in SG&A, manufacturing optimization and increased traction on our IPD improvement plan
- Lawrence Pumps acquisition exemplifies our disciplined, inorganic growth strategy
  - Remain focused on bolt-on acquisition opportunities that enhance shareholder value
- \$300 million share repurchase program announced during the quarter reflects continuing commitment to returning cash to shareholders
- Strong backlog, realigned platform, increased aftermarket, global presence and broad product capabilities have us well positioned for 2012 and beyond

## Q3 2011 Highlights

- Reported EPS\* of \$1.92, up 4.3% versus Q3 2010, up about 20% excluding currency effects
  - Q3 2011 EPS includes \$0.08 of foreign currency expenses primarily related to cash flow hedges in Other Income / (Expense)
- Strong bookings of \$1.16 billion, up 15.9% versus Q3 2010, up 10.2% on a constant currency basis
  - Continued recovery in short cycle original equipment including improved pricing in certain areas
  - Smaller project activity improving while large projects remain competitive
  - Record aftermarket bookings of \$488 million driven by end user strategies and investments
- Reported operating margin of 13.8%, up 50 basis points versus prior year
  - Volume improvements in the short cycle business
  - Improvements in SG&A and cost controls more than offset impact of revenues from a small number of large projects with very low margins and negative currency effects on certain U.S. dollar denominated sales generated in non-U.S. facilities
- Backlog at \$2.81 billion, up 8.4% versus Q4 2010 on Q3 2011 book to bill of 1.03
  - About 25% of backlog reflects aftermarket orders

**Updating 2011 full year EPS target range to \$7.45 to \$7.85**

# 2011 YTD Bookings & Industry Outlook



## OIL & GAS

- ✓ Economic development and energy demand drive long-term spend; unconventional resources attract funds, provide opportunity
- ✓ Strong upstream, both onshore and offshore; new potential in deep water production, floating LNG and shale resources
- ✓ Most new refining capacity in emerging markets; additional downstream potential in upgrades and conversions

## POWER

- ✓ Increasing long term global demand drives project planning; development may be choppy due to market, political constraints
- ✓ Greater opportunity in combined cycle plants where natural gas abundant, environmental regulations on the rise
- ✓ IAEA projects slower nuclear growth after Fukushima; numerous countries proceed with nuclear development plans

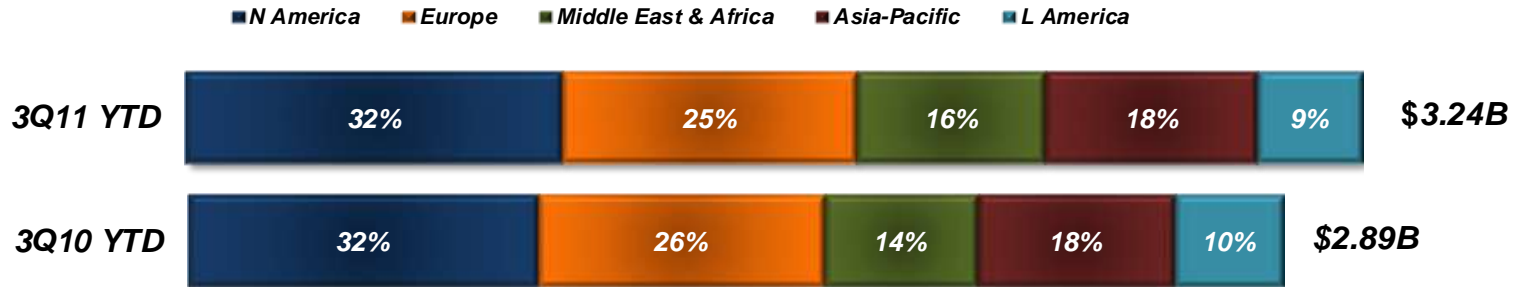
## CHEMICAL

- ✓ Global chemical industry continues steady expansion to meet emerging market demand
- ✓ Chemical majors signal significant investment in US ethylene based on low-cost ethane feedstock available from gas shale

## WATER

- ✓ Desalination growth tied to power demand, particularly in Asia Pacific and Middle East, development may be choppy due to budgeting constraints

# 2011 YTD Sales & Regional Outlook



## MIDDLE EAST

- ✓ Positive outlook in oil & gas and chemicals as region continues to leverage resource base, diversify economies further downstream
- ✓ Industrialization drives need for further investment in power generation; region developing predominantly gas/oil-fired projects
- ✓ Ongoing political uncertainty delays some projects; international oil companies tentatively encouraged by opportunities in Iraq, Libya

## ASIA PACIFIC

- ✓ Significant investment going toward LNG production offshore Australia; country set to overtake Qatar as world's leading LNG producer
- ✓ Refining and petrochemical project activity continues with positive outlook in China, India and elsewhere in the region
- ✓ Strong long-term planning for new power generation capacity, especially in India; region currently favors coal-fired plants

## LATIN AMERICA

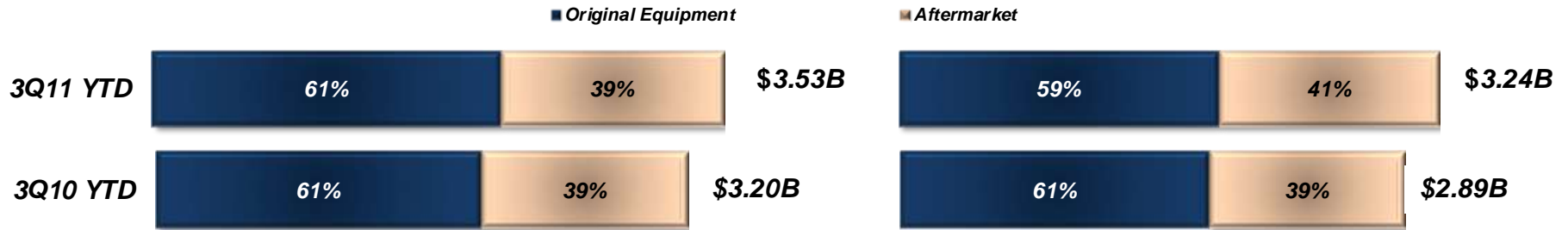
- ✓ Favorable energy investment climate in Brazil given deep water oil reserves and consumer, infrastructure demands
- ✓ Global demand for commodities supports continued mining investment despite labor, governmental constraints

**Flowserve's strong geographic diversification and strength in emerging markets continued to drive sales growth**

# 2011 YTD Bookings & Sales

## BOOKINGS

## SALES



- Bookings growth attributable to increased original equipment bookings in FCD and IPD, coupled with increased aftermarket bookings in EPD
  - Strength in oil and gas and chemical industries in FCD and general industries in both FCD and IPD partially offset by a decrease in power in IPD
- Aftermarket bookings for the first nine months of 2011 increased 10.4% compared to the same period in 2010, and increased 20.3% versus Q3 2010
- Aftermarket sales for the first nine months of 2011 increased 18.5% compared to the same period in 2010, and increased 20.2% versus Q3 2010
- Original equipment bookings for the first nine months of 2011 increased 9.9% compared to the same period in 2010, and increased 12.9% versus Q3 2010

***Flowserve's investment in QRCs, Integrated Services Group and End User Strategy has driven profitable growth***

# Q3 2011 – Consolidated Financial Results

(\$ millions)	3rd Quarter					YTD				
	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 1,000.3	\$ 1,159.7	\$ 159.4	15.9%	10.2%	\$ 3,202.2	\$ 3,526.6	\$ 324.4	10.1%	5.2%
<b>Sales</b>	\$ 971.7	\$ 1,121.8	\$ 150.1	15.4%	9.9%	\$ 2,891.7	\$ 3,244.8	\$ 353.1	12.2%	7.0%
<b>Gross Profit</b>	\$ 333.5	\$ 376.6	\$ 43.1	12.9%		\$ 1,025.2	\$ 1,093.6	\$ 68.4	6.7%	
<b>Gross Margin (%)</b>	34.3%	33.6%		(70 bps)		35.5%	33.7%		(180 bps)	
<b>SG&amp;A</b>	\$ 207.7	\$ 226.0	\$ 18.3	8.8%	4.0%	\$ 620.3	\$ 681.6	\$ 61.3	9.9%	5.7%
<b>SG&amp;A (%)</b>	21.4%	20.1%		(130 bps)		21.5%	21.0%		(50 bps)	
<b>Income from Affiliates</b>	\$ 3.4	\$ 4.4	\$ 1.0	29.4%		\$ 12.5	\$ 13.3	\$ 0.8	6.4%	
<b>Operating Income</b>	\$ 129.2	\$ 155.0	\$ 25.8	20.0%	15.3%	\$ 417.4	\$ 425.3	\$ 7.9	1.9%	(2.7%)
<b>Operating Margin (%)</b>	13.3%	13.8%		50 bps		14.4%	13.1%		(130 bps)	
<b>Adjusted Operating Income*</b>	\$ 131.3	\$ 156.2	\$ 24.9	19.0%		\$ 427.6	\$ 435.7	\$ 8.1	1.9%	
<b>Adjusted Operating Margin (%)*</b>	13.5%	13.9%		40 bps		14.8%	13.4%		(140 bps)	
<b>Other Income / (Expense), net</b>	\$ 18.6	\$ (6.6)	\$ (25.2)	(135.5%)		\$ (15.3)	\$ 7.9	\$ 23.2	151.6%	
<b>Tax Expense</b>	\$ 35.7	\$ 32.1	\$ (3.6)	(10.1%)		\$ 101.1	\$ 103.9	\$ 2.8	2.8%	
<b>Net Earnings</b>	\$ 103.9	\$ 107.8	\$ 3.9	3.8%		\$ 275.8	\$ 303.5	\$ 27.7	10.0%	
<b>Diluted EPS</b>	\$ 1.84	\$ 1.92	\$ 0.08	4.3%		\$ 4.89	\$ 5.40	\$ 0.51	10.4%	
<b>Adjusted EPS*</b>	\$ 1.87	\$ 1.94	\$ 0.07	3.7%		\$ 5.02	\$ 5.53	\$ 0.51	10.2%	

- As of 9/30/11, 3.12 million shares (381,250 shares YTD 2011) 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 \$2.1 million and \$1.2 million for Q3 2010 and Q3 2011, respectively and \$10.2 million and \$10.4 million for YTD 2010 and YTD 2011, respectively

\*\* Constant FX represents the year over year variance assuming 2011 results at 2010 FX rates



## Q3 2011 Cash Flows

(\$ millions)	Q1	Q2	Q3	YTD	
	2011	2011	2011	2011	2010
Net Income	\$ 97	\$ 99	\$ 109	\$ 304	\$ 276
Depreciation and amortization	26	27	27	80	75
Change in working capital	(362)	(143)	(70)	(575)	(378)
Other	11	8	22	41	10
<b>Total Operating Activities</b>	<b>(228)</b>	<b>(10)</b>	<b>88</b>	<b>(150)</b>	<b>(17)</b>
Capital expenditures	(24)	(24)	(23)	(71)	(46)
Other	3	0	0	3	(188)
<b>Total Investing Activities</b>	<b>(21)</b>	<b>(24)</b>	<b>(23)</b>	<b>(69)</b>	<b>(235)</b>
Payments on long-term debt	(6)	(6)	(6)	(19)	(4)
Dividends	(16)	(18)	(18)	(52)	(47)
Proceeds of debt or other	8	1	(8)	1	12
Repurchase of common shares	(14)	(12)	(15)	(41)	(34)
Proceeds from stock option activity	0	0	0	0	6
<b>Total Financing Activities</b>	<b>(28)</b>	<b>(35)</b>	<b>(47)</b>	<b>(110)</b>	<b>(68)</b>
<b>Effect of exchange rates</b>	<b>8</b>	<b>2</b>	<b>(11)</b>	<b>(1)</b>	<b>(24)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ (269)</b>	<b>\$ (67)</b>	<b>\$ 7</b>	<b>\$ (330)</b>	<b>\$ (344)</b>

***Flexibility to return cash to shareholders & invest in business to support growth***

# Primary Working Capital

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

(\$ millions)	Q3 2010		Q2 2011		Q3 2011	
	\$	%	\$	%	\$	%
Receivables	840	20.5%	1,001	23.6%	1,023	23.3%
Inventory, net	948	23.2%	1,091	25.8%	1,077	24.6%
Payables	(437)	(10.7%)	(479)	(11.3%)	(460)	(10.5%)
<b>Primary Working Capital</b>	<b>1,351</b>	<b>33.0%</b>	<b>1,613</b>	<b>38.1%</b>	<b>1,640</b>	<b>37.4%</b>
Advance Cash*	(345)	(8.4%)	(367)	(8.7%)	(370)	(8.4%)
<b>Total</b>	<b>1,006</b>	<b>24.6%</b>	<b>1,246</b>	<b>29.4%</b>	<b>1,270</b>	<b>29.0%</b>
Backlog	2,709		2,906		2,813	

- **Flexible balance sheet allows us to support our global supply chain and growing order book while working through some execution issues**
- **Working capital build driven by receivables and past due backlog resulting from:**
  - **Tougher payment terms in the competitive environment – but no real deterioration in credit quality of our customers**
  - **Identified execution issues receiving special focus to drive resolution in Q4 2011**
  - **All past due projects identified and targeted with specific action plans to ship many by year-end**

\* Advance cash commitments from customers to fund working capital

# Engineered Product Division

## Q3 2011 Segment Results

(\$ millions)	3rd Quarter					YTD				
	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 497.9	\$ 567.6	\$ 69.7	14.0%	9.2%	\$ 1,719.5	\$ 1,753.7	\$ 34.2	2.0%	(2.3%)
<b>Sales</b>	\$ 511.3	\$ 574.3	\$ 63.0	12.3%	7.2%	\$ 1,567.6	\$ 1,655.3	\$ 87.7	5.6%	0.8%
<b>Gross Profit</b>	\$ 184.8	\$ 193.1	\$ 8.3	4.5%		\$ 575.1	\$ 573.3	\$ (1.8)	(0.3%)	
<b>Gross Margin (%)</b>	36.1%	33.6%		(250 bps)		36.7%	34.6%		(210 bps)	
<b>SG&amp;A</b>	\$ 95.1	\$ 103.8	\$ 8.7	9.1%	3.9%	\$ 283.8	\$ 312.5	\$ 28.7	10.1%	5.5%
<b>SG&amp;A (%)</b>	18.6%	18.1%		(50 bps)		18.1%	18.9%		80 bps	
<b>Income from Affiliates</b>	\$ 3.1	\$ 2.6	\$ (0.5)	(16.1%)		\$ 10.1	\$ 9.5	\$ (0.6)	(5.9%)	
<b>Operating Income</b>	\$ 92.8	\$ 91.9	\$ (0.9)	(1.0%)	(5.3%)	\$ 301.4	\$ 270.4	\$ (31.0)	(10.3%)	(14.3%)
<b>Operating Margin (%)</b>	18.1%	16.0%		(210 bps)		19.2%	16.3%		(290 bps)	
<b>Adjusted Operating Income*</b>	\$ 92.9	\$ 92.0	\$ (0.9)	(1.0%)		\$ 301.9	\$ 270.5	\$ (31.4)	(10.4%)	
<b>Adjusted Operating Margin (%)*</b>	18.2%	16.0%		(220 bps)		19.3%	16.3%		(300 bps)	

\* Adjusted operating income excludes realignment charges of \$0.1 million and \$0.1 million for Q3 2010 and Q3 2011, respectively, and \$0.5 million and \$0.1 million for YTD 2010 and YTD 2011, respectively

\*\* Constant FX represents the year over year variance assuming 2011 results at 2010 FX rates

# Engineered Product Division Q3 2011 Bookings and Sales

(\$ millions)		3rd Quarter				YTD			
		2010	2011	Delta (%)	Constant FX (%)*	2010	2011	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	189 38%	199 35%	5% (300 bps)	0%	774 45%	701 40%	(9%) (500 bps)	(13%)
	AM	309 62%	369 65%	19% 300 bps	15%	946 55%	1,052 60%	11% 500 bps	8%
Sales Mix **	OE	220 43%	235 41%	7% (200 bps)	2%	721 46%	653 39%	(9%) (700 bps)	(14%)
	AM	291 57%	339 59%	16% 200 bps	12%	846 54%	1,002 61%	18% 700 bps	14%

**Continued to successfully deploy resources to support strong aftermarket opportunities**

\* Constant FX represents the year over year variance assuming 2011 results at 2010 FX rates

\*\* Gross bookings and sales do not include interdivision eliminations

## ***Engineered Product Division Overview***

- Bookings were up 14.0%, or 9.2% on a constant currency basis, driven by an increase in oil and gas, power and chemical industries
  - Bookings growth driven by activity in Europe, the Middle East and Africa (“EMA”), North America and Asia Pacific
- Sales were up 12.3%, or 7.4% on a constant currency basis, due primarily to increased aftermarket activity in North America, EMA and Latin America
- Gross margin down 250 basis points due to the impact of a few isolated large projects flowing through revenue at very low margins and negative currency effects, partially offset by sales mix shift to higher margin aftermarket sales, and certain operational efficiencies
  - Estimated MENA adverse impact – \$2.0 million operating income
- Backlog increased 4.4% as compared to year end with growth in both original equipment and aftermarket
- Announced Lawrence Pump acquisition – Fills key niche product gap, strengthening the oil and gas and petrochemical pump platform with strong, previously unserved aftermarket opportunities

# Industrial Product Division

## Q3 2011 Segment Results

(\$ millions)	3rd Quarter					YTD				
	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 202.9	\$ 223.2	\$ 20.3	10.0%	4.6%	\$ 609.5	\$ 674.5	\$ 65.0	10.7%	5.9%
<b>Sales</b>	\$ 176.5	\$ 215.6	\$ 39.1	22.2%	15.9%	\$ 571.2	\$ 616.5	\$ 45.3	7.9%	3.0%
<b>Gross Profit</b>	\$ 42.0	\$ 50.9	\$ 8.9	21.2%		\$ 146.6	\$ 140.4	\$ (6.2)	(4.2%)	
<b>Gross Margin (%)</b>	23.8%	23.6%		(20 bps)		25.7%	22.8%		(290 bps)	
<b>SG&amp;A</b>	\$ 32.4	\$ 34.3	\$ 1.9	5.7%	(0.4%)	\$ 100.2	\$ 101.1	\$ 0.9	0.9%	(3.1%)
<b>SG&amp;A (%)</b>	18.4%	15.9%		(250 bps)		17.5%	16.4%		(110 bps)	
<b>Income from Affiliates</b>	\$ -	\$ -	\$ -	-		\$ -	\$ -	\$ -	-	
<b>Operating Income</b>	\$ 9.5	\$ 16.5	\$ 7.0	73.7%	63.2%	\$ 46.4	\$ 39.2	\$ (7.2)	(15.5%)	(19.8%)
<b>Operating Margin (%)</b>	5.4%	7.7%		230 bps		8.1%	6.4%		(170 bps)	
<b>Adjusted Operating Income*</b>	\$ 10.6	\$ 17.5	\$ 6.9	65.1%		\$ 51.8	\$ 49.3	\$ (2.5)	(4.8%)	
<b>Adjusted Operating Margin (%)*</b>	6.0%	8.1%		210 bps		9.1%	8.0%		(110 bps)	

\* Adjusted operating income excludes realignment charges of \$1.1 million and \$1.0 million for Q3 2010 and Q3 2011, respectively and \$5.4 million and \$10.1 million for YTD 2010 and YTD 2011, respectively

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# Industrial Product Division Q3 2011 Bookings and Sales

(\$ millions)		3rd Quarter				YTD			
		2010	2011	Delta (%)	Constant FX (%)*	2010	2011	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	133 66%	152 68%	14% 200 bps	9%	402 66%	459 68%	14% 200 bps	10%
	AM	69 34%	71 32%	3% (200 bps)	(3%)	207 34%	216 32%	4% (200 bps)	1%
Sales Mix **	OE	120 68%	138 64%	15% (400 bps)	10%	394 69%	407 66%	3% (300 bps)	(1%)
	AM	56 32%	78 36%	39% 400 bps	31%	177 31%	210 34%	19% 300 bps	13%

**Shift of bookings growth to original equipment during short cycle recovery**

\* Constant FX represents the year over year variance assuming 2011 results at 2010 FX rates

\*\* Gross bookings and Sales do not include interdivision eliminations

## ***Industrial Product Division Overview***

- Bookings increased 10.0%, or 4.6% on a constant currency basis, driven by activity in EMA and Australia in the chemical, power and oil and gas industries
- Sales were up 22.2%, or 15.9% on a constant currency basis, as IPD executed on a higher backlog driven by recovery in the short cycle industrial pumps business
- Gross margin down 20 basis points driven by increased material costs offset by a favorable mix in OE/AM and volume driven increased absorption of fixed costs
  - Realignment spending of 1.0 million in Q3 2011
  - Estimated MENA adverse impact – \$1.9 million operating income
- Backlog increased 7.1% as compared to year end, as a result of higher bookings, primarily in original equipment, and a Q3 2011 book to bill of 1.04.
- Recovery plan remains on track as business environment continues to strengthen and realigned operations gain momentum



# Flow Control Division – Q3 2011 Segment Results

(\$ millions)	3rd Quarter					YTD				
	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**	2010	2011	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 335.0	\$ 409.9	\$ 74.9	22.4%	16.1%	\$ 978.7	\$ 1,227.1	\$ 248.4	25.4%	19.8%
<b>Sales</b>	\$ 312.6	\$ 368.3	\$ 55.7	17.8%	12.1%	\$ 837.4	\$ 1,093.0	\$ 255.6	30.5%	24.8%
<b>Gross Profit</b>	\$ 107.4	\$ 131.3	\$ 23.9	22.3%		\$ 303.2	\$ 378.8	\$ 75.6	24.9%	
<b>Gross Margin (%)</b>	34.4%	35.7%		130 bps		36.2%	34.7%		(150 bps)	
<b>SG&amp;A</b>	\$ 62.1	\$ 69.3	\$ 7.2	11.7%	6.8%	\$ 177.7	\$ 211.4	\$ 33.7	19.0%	13.9%
<b>SG&amp;A (%)</b>	19.9%	18.8%		(110 bps)		21.2%	19.3%		(190 bps)	
<b>Income from Affiliates</b>	\$ 0.3	\$ 1.7	\$ 1.4	466.7%		\$ 2.4	\$ 3.8	\$ 1.4	58.3%	
<b>Operating Income</b>	\$ 45.7	\$ 63.8	\$ 18.1	39.6%	35.2%	\$ 127.9	\$ 171.2	\$ 43.3	33.9%	29.2%
<b>Operating Margin (%)</b>	14.6%	17.3%		270 bps		15.3%	15.7%		40 bps	
<b>Adjusted Operating Income*</b>	\$ 46.5	\$ 63.9	\$ 17.4	37.4%		\$ 131.8	\$ 171.7	\$ 39.9	30.3%	
<b>Adjusted Operating Margin (%)*</b>	14.9%	17.3%		240 bps		15.7%	15.7%		0 bps	

\* Adjusted operating income excludes realignment charges, net of adjustments, of \$0.8 million and \$0.1 million for Q3 2010 and Q3 2011, respectively and \$3.9 million and \$0.5 million YTD 2010 and YTD 2011, respectively

\*\* Constant FX represents the year over year variance assuming 2011 results at 2010 FX rates

# Flow Control Division

## Q3 2011 Bookings and Sales

(\$ millions)		3rd Quarter				YTD			
		2010	2011	Delta (%)	Constant FX (%)*	2010	2011	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	291 87%	344 84%	18% (300 bps)	12%	832 85%	1,043 85%	25% 0 bps	19%
	AM	44 13%	66 16%	50% 300 bps	45%	147 15%	184 15%	25% 0 bps	22%
Sales Mix **	OE	269 86%	313 85%	16% (100 bps)	10%	712 85%	929 85%	30% 0 bps	25%
	AM	44 14%	55 15%	25% 100 bps	20%	126 15%	164 15%	30% 0 bps	26%

**Aftermarket Bookings Reflected Solid Growth**

\* Constant FX represents the year over year variance assuming 2011 results at 2010 FX rates

\*\* Gross bookings and Sales do not include interdivision eliminations

## ***Flow Control Division Group Overview***

- Bookings increased 22.4%, or 16.1% on a constant currency basis, driven by strength in the oil and gas industry, primarily in the Middle East and Asia Pacific, chemical industry in North America and a large pulp and paper project in Latin America
  - Bookings growth partially offset by decrease in power due to slowdown in awarding of new global nuclear power projects, particularly in China
- Sales increased 17.8%, or 12.1% on a constant currency basis, on continued momentum in EMA and North America driven by oil and gas, chemical, and general industries
- Adjusted operating margin up 240 basis points to 17.3% due to increased sales, which positively impacted absorption of fixed costs
- Strong Q3 2011 book to bill of 1.11 increased backlog 18.4% as compared to year end

***Questions and Answers***

***Non-GAAP Reconciliation***

## ***Divisional Adjusted Operating Income***

(\$ millions)	Q3 2011		
	EPD	IPD	FCD
Reported GAAP Operating Income	\$91.9	\$16.5	\$63.8
Realignment Charges	0.1	1.0	0.1
<b>Adjusted Operating Income</b>	<b>\$92.0</b>	<b>\$17.5</b>	<b>\$63.9</b>

(\$ millions)	Year-To-Date		
	EPD	IPD	FCD
Reported GAAP Operating Income	\$270.4	\$39.2	\$171.2
Realignment Charges	0.1	10.1	0.5
<b>Adjusted Operating Income</b>	<b>\$270.5</b>	<b>\$49.3</b>	<b>\$171.7</b>

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

# Consolidated Adjusted Operating Income and EPS

(\$ millions except per share amounts)	Q3 2011		Year-To-Date	
	Operating Income	Diluted EPS	Operating Income	Diluted EPS
Reported GAAP	\$155.0	\$1.92	\$425.3	\$5.40
Realignment Charges	\$1.2	\$0.02	\$10.4	\$0.13
<b>Adjusted</b>	<b>\$156.2</b>	<b>\$1.94</b>	<b>\$435.7</b>	<b>\$5.53</b>

*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.