Bank of America Merrill Lynch  
2012 Global Industrials & Materials Conference  

September 5, 2012
Special Note

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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, Limitorque, 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 176 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**
Balanced Portfolio Providing Diversification

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
- 2Q12 TTM Booking Mix
- General Industries 22%
- Water 4%
- Chemical 19%
- Power 15%
- O&G 40%

Geographic Diversification
- 2Q12 TTM Sales Mix
- Latin America 10%
- Middle East & Africa 14%
- Asia Pacific 20%
- Europe 23%
- North America 33%

Diverse OE / AM Mix
- 2Q12 TTM Sales Mix
- AM 40%
- OE 60%
Growing the Aftermarket
Supporting Our Diversified Risk Model

- Significant expansion in QRC network, now operating in 176 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
- Combine Pump and Seal business
- 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
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  \( [\text{Btoe} = \text{billion tons of oil equivalent}] \)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Contribution by Fuel Source</th>
<th>Total Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33% 27% 21% 10% 6% 2% 1%</td>
<td>1% 2% [12.1 Btoe] [14.8 Btoe]</td>
</tr>
<tr>
<td>2009</td>
<td>30% 28% 22% 10% 6% 3% 2%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>33% 27% 21% 10% 6% 2% 1%</td>
<td></td>
</tr>
</tbody>
</table>

\[ \text{CAGR 2009 to 2020} \]

0.9% 2.0% 2.2% 1.8% 2.6% 2.7% 10.2%

### Sources
IEA WEO Outlook 2011, New Policy Scenario

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

65 Manufacturing / 176 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></td>
</tr>
<tr>
<td>2007</td>
<td>$1,545</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$2,105</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$1,611</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$1,792</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$2,123</td>
<td></td>
</tr>
<tr>
<td>TTM 2Q12</td>
<td>$2,156</td>
<td></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

### Key Features

- **Custom Engineered Pumps**
  - Custom engineered to order
  - Extensive specification and testing requirements
  - High reliance on project management
  - ‘Job shop’, low volume environment

- **Engineered Pumps**
  - Pre configured API pumps
  - High reliance on project management
  - Medium specification and testing requirements
  - Medium volume environment

- **Mechanical Seals & Systems**
  - Engineered & preconfigured
  - High transactional environment
  - Continuous technology innovation
  - Aftermarket requires quick response
  - QRC network enables high customer intimacy

- **Services & Solutions**
  - Aftermarket parts & services
  - Engineering & technical services
  - Education & training
  - Asset management & optimization

### Industry Breakdown 2011

- Oil and Gas: 51%
- Power: 15%
- Water: 13%
- Chemical: 11%
- General Industries: 11%

### Region Breakdown 2011

- North America: 32%
- Europe: 16%
- OECD Asia: 19%
- FSU: 15%
- Non-OECD Asia: 14%
- ME/Africa: 13%
- Latin America: 32%

### Revenue (in $B)

- 2004: 1.2
- 2005: 1.3
- 2006: 1.5
- 2007: 1.5
- 2008: 1.9
- 2009: 2.3
- 2010: 2.2
- 2011: 2.3
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)

- 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
Q2 2012 Financial Highlights

Reported EPS* of $1.98, including $0.11 of currency related expenses in Other (Expense) / Income, partially offset by $0.05 of net benefit related to other discrete corporate segment items

- Compares favorably to Q2 2011 Reported EPS of $1.76 which included $0.18 impact from realignment charges and costs related to a Spanish regulatory penalty, partially offset by $0.07 of net currency benefit
- Q2 2012 includes $0.20 above the line negative foreign currency translation impact

Solid bookings of $1.21 billion, up 0.2% versus prior year, up 7.1% on a constant currency basis, driven by growing strength in EPD and IPD

- End user strategy continued gaining traction resulting in highest quarterly aftermarket bookings of $508 million
- Strength in general industries, partially offset by decrease in power
- Increased demand in North America and Asia Pacific, partially offset by decrease in Europe, Middle East/Africa and Latin America

Reported operating margin of 13.9%, up 150 basis points versus prior year

- Adjusted operating margin of 13.6% excluding benefit from other discrete corporate segment items
- Operating margin continued to be impacted by low margin legacy backlog shipped
  - Expect majority of legacy backlog to be shipped by the end of Q3
- SG&A as a percent of sales declined 140 bps on strong leverage and cost management, excluding the net benefit of discrete items

Backlog at $2.86 billion, up 6.4% over 2011 year-end, up 7.5% on a constant currency basis

- Expected margins in backlog continued to improve with increased visibility, firming markets and continued bid selectivity discipline across all platforms

*Calculated using Q2 2012 fully diluted shares of 54.3 million
**Strong Focus on Working Capital Improvement**

- Management actively engaged in reducing working capital with sharp operational excellence focus
  - Accounts receivable decreased 7 days in Q2 from 88 days to 81 days
    - Working to drive DSO into mid-60s over the next 12 – 18 months
  - Inventory levels in 2012 have been in line with revenue forecast and increased backlog
    - Successfully decreased past due backlog by 200 basis points since the end of 2011
    - Increased inventory turns to 2.8x in the second quarter, with 18 – 24 months target of 4.0x to 4.5x turns

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

Approximately $2.8 billion in capital deployed from 2006 to Q2 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>2006 - Q2 2012</th>
<th>% of Total</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Repurchases/Dividends</td>
<td>$1.249B</td>
<td>44%</td>
<td>Returned capital to equity providers while continuing to invest in profitable growth</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$665M</td>
<td>24%</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>8%</td>
<td>Fully funded on a Pension Protection Act basis as of 1/1/2011</td>
</tr>
<tr>
<td>Debt repayment &amp; Elimination of Factoring</td>
<td>$248M</td>
<td>8%</td>
<td>Strengthened the balance sheet and eliminated factoring</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>$77M</td>
<td>3%</td>
<td>Strengthened cash position while maintaining a balanced approach to cash deployment</td>
</tr>
</tbody>
</table>
Business Outlook

Management focus and operational discipline key to execution as we continue to capitalize on investments in our end user strategy and improved infrastructure end markets

- Strengthened focus on operational excellence and cost management through “One Flowserve” initiative already providing benefits
- Continued to improve the expected margin quality in backlog through pricing discipline and project selectivity across all operating units
- Advanced low cost sourcing initiatives while driving operational improvements related to cost of quality
- Working capital management continues to be a top priority for the leadership team
- Closely monitoring potential impacts from Europe’s debt crisis and stronger U.S. dollar

Driving total shareholder return and optimal capital allocation

- Increasing balance sheet efficiency with capital structure strategy targeting debt to EBITDA of 1 to 2 times, while maintaining flexibility for organic growth investments and bolt-on acquisitions
- Expect to complete $1 billion share repurchase program over the next 6-12 months, including $300 million accelerated share repurchase program initiated in second quarter
- Expect to take advantage of current attractive debt markets following recent upgrade to investment grade from the 3 major rating agencies
# 2012 Guidance Range

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>$8.00 – $8.80</td>
</tr>
<tr>
<td>Revenue Growth</td>
<td>5 – 7%</td>
</tr>
<tr>
<td>Current Currency Impact</td>
<td>~ ($1.00) of EPS</td>
</tr>
<tr>
<td>Share Repurchase Impact</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: 40-50% of Net Earnings

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1. Does not assume impact of potential attractive acquisitions which may arise
2. Negative currency effects of approximately $1.00 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 July 31st, reaffirmed 2012 full year EPS target range of $8.00 to $8.80**
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
2012 YTD Consolidated Bookings & Sales

**BOOKINGS**

<table>
<thead>
<tr>
<th>2Q12 YTD</th>
<th>Original Equipment</th>
<th>Aftermarket</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>$2.45B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2Q11 YTD</th>
<th>Original Equipment</th>
<th>Aftermarket</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>$2.37B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SALES**

<table>
<thead>
<tr>
<th>2Q12 YTD</th>
<th>Original Equipment</th>
<th>Aftermarket</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>59%</td>
<td>$2.26B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2Q11 YTD</th>
<th>Original Equipment</th>
<th>Aftermarket</th>
<th>Total</th>
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<td>59%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>41%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bookings**

- Bookings in first half 2012 increased 3.4% over prior year, or 8.1% on a constant currency basis, driven by the chemical and oil and gas industries in EPD and IPD, partially offset by a decrease in the power industry in EPD, with solid overall growth in aftermarket orders

**Sales**

- Sales in first half 2012 strengthened 6.3% over prior year, or 11.5% on a constant currency basis, reflecting strong activity in all regions except Europe

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

**OIL & GAS**
- Outlay of $10-20B/year required in US over next 20 years to build pipelines, terminals and storage facilities to bring new oil & gas to market
- Refinery expansions in Middle East, Asia and Latin America threaten smaller, older, less complex facilities in OECD countries
- Refinery capital and maintenance spend going up with changes made to comply with environmental regulations
- Industry foresees continued high level of capex in unconventional production, including oil sands (W. Canada), subsea and shale

**POWER**
- Economic development and environmental regulations remain primary drivers for investment in the global power sector
- Interest in renewable energy growing in new areas; solar picking up in Middle East, China and North Africa
- Nuclear market advances another step forward as China approves Nuclear Safety Plan after nine month review process

**CHEMICAL**
- Shale gas-driven boom in petrochemical sector continues to gain momentum in US with further project announcements and EPC awards
- China accounts for biggest share of petrochemical capex over next few years, with US, Middle East and Latin America also very active

**MINING**
- Project size continues to grow as companies deal with escalating costs by leveraging economies of scale
- Sustained growth anticipated in Australia and Latin America mining though changing economic and regulatory factors may moderate investment
- Major mining companies in South Africa remain reluctant to invest as talks of nationalization of mines continue

**Sources:** GlobalData, IEA, Platts, World Nuclear Association, ICIS.com, DesalData (GW1), Industrial Info Resources, Flowserve Internal Data
2012 YTD Sales & Regional Outlook

**ASIA PACIFIC**
- Drive for industrialization will continue to position region as global leader in announced investment activity in power and energy sectors
- China moving forward with investment in LNG as means to address long term energy needs and environmental concerns

**MIDDLE EAST**
- Desire for industrial diversification driving Saudi’s mega investment in power, refining/petrochemical and water sectors
- Investing to diversify power generation with addition of new gas-fired and renewable power; Middle East and North Africa investing in solar

**EUROPE**
- Downward pressure on investment given European debt crisis as well as structural changes in refining and power markets

**NORTH AMERICA**
- Electric utility industry undergoing structural evolution as environmental regulations remain a primary motivation for investment
- Investment in pipelines, terminals and storage facilities on the rise to move new found oil and gas supplies

**LATIN AMERICA**
- Recent large oil & gas discoveries off coast of Brazil attracting increased attention to region for additional investment activity
- Long-term mining and mineral project activity in the region driven by demand from China and rest of Asia Pacific

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
**Q2 2012 - Consolidated Financial Results**

<table>
<thead>
<tr>
<th></th>
<th>2nd 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>$1,213.7</td>
<td>$1,211.6</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>$1,182.2</td>
<td>$1,125.8</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$384.6</td>
<td>$369.3</td>
</tr>
<tr>
<td><strong>Gross Margin (%)</strong></td>
<td>32.5%</td>
<td>32.8%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>$223.9</td>
<td>$233.0</td>
</tr>
<tr>
<td><strong>SG&amp;A (%)</strong></td>
<td>18.9%</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>Income from Affiliates</strong></td>
<td>$4.1</td>
<td>$3.8</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$164.8</td>
<td>$140.1</td>
</tr>
<tr>
<td><strong>Operating Margin (%)</strong></td>
<td>13.9%</td>
<td>12.4%</td>
</tr>
<tr>
<td><strong>Adjusted Operating Income</strong>*</td>
<td>$164.9</td>
<td>$148.5</td>
</tr>
<tr>
<td><strong>Adjusted Operating Margin (%)</strong>*</td>
<td>13.9%</td>
<td>13.2%</td>
</tr>
<tr>
<td>**Other (Expense) / Income, net *****</td>
<td>$(8.0)</td>
<td>$6.0</td>
</tr>
<tr>
<td><strong>Tax Expense</strong></td>
<td>$39.6</td>
<td>$38.2</td>
</tr>
<tr>
<td><strong>Net Earnings</strong></td>
<td>$107.3</td>
<td>$98.7</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>$1.98</td>
<td>$1.76</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong>*</td>
<td>$1.98</td>
<td>$1.87</td>
</tr>
</tbody>
</table>

Repurchased 3,307,003 shares in Q2 2012 in conjunction with the company’s previously announced buyback program

* Adjusted operating income and adjusted EPS exclude realignment charges of $0.1 million and $8.4 million for Q2 2012 and Q2 2011, respectively, and $0.6 million and $9.2 million for YTD 2012 and YTD 2011, respectively

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

*** YTD 2012 includes $13.0 million impact of foreign exchange contract losses and losses arising from transactions in currencies other than our sites’ functional currencies vs. a gain of $14.1 million YTD 2011
Q2 2012 Cash Flows

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Q1 2012</th>
<th>Q2 2012</th>
<th>YTD 2012</th>
<th>YTD 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$ 94</td>
<td>$ 108</td>
<td>$ 202</td>
<td>$ 196</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>28</td>
<td>27</td>
<td>55</td>
<td>53</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>(214)</td>
<td>31</td>
<td>(183)</td>
<td>(506)</td>
</tr>
<tr>
<td>Other</td>
<td>(16)</td>
<td>2</td>
<td>(14)</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total Operating Activities</strong></td>
<td>(108)</td>
<td>168</td>
<td>60</td>
<td>(238)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(29)</td>
<td>(28)</td>
<td>(57)</td>
<td>(49)</td>
</tr>
<tr>
<td>Acquisitions &amp; Other</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Investing Activities</strong></td>
<td>(27)</td>
<td>(28)</td>
<td>(55)</td>
<td>(46)</td>
</tr>
<tr>
<td>Proceeds of debt</td>
<td>1</td>
<td>304</td>
<td>305</td>
<td>4</td>
</tr>
<tr>
<td>Payments on long-term debt</td>
<td>(6)</td>
<td>(6)</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(17)</td>
<td>(20)</td>
<td>(37)</td>
<td>(34)</td>
</tr>
<tr>
<td>Repurchase of common shares</td>
<td>(22)</td>
<td>(411)</td>
<td>(433)</td>
<td>(26)</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>(0)</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total Financing Activities</strong></td>
<td>(34)</td>
<td>(133)</td>
<td>(167)</td>
<td>(63)</td>
</tr>
<tr>
<td>Effect of exchange rates</td>
<td>4</td>
<td>(5)</td>
<td>(1)</td>
<td>10</td>
</tr>
<tr>
<td>Net Decrease in Cash</td>
<td>$ (165)</td>
<td>$ 3</td>
<td>$ (162)</td>
<td>$ (336)</td>
</tr>
</tbody>
</table>

*Repurchased 3.307 million shares in Q2 including initial delivery of 2.261 million shares for $240 million under the $300 million accelerated share repurchase program*

*$411 million repurchase of shares 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></th>
<th>Q2 2012</th>
<th></th>
<th>Q2 2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>($ millions)</td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,058</td>
<td>22.8%</td>
<td>1,001</td>
<td>23.7%</td>
</tr>
<tr>
<td>Inventory, net</td>
<td>1,149</td>
<td>24.7%</td>
<td>1,091</td>
<td>25.8%</td>
</tr>
<tr>
<td>Payables</td>
<td>(542)</td>
<td>(11.7%)</td>
<td>(479)</td>
<td>(11.3%)</td>
</tr>
<tr>
<td><strong>Primary Working Capital</strong></td>
<td>1,665</td>
<td>35.8%</td>
<td>1,613</td>
<td>38.2%</td>
</tr>
<tr>
<td>Advance Cash*</td>
<td>(408)</td>
<td>(8.8%)</td>
<td>(367)</td>
<td>(8.7%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,257</td>
<td>27.0%</td>
<td>1,246</td>
<td>29.5%</td>
</tr>
<tr>
<td>Backlog</td>
<td>2,863</td>
<td></td>
<td>2,906</td>
<td></td>
</tr>
</tbody>
</table>

**Accounts Receivable**
Accounts Receivable DSO of 81 days in Q2 2012 decreased 7 days sequentially and was relatively flat versus prior year Q2

- *Driving toward a DSO in the mid 60’s*

**Inventory**
Inventory turns improved to 2.8x vs. 2.5x in Q1 2012

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

*Advance cash commitments from customers to fund working capital*