



## ***Flowserve Q3 2010 Earnings Conference Call***

*October 28, 2010*



***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,” “plans,” “anticipates,” “estimates,” “believes,” “forecasts,” “predicts” or other similar expressions are intended to identify forward-looking statements, which include, without limitation, earnings forecasts, statements relating to our business strategy and statements of expectations, beliefs, future plans and strategies and anticipated developments concerning our industry, business, operations and financial performance and condition.*

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

# Results

- Bookings of \$1.00 billion
  - ✓ 8<sup>th</sup> consecutive quarter of bookings around \$1 billion
- Operating margin of 13.3%, down 200 basis points
  - ✓ Adjusted operating margin of 14.1% excluding realignment charges of \$2.1 million (20 basis points) and effects of Valbart acquisition
- Gross margin down 230 basis points to 34.3%
  - ✓ Gross margin of 34.9% excluding realignment charges of \$2.6 million (30 basis points) and effects of Valbart acquisition
- Sales of \$972 million, down 7.6%
  - ✓ Down 4.5% excluding 3.1% currency headwind
- Results reflect:
  - ✓ Typical Q3 lower revenue cyclicity drove absorption issues
  - ✓ Some customer scheduling or testing delays pushed shipments into Q4
  - ✓ IPD production delays from efforts to improve business for long term
  - ✓ Realization of recent pricing environment reflected in Q3 margins

***Strong operating margins during current business cycle***

## *Near Term Market Outlook*

- Long cycle demand is expected to remain choppy into 2011
- Short cycle recovery notably improved in chemical and general industrial markets in developing regions
- Aftermarket demand has remained relatively stable in mature markets and is growing in developing regions

## ***What We've Done***

- During the downturn, leveraged our operating platform and customer facing solutions approach by integrating our former Pump and Seal divisions
- Strategically focused on IPD platform improvement opportunities as part of re-segmentation
- Continued to invest in emerging market localization and growth
- Continued investment in global QRC network and integrated solutions capabilities to support aftermarket growth
- Expanded our product offering by acquiring Valbart to enhance technology and portfolio solutions
- Executed structural cost and realignment initiatives while continuing to improve effectiveness and efficiencies

***Maintained adjusted operating margin of 14.1% in Q3 and 15.0% YTD during challenging business cycle***

## ***How We Think About Our Businesses***

- Aftermarket business has proven to be resilient
  - ✓ Shown strong margins, providing steady earnings performance through downturn in business cycle
- Long Cycle Projects – Expanded global footprint to meet growing emerging market and aftermarket demand
  - ✓ Operational realignment efforts optimized the platform & helped to partially mitigate pricing pressures
- Short Cycle Markets (FCD) -- Grown the business organically with good margins, and inorganically with high margin opportunity
  - ✓ Growth in large projects and nuclear business
  - ✓ Shorter cycle markets are showing improvement
  - ✓ Expanded product portfolio
- Short Cycle Markets (IPD) – Continuing commitment to target margin improvement
  - ✓ Focused on executing platform improvement programs
  - ✓ Short term focus driving long term opportunity outlook
  - ✓ Majority of remaining realignment efforts are planned to target IPD

***Performing through the cycle and poised for better performance***

## ***Path Forward***

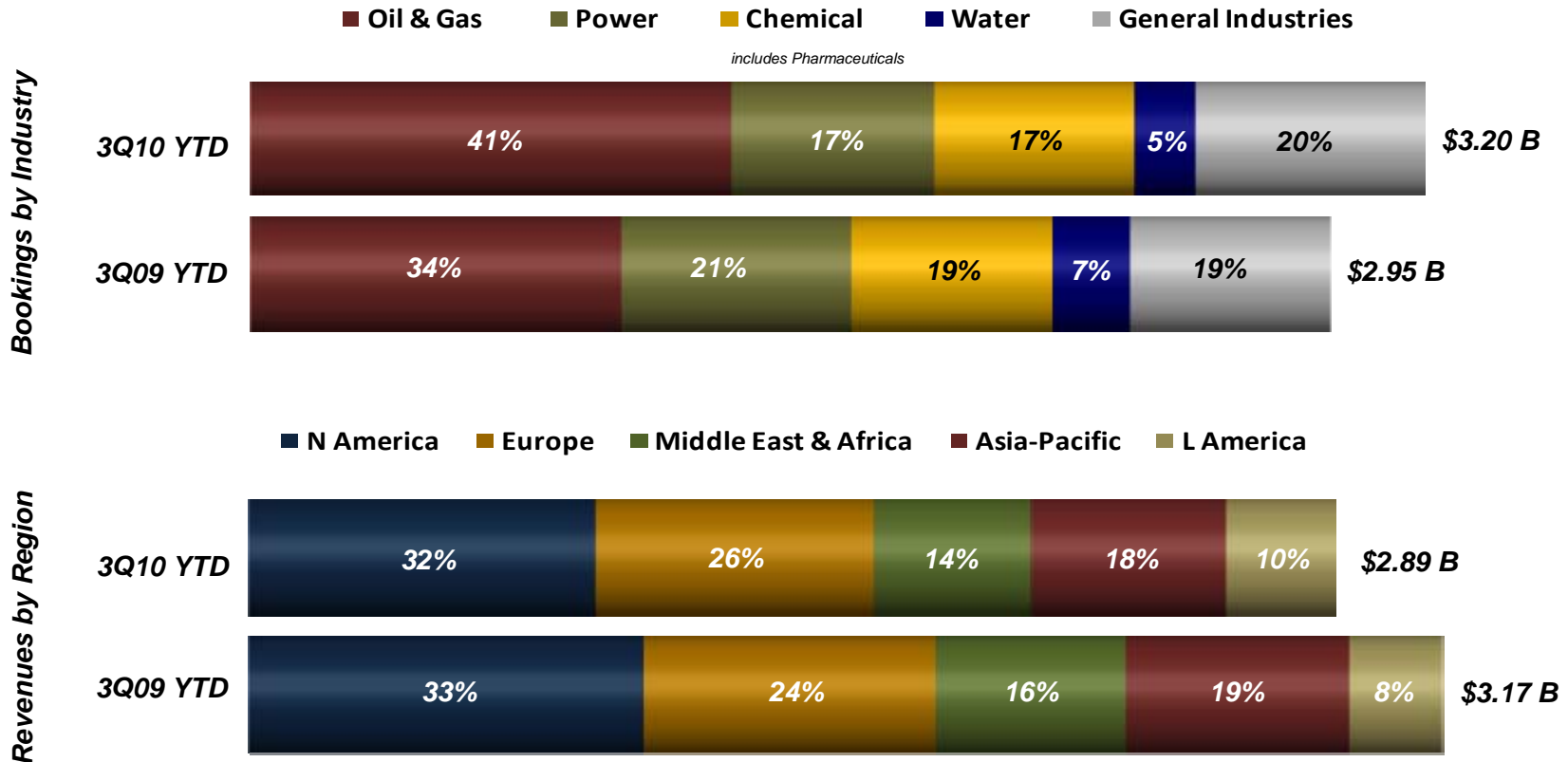
- Markets are forecasted to return on the strength of demand for global infrastructure in energy, chemical, and water
- Our balance sheet is positioned to support both organic and inorganic growth
- We have positioned the company for recovery in project business and continued growth in emerging markets and aftermarket demands
- Cost controls and operating efficiencies help to offset a continued challenging pricing environment
- Flowserve employees have executed well in meeting customer commitments, returning shareholder value, and driving sustainable profitable growth

***We believe that we have weathered the downturn well to date and are dealing with the short term realities of this environment while continuing to position the company for long term growth***

## ***Market Outlook***

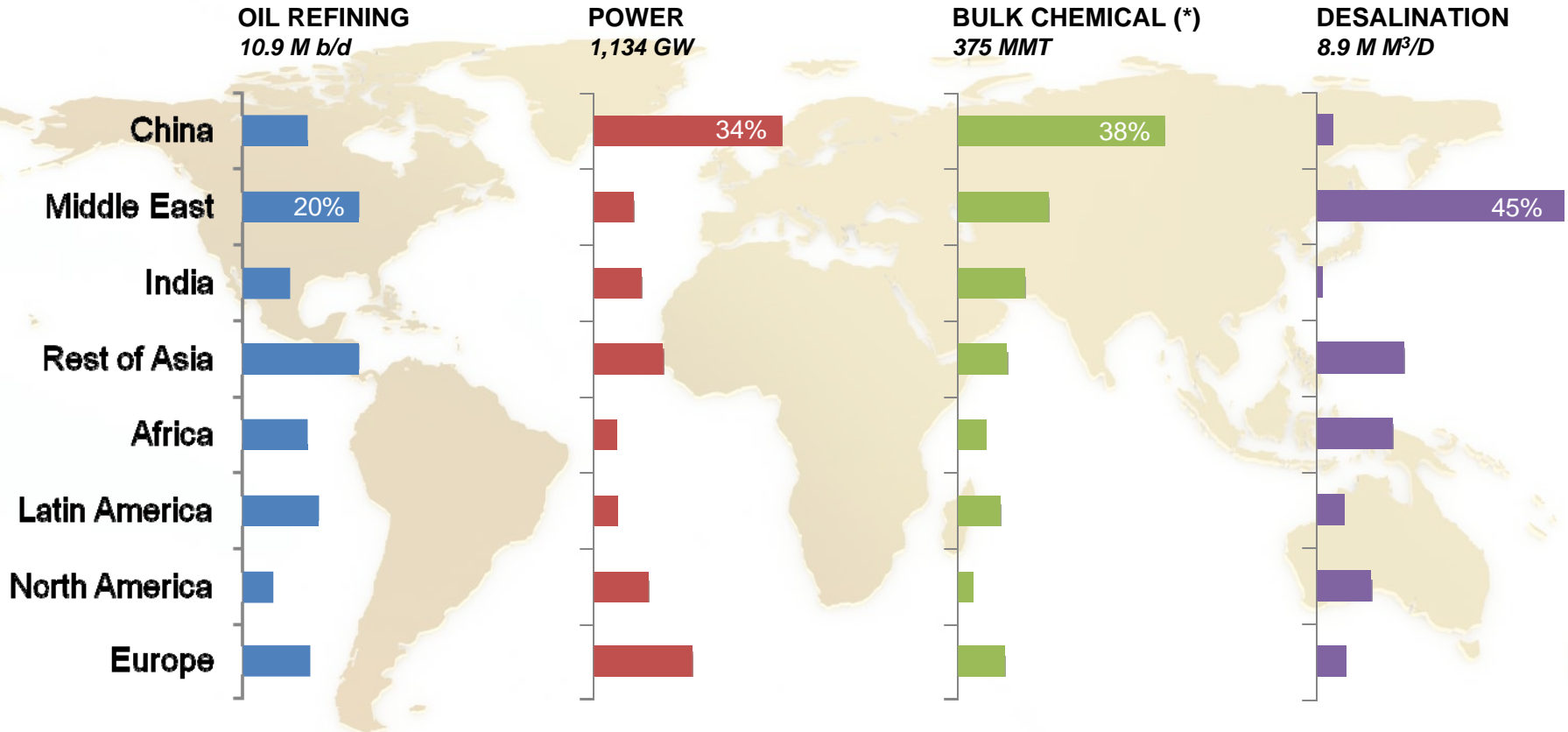


# Bookings & Revenues YTD Comparisons



**Improvements in Oil & Gas activity, stabilization in the chemical industry and recovery in several smaller general industries have contributed to bookings growth in 2010**

# Forecasted Industry Capacity Expansion (2011 – 2015)



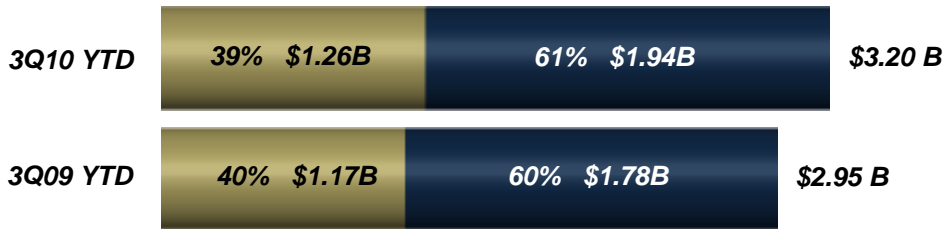
Each bar in the charts represents the percentage of the total proposed capacity additions associated with each region

(\*) Chemicals included are ammonia, caustic soda, chlorine, ethylene, polypropylene, polyvinyl chloride, propylene, styrene and urea

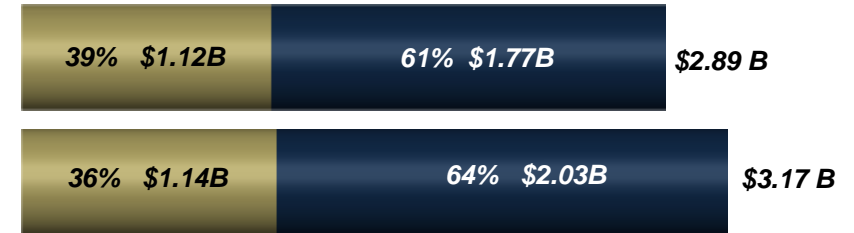
**As denoted in the industry charts above, China and the Middle East are projected to lead the forecasted investments in capacity expansion with a level of investment occurring in all regions**

# 2010 Aftermarket Business Review

## BOOKINGS



## REVENUES



Aftermarket

Original Equipment



- *Aftermarket bookings for the first nine months of 2010 grew 7.9% (\$92.4 mil) compared to the same period in 2009 (including a benefit from currency), and for Q3 2010 grew 5.3% (\$20.3 mil) compared to Q3 2009 (including a currency headwind)*
- *Current business opportunities are favorable in parts and integrated solutions – service opportunities are still challenging with several customers performing their own service requirements*

**Aftermarket remains a significant component of our long term growth strategy as well as a path to building a sustainable long term relationship with our customers**

***Division Updates***

## ***FSG Highlights***

- Bookings in Q3 were up primarily on aftermarket orders
  - ✓ Aftermarket up primarily in Latin America and Asia
  - ✓ Integrated Solutions approach continuing to drive growth
- Revenues in Q3 were down year over year
  - ✓ Lower project bookings in 2009 produced lower backlog levels coming into 2010 impacting Q3 shipments
  - ✓ Some operational constraints in IPD
- Margin performance down in Q3 versus prior year
  - ✓ EPD favorable pricing from long-lead time projects in prior periods has flushed through, and new margins reflect pricing headwinds from more recent periods
  - ✓ IPD margins heavily affected by lower revenues, pricing headwinds, and operational constraints

***Pricing headwinds on projects prevailed in Q3 as earlier favorably priced projects were flushed out of backlog in earlier periods***

# Engineered Product Division

## Q3 2010 Segment Results

(\$ millions)	3rd Quarter					Year-To-Date				
	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 468.5	\$ 497.9	\$ 29.4	6.3%	6.9%	\$ 1,507.3	\$ 1,719.5	\$ 212.2	14.1%	12.6%
<b>Sales</b>	\$ 540.7	\$ 511.3	\$ (29.4)	(5.4%)	(3.2%)	\$ 1,660.2	\$ 1,567.6	\$ (92.6)	(5.6%)	(6.1%)
<b>Gross Profit</b>	\$ 206.2	\$ 184.8	\$ (21.4)	(10.4%)		\$ 619.2	\$ 575.1	\$ (44.1)	(7.1%)	
<b>Gross Margin (%)</b>	38.1%	36.1%		(200 bps)		37.3%	36.7%		(60 bps)	
<b>SG&amp;A</b>	\$ 97.6	\$ 95.1	\$ (2.5)	(2.6%)	(4.6%)	\$ 302.2	\$ 283.8	\$ (18.4)	(6.1%)	(5.1%)
<b>SG&amp;A (%)</b>	18.1%	18.6%		50 bps		18.2%	18.1%		(10 bps)	
<b>Income from Affiliates</b>	\$ 2.6	\$ 3.1	\$ 0.5	19.2%		\$ 7.5	\$ 10.1	\$ 2.6	34.7%	
<b>Operating Income</b>	\$ 111.1	\$ 92.8	\$ (18.3)	(16.5%)	(15.6%)	\$ 324.4	\$ 301.4	\$ (23.0)	(7.1%)	(7.7%)
<b>Operating Margin (%)</b>	20.5%	18.1%		(240 bps)		19.5%	19.2%		(30 bps)	
<b>Adjusted Operating Income*</b>	\$ 112.2	\$ 92.9	\$ (19.3)	(17.2%)		\$ 342.7	\$ 301.9	\$ (40.8)	(11.9%)	
<b>Adjusted Operating Margin (%)*</b>	20.8%	18.2%		(260 bps)		20.6%	19.3%		(130 bps)	

**Q3 Margin performance was affected by lower sales levels and pricing headwinds**

\*Adjusted operating income excludes realignment charges of \$1.1 million and \$0.1 million for Q3 2009 and Q3 2010, respectively. Adjusted operating income excludes realignment charges of \$18.3 million and \$0.5 million for 2009 YTD and 2010 YTD, respectively.

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

# Industrial Product Division

## Q3 2010 Segment Results

(\$ millions)	3rd Quarter					Year-To-Date				
	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 196.4	\$ 202.9	\$ 6.5	3.3%	6.9%	\$ 612.5	\$ 609.5	\$ (3.0)	(0.5%)	0.2%
<b>Sales</b>	\$ 244.2	\$ 176.5	\$ (67.7)	(27.7%)	(24.4%)	\$ 700.1	\$ 571.2	\$ (128.9)	(18.4%)	(18.3%)
<b>Gross Profit</b>	\$ 66.2	\$ 42.0	\$ (24.2)	(36.6%)		\$ 192.4	\$ 146.6	\$ (45.8)	(23.8%)	
<b>Gross Margin (%)</b>	27.1%	23.8%		(330 bps)		27.5%	25.7%		(180 bps)	
<b>SG&amp;A</b>	\$ 40.7	\$ 32.4	\$ (8.3)	(20.4%)	(25.3%)	\$ 115.4	\$ 100.2	\$ (15.2)	(13.2%)	(14.0%)
<b>SG&amp;A (%)</b>	16.7%	18.4%		170 bps		16.5%	17.5%		100 bps	
<b>Income from Affiliates</b>	\$ -	\$ -	\$ -	-		\$ -	\$ -	\$ -	-	
<b>Operating Income</b>	\$ 25.5	\$ 9.5	\$ (16.0)	(62.7%)	(58.8%)	\$ 77.0	\$ 46.4	\$ (30.6)	(39.7%)	(39.7%)
<b>Operating Margin (%)</b>	10.4%	5.4%		(500 bps)		11.0%	8.1%		(290 bps)	
<b>Adjusted Operating Income*</b>	\$ 26.8	\$ 10.6	\$ (16.2)	(60.4%)		\$ 82.7	\$ 51.8	\$ (30.9)	(37.4%)	
<b>Adjusted Operating Margin (%)*</b>	11.0%	6.0%		(500 bps)		11.8%	9.1%		(270 bps)	

**Margins were down significantly due to revenues and operational issues**

\* Adjusted operating income excludes realignment charges of \$1.3 million and \$1.1 million for Q3 2009 and Q3 2010, respectively. Adjusted operating income excludes realignment charges of \$5.7 million and \$5.4 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
  - ✓ Moderately optimistic about opportunities in Middle East, Africa, Russia, Latin America, and Asia
  - ✓ OE and maintenance spending in U.S. and Europe remains fairly stagnant
  - ✓ Creating aftermarket opportunities through the Industrial Services Group and QRC expansion
- Power
  - ✓ Emerging market activity is strong
  - ✓ Asia, Middle East, and U.S. present very competitive markets with steady opportunities
  - ✓ Nuclear market remains active, but long cycle volatility creates lumpy near term opportunities
- Chemical
  - ✓ Global chemical activity showing signs of positive trending
- Water
  - ✓ Infrastructure spend remains low in the present market
  - ✓ Long term outlook in reverse osmosis desalination market is still very positive

***Moderately optimistic about near term opportunities***



## ***FSG Programs***

- EPD has moved beyond re-segmentation and is focused on growing its markets and creating a better operating platform
  - ✓ Penetrating emerging markets to drive growth
  - ✓ Leveraging innovation and product development while promoting operational efficiency
- IPD had a disappointing quarter and must focus on resolving certain short term operational issues in order to meet long term stated margin targets
  - ✓ New management has identified several opportunities to improve the business
  - ✓ Focusing remaining realignment programs on IPD operational issues
- Integrated Solutions Group
  - ✓ ISG is gaining market presence by broadening its aftermarket capabilities to provide higher value added services
  - ✓ Centered around life cycle advantage agreements

***Executing programs to sustain profitable growth***

## ***FCD Highlights***

- Bookings in Q3 up slightly over Q3 2009
  - ✓ Includes Valbart's bookings of \$14.7 million
  - ✓ Q3 2009 included \$45 million nuclear project booking not repeated in Q3 2010
- Revenues up \$19.1 million year-over-year
  - ✓ Includes Valbart revenues of \$12.3 million
- Margins were down in Q3 versus prior year
  - ✓ Mix of business
  - ✓ Some shipments shifting into Q4
  - ✓ Overall pricing pressure
  - ✓ Dilutive effects of Valbart acquisition

***Solid performance under tough market conditions***

# Flow Control Division

## Q3 2010 Segment Results

(\$ millions)	3rd Quarter					Year-To-Date				
	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 333.1	\$ 335.0	\$ 1.9	0.6%	4.2%	\$ 907.2	\$ 978.7	\$ 71.5	7.9%	8.2%
<b>Sales</b>	\$ 293.5	\$ 312.6	\$ 19.1	6.5%	10.6%	\$ 893.2	\$ 837.4	\$ (55.8)	(6.2%)	(5.5%)
<b>Gross Profit</b>	\$ 112.0	\$ 107.4	\$ (4.6)	(4.1%)		\$ 328.3	\$ 303.2	\$ (25.1)	(7.6%)	
<b>Gross Margin (%)</b>	38.2%	34.4%		(380 bps)		36.8%	36.2%		(60 bps)	
<b>SG&amp;A</b>	\$ 58.7	\$ 62.0	\$ 3.3	5.6%	0.5%	\$ 184.1	\$ 177.7	\$ (6.4)	(3.5%)	(4.0%)
<b>SG&amp;A (%)</b>	20.0%	19.8%		(20 bps)		20.6%	21.2%		60 bps	
<b>Income from Affiliates</b>	\$ 0.7	\$ 0.3	\$ (0.4)	(57.1%)		\$ 4.2	\$ 2.4	\$ (1.8)	(42.9%)	
<b>Operating Income</b>	\$ 54.0	\$ 45.7	\$ (8.3)	(15.4%)	(13.5%)	\$ 148.4	\$ 127.9	\$ (20.5)	(13.8%)	(13.8%)
<b>Operating Margin (%)</b>	18.4%	14.6%		(380 bps)		16.6%	15.3%		(130 bps)	
<b>Adjusted Operating Income*</b>	\$ 54.6	\$ 46.5	\$ (8.1)	(14.8%)		\$ 156.7	\$ 131.8	\$ (24.9)	(15.9%)	
<b>Adjusted Operating Margin (%)*</b>	18.6%	14.9%		(370 bps)		17.5%	15.7%		(180 bps)	

**Margins were negatively affected by Valbart purchase accounting adjustments**

\* Adjusted operating income excludes realignment charges of \$0.6 million and \$0.8 million for Q3 2009 and Q3 2010, respectively. Adjusted operating income excludes realignment charges of \$8.3 million and \$3.9 million for 2009 YTD and 2010 YTD, respectively.

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

# Flow Control Division

## Q3 2010 Valbart Results

(\$ millions)	3rd Quarter				Year-To-Date 2010			
	Base	Valbart Ops	Valbart PPA**	Total	Base	Valbart Ops	Valbart PPA**	Total
<b>Bookings</b>	\$ 320.3	\$ 14.7		\$ 335.0	\$ 964.0	\$ 14.7		\$ 978.7
<b>Sales</b>	\$ 300.3	\$ 12.3		\$ 312.6	\$ 825.1	\$ 12.3		\$ 837.4
<b>Gross Profit</b>	\$ 106.4	\$ 2.7	\$ (1.7)	\$ 107.4	\$ 302.2	\$ 2.7	\$ (1.7)	\$ 303.2
<b>Gross Margin (%)</b>	35.4%	22.0%		34.4%	36.6%	22.0%		36.2%
<b>SG&amp;A*</b>	\$ 56.7	\$ 2.7	\$ 2.6	\$ 62.0	\$ 171.6	\$ 2.7	\$ 3.4	\$ 177.7
<b>SG&amp;A (%)</b>	18.9%	22.0%		19.8%	20.8%	22.0%		21.2%
<b>Income from Affiliates</b>	\$ 0.3			\$ 0.3	\$ 2.4			\$ 2.4
<b>Operating Income</b>	\$ 50.0	\$ -	\$ (4.3)	\$ 45.7	\$ 133.0	\$ -	\$ (5.1)	\$ 127.9
<b>Operating Margin (%)</b>	16.7%	0.0%		14.6%	16.1%	0.0%		15.3%

***Valbart stand-alone operating results reflect project phasing/seasonality and acquisition effects***

\*SG&A: Valbart PPA includes due diligence and integration costs of \$1.4M (3Q10) and \$2.2M (YTD)

\*\*PPA: Purchase Price Accounting

# Flow Control Division

## Q3 2010 Segment Results excluding Valbart

(\$ millions)	3rd Quarter					Year-To-Date				
	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 333.1	\$ 320.3	\$ (12.8)	(3.8%)	(0.2%)	\$ 907.2	\$ 964.0	\$ 56.8	6.3%	6.6%
<b>Sales</b>	\$ 293.5	\$ 300.3	\$ 6.8	2.3%	6.4%	\$ 893.2	\$ 825.1	\$ (68.1)	(7.6%)	(6.8%)
<b>Gross Profit</b>	\$ 112.0	\$ 106.4	\$ (5.6)	(5.0%)		\$ 328.3	\$ 302.2	\$ (26.1)	(8.0%)	
<b>Gross Margin (%)</b>	38.2%	35.4%		(280 bps)		36.8%	36.6%		(20 bps)	
<b>SG&amp;A</b>	\$ 58.7	\$ 56.7	\$ (2.0)	(3.4%)	(8.5%)	\$ 184.1	\$ 171.6	\$ (12.5)	(6.8%)	(7.3%)
<b>SG&amp;A (%)</b>	20.0%	18.9%		(110 bps)		20.6%	20.8%		20 bps	
<b>Income from Affiliates</b>	\$ 0.7	\$ 0.3	\$ (0.4)	(57.1%)		\$ 4.2	\$ 2.4	\$ (1.8)	(42.9%)	
<b>Operating Income</b>	\$ 54.0	\$ 50.0	\$ (4.0)	(7.4%)	(5.6%)	\$ 148.4	\$ 133.0	\$ (15.4)	(10.4%)	(10.4%)
<b>Operating Margin (%)</b>	18.4%	16.7%		(170 bps)		16.6%	16.1%		(50 bps)	
<b>Adjusted Operating Income*</b>	\$ 54.6	\$ 50.8	\$ (3.8)	(7.0%)		\$ 156.7	\$ 136.9	\$ (19.8)	(12.6%)	
<b>Adjusted Operating Margin (%)*</b>	18.6%	16.9%		(170 bps)		17.5%	16.6%		(90 bps)	

### YTD Bookings Growth & Solid Operating Margins

\* Adjusted operating income excludes realignment charges of \$0.6 million and \$0.8 million for Q3 2009 and Q3 2010, respectively. Adjusted operating income excludes realignment charges of \$8.3 million and \$3.9 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***

- Power
  - ✓ Nuclear build continues to drive OE business
  - ✓ Life extension and uprates are driving nuclear MRO business
  - ✓ Increasing solar energy activity
- Chemical
  - ✓ Seeing upswing in MRO business
- Oil & Gas
  - ✓ North American shale gas market is accelerating
  - ✓ LNG projects remain strong
  - ✓ Increasing level of front end engineering and design activity in Middle East and Africa in upstream gas and downstream oil
- General Industrial
  - ✓ Mining active in Latin America and South Africa
  - ✓ Pulp & paper showing positive growth in Brazil
  - ✓ Seeing growth in air separation plants

***Moderately optimistic about near term opportunities***

## ***FCD Growth Initiatives***

- Portfolio Selling
  - ✓ Valbart
- Localization
  - ✓ Oil / gas market (Middle East)
  - ✓ Power market (China)
- Emerging Markets
  - ✓ Nuclear remediation developments
  - ✓ Desalination
  - ✓ Solar
- Automation

***Executing strategic programs to drive growth***

***Financial Update***



## Q3 Highlights

- Reported EPS\* of \$1.84, including \$0.17 of currency related benefits and \$0.03 of realignment charges
- Bookings of \$1.00 billion, up 2.6% or up 4.8% excluding currency headwind
  - ✓ 8<sup>th</sup> consecutive quarter of bookings around \$1 billion
- Sales of \$972 million, down 7.6%
  - ✓ Down 4.5% excluding 3.1% currency headwind
- Operating margin of 13.3%, down 200 basis points
  - ✓ Operating margin of 13.5% excluding realignment charges of \$2.1 million (20 basis points)
  - ✓ Operating margin of 14.1% excluding Valbart results and realignment charges
- Gross margin down 230 basis points to 34.3%
  - ✓ Gross margin of 34.6% excluding realignment charges of \$2.6 million (30 basis points)
  - ✓ Gross margin of 34.9% excluding Valbart results and realignment charges
- SG&A as a percentage of sales down 20 basis points to 21.4%
  - ✓ SG&A was 21.4% excluding realignment net adjustments of \$0.5 million
- Cash flow from operations of \$36.1 million

***Updating 2010 full year EPS target range to between \$6.70 to \$7.15 including approximately \$20 million (approximately \$0.26 per share) in realignment charges and an estimated after-tax charge of around \$8.4 million (approximately \$0.15 per share) related to the Venezuelan Currency Devaluation***

## Q3 Year-to-Date Highlights

- Year-to-date EPS\* of \$4.89, including \$0.33 of currency related charges in Other Expense, net and \$0.13 of realignment charges
  - ✓ Currency charges included
    - ✓ \$0.15 per share\* related to the Venezuelan currency devaluation to date
    - ✓ \$0.18 per share\* of other foreign currency expenses in Other Expense, net related to valuations in other currencies versus the US dollar
- Bookings of \$3.20 billion, up 8.7%
  - ✓ Up 8.2% excluding 0.5% currency tailwind
- Sales of \$2.89 billion, down 8.7%
- Operating margin down 40 basis points to 14.4%
  - ✓ Operating margin of 14.8% excluding realignment charges of \$10.2 million (40 basis points)
  - ✓ Operating margin of 15.0% excluding Valbart results and realignment charges
- Gross margin down 50 basis points to 35.5%
  - ✓ Gross margin of 35.8% excluding realignment charges of \$10.1 million (30 basis points)
  - ✓ Gross margin of 35.9% excluding Valbart results and realignment charges
- SG&A as a percentage of sales down 10 basis points to 21.5%
  - ✓ SG&A was 21.4% excluding realignment charges of \$0.1 million
- Cash flow used by operations of \$17 million, a decrease of approximately \$22 million compared to YTD Q3 2009

## Q3 2010 – Consolidated Financial Results

(\$ millions)	3rd Quarter					Year-To-Date				
	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**	2009	2010	Delta (\$)	Delta (%)	Constant FX (%)**
<b>Bookings</b>	\$ 975.3	\$ 1,000.3	\$ 25.0	2.6%	4.8%	\$ 2,946.0	\$ 3,202.2	\$ 256.2	8.7%	8.2%
<b>Sales</b>	\$ 1,051.1	\$ 971.7	\$ (79.4)	(7.6%)	(4.5%)	\$ 3,166.2	\$ 2,891.7	\$ (274.5)	(8.7%)	(8.7%)
<b>Gross Profit</b>	\$ 385.2	\$ 333.5	\$ (51.7)	(13.4%)		\$ 1,139.3	\$ 1,025.2	\$ (114.1)	(10.0%)	
<b>Gross Margin (%)</b>	36.6%	34.3%		(230 bps)		36.0%	35.5%		(50 bps)	
<b>SG&amp;A</b>	\$ 227.3	\$ 207.7	\$ (19.6)	(8.6%)	(11.7%)	\$ 683.9	\$ 620.3	\$ (63.6)	(9.3%)	(9.2%)
<b>SG&amp;A (%)</b>	21.6%	21.4%		(20 bps)		21.6%	21.5%		(10 bps)	
<b>Income from Affiliates</b>	\$ 3.3	\$ 3.4	\$ 0.1	3.0%		\$ 11.7	\$ 12.5	\$ 0.8	6.8%	
<b>Operating Income</b>	\$ 161.2	\$ 129.2	\$ (32.0)	(19.9%)	(18.6%)	\$ 467.1	\$ 417.4	\$ (49.7)	(10.6%)	(11.1%)
<b>Operating Margin (%)</b>	15.3%	13.3%		(200 bps)		14.8%	14.4%		(40 bps)	
<b>Adjusted Operating Income*</b>	\$ 164.8	\$ 131.3	\$ (33.5)	(20.3%)		\$ 500.3	\$ 427.6	\$ (72.7)	(14.5%)	
<b>Adjusted Operating Margin (%)*</b>	15.7%	13.5%		(220 bps)		15.8%	14.8%		(100 bps)	
<b>Other / Income (Expense), net</b>	\$ 7.0	\$ 18.6	\$ 11.6	165.7%		\$ (2.4)	\$ (15.3)	\$ (12.9)	(537.5%)	
<b>Tax Expense</b>	\$ 42.0	\$ 35.7	\$ (6.3)	(15.0%)		\$ 118.6	\$ 101.1	\$ (17.5)	(14.8%)	
<b>Net Earnings</b>	\$ 116.9	\$ 103.9	\$ (13.0)	(11.1%)		\$ 317.5	\$ 275.7	\$ (41.8)	(13.2%)	
<b>Diluted EPS</b>	\$ 2.07	\$ 1.84	\$ (0.23)	(11.1%)		\$ 5.63	\$ 4.89	\$ (0.74)	(13.1%)	
<b>Adjusted EPS*</b>	\$ 2.12	\$ 1.87	\$ (0.25)	(11.8%)		\$ 6.06	\$ 5.02	\$ (1.04)	(17.2%)	

- As of 9/30/10, 2.6 million shares (112,500 Q3 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 \$3.6 million and \$2.1 million for Q3 2009 and Q3 2010, respectively. Adjusted operating income and adjusted EPS exclude realignment charges of \$33.2 million and \$10.2 million for 2009 YTD and 2010 YTD, respectively.

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

## ***Realignment Overview***

- 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 – \$78.3 million
  - ✓ Net charge YTD 2010 approximately \$10.2 million
  - ✓ Approximately \$7.5 million of charges programmed for the balance of 2010
- 2010 realignment savings expected to approximate \$93 million
  - ✓ Savings in Q3 2010 approximated \$25 million, \$65 million year-to-date
- Annual run rate savings estimated at about \$115 million by 2011

***The effects of realignment have started to provide margin benefits***

## Q3 2010 Cash Flows

(\$ millions)

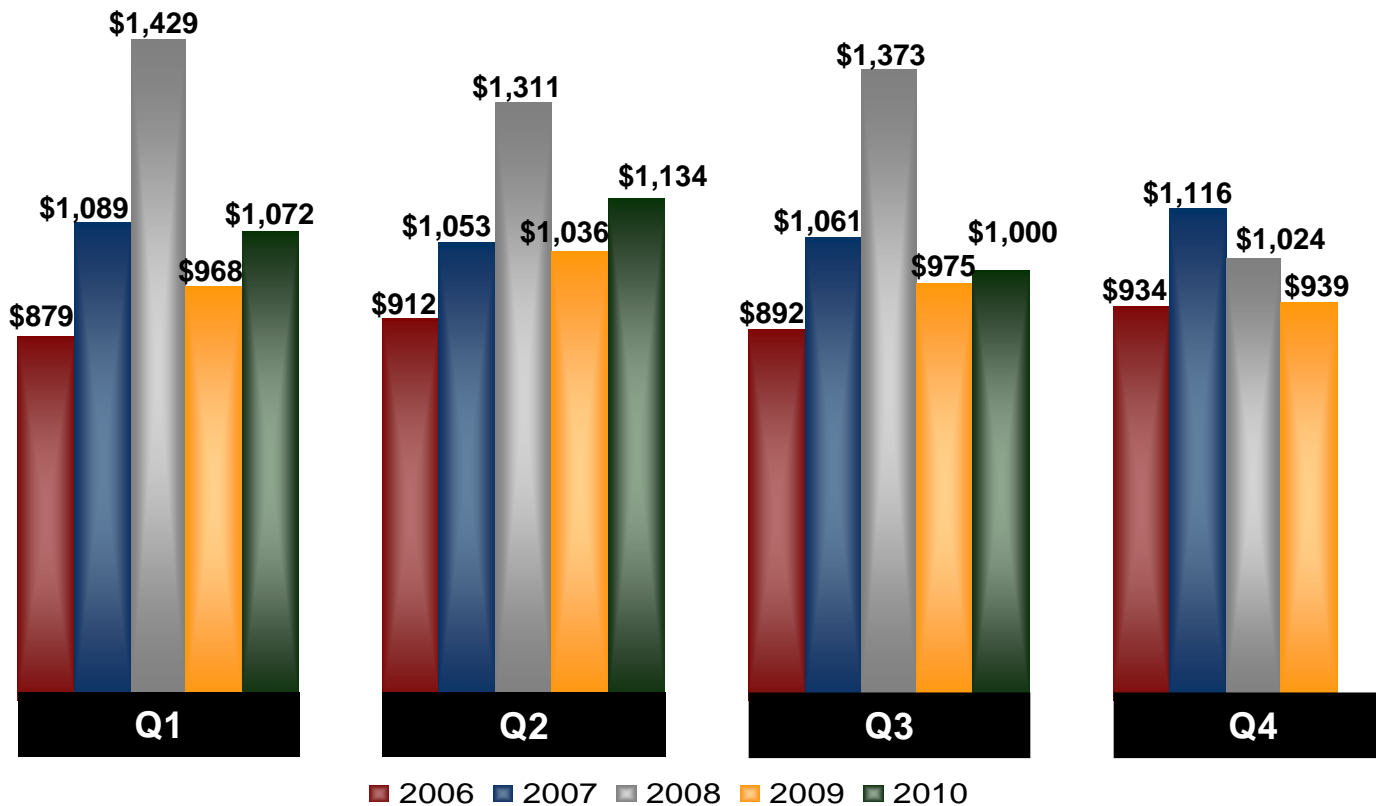
	Q1	Q2	Q3	YTD	
	2010	2010	2010	2010	2009
Net Income	80	92	104	276	318
Depreciation and Amortization	25	24	26	75	72
Change in Working Capital	(268)	(25)	(85)	(378)	(347)
Other	14	5	(9)	10	(38)
<b>Total Operating Activities</b>	<b>(149)</b>	<b>96</b>	<b>36</b>	<b>(17)</b>	<b>5</b>
Capital Expenditures	(15)	(10)	(21)	(46)	(87)
Acquisition and Other	8	-	(197)	(189)	(31)
<b>Total Investing Activities</b>	<b>(7)</b>	<b>(10)</b>	<b>(218)</b>	<b>(235)</b>	<b>(118)</b>
Net Payments Under Lines of Credit	(1)	-	1	-	(4)
Dividends	(15)	(16)	(16)	(47)	(44)
Proceeds of Debt or Other	10	1	(4)	7	2
Repurchase of Common Shares	(12)	(11)	(11)	(34)	(28)
Proceeds from Stock Option Activity	5	-	1	6	2
<b>Total Financing Activities</b>	<b>(13)</b>	<b>(26)</b>	<b>(29)</b>	<b>(68)</b>	<b>(72)</b>
<b>Effect of Exchange Rates</b>	<b>(17)</b>	<b>(25)</b>	<b>18</b>	<b>(24)</b>	<b>4</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(186)</b>	<b>35</b>	<b>(193)</b>	<b>(344)</b>	<b>(181)</b>

***Questions and Answers***

***Appendix***

# Quarterly Bookings Performance

(\$ millions)



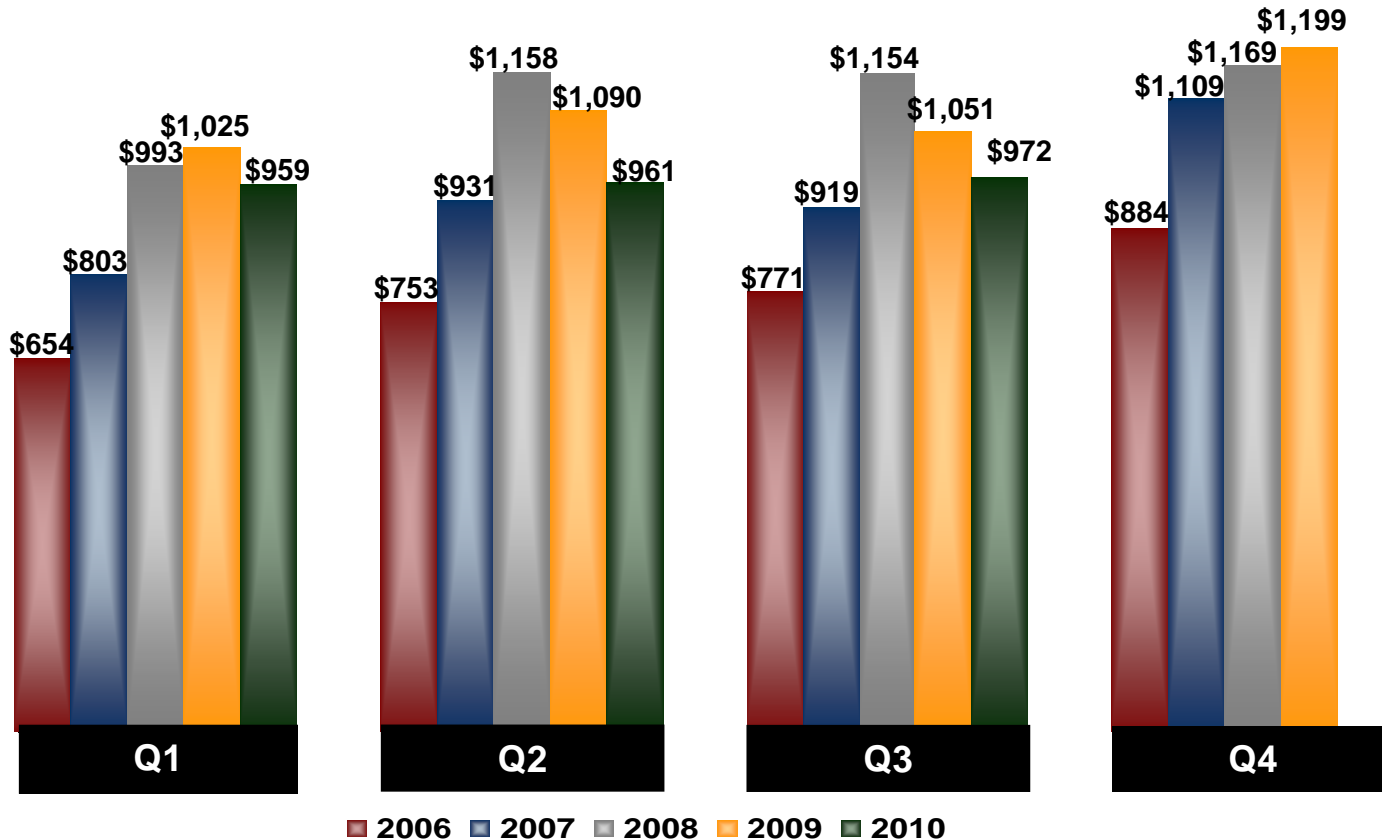
- Represents Q3 2010 gross bookings excluding cancellations of \$4.3 million

- Q3 2010 bookings included negative currency impact of approximately \$22 million compared to Q3 2009



# Quarterly Sales Performance

(\$ millions)



- Q3 2010 sales included negative currency impact of approximately \$32 million compared to Q3 2009

## Q3 Year-to-Date Realignment Overview

(\$ millions)	Restructuring				Total
	EPD	IPD	FCD	Other	
Cost of Sales	1.8	2.7	1.0	0.0	5.5
SG&A	-1.3	-0.1	0.0	0.3	-1.1
<b>Total</b>	<b>0.5</b>	<b>2.6</b>	<b>1.0</b>	<b>0.3</b>	<b>4.4</b>

	Non-Restructuring				Total
	EPD	IPD	FCD	Other	
Cost of Sales	0.0	2.5	2.1	0.0	4.6
SG&A	0.0	0.3	0.8	0.1	1.2
<b>Total</b>	<b>0.0</b>	<b>2.8</b>	<b>2.9</b>	<b>0.1</b>	<b>5.8</b>

	Total Realignment				Total
	EPD	IPD	FCD	Other	
Cost of Sales	1.8	5.2	3.1	0.0	10.1
SG&A	-1.3	0.2	0.8	0.4	0.1
<b>Total</b>	<b>0.5</b>	<b>5.4</b>	<b>3.9</b>	<b>0.4</b>	<b>10.2</b>

- 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

(\$ millions)	Q3 2009		Q4 2009		Q3 2010	
	\$	%	\$	%	\$	%
Receivables	841	19.4%	792	18.1%	840	20.5%
Inventory	884	20.4%	795	18.2%	948	23.2%
Payables	(399)	(9.2%)	(493)	(11.3%)	(437)	(10.7%)
<b>Primary Working Capital</b>	<b>1,326</b>	<b>30.6%</b>	<b>1,094</b>	<b>25.0%</b>	<b>1,351</b>	<b>33.0%</b>
Advance Cash*	(381)	(8.8%)	(385)	(8.8%)	(345)	(8.4%)
<b>Total</b>	<b>945</b>	<b>21.8%</b>	<b>709</b>	<b>16.2%</b>	<b>1,006</b>	<b>24.6%</b>
<b>Backlog</b>	<b>2,665</b>		<b>2,371</b>		<b>2,709</b>	

\* Advance cash commitments from customers to fund working capital

**Primary working capital increased in Q3 primarily due to inventory growth**

***Non-GAAP Reconciliation***

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

(\$ millions)	Q3 2010		
	EPD	IPD	FCD
Reported GAAP Operating Income	92.8	9.5	45.7
Realignment Charges	0.1	1.1	0.8
<b>Subtotal</b>	<b>92.9</b>	<b>10.6</b>	<b>46.5</b>
Valbart Acquisition	0.0	0.0	4.3
<b>Adjusted Operating Income</b>	<b>92.9</b>	<b>10.6</b>	<b>50.8</b>

(\$ millions)	Year-To-Date		
	EPD	IPD	FCD
Reported GAAP Operating Income	301.4	46.4	127.9
Realignment Charges	0.5	5.4	3.9
<b>Subtotal</b>	<b>301.9</b>	<b>51.8</b>	<b>131.8</b>
Valbart Acquisition	0.0	0.0	5.1
<b>Adjusted Operating Income</b>	<b>301.9</b>	<b>51.8</b>	<b>136.9</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)

	Operating Income	Diluted EPS	Operating Income	Diluted EPS
<b>Reported GAAP</b>	\$129.2	\$1.84	\$417.4	\$4.89
<b>Realignment Charges</b>	\$2.1	\$0.03	\$10.2	\$0.13
<b>Subtotal</b>	\$131.3	\$1.87	\$427.6	\$5.02
<b>Valbart Acquisition</b>	\$4.3	\$0.05	\$5.1	\$0.06
<b>Adjusted</b>	\$135.6	\$1.92	\$432.7	\$5.08

*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.