

# FLOWSERVE CORPORATION

(NYSE: FLS)

**Cowen & Company 4<sup>th</sup> Annual Ultimate Energy Conference**

*December 2, 2014*

# Safe Harbor Statement

**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.

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; 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 Russian and 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, including 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; 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; 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.

# Flowserve Overview

- **Leading manufacturer and aftermarket service provider of comprehensive flow control systems**
  - History dates back to 1790 with more than 50 well-respected brands such as Worthington, IDP, Valtek, Limitorque, Durco and Edward
  - Our pure-play flow control model focus of industry participants
- **Design, develop, manufacture and repair precision-engineered flow control equipment for customers' critical processes**
  - Portfolio includes pumps, valves, seals and support systems, automation and aftermarket services supporting global infrastructure
  - Focused on oil & gas, power, chemical, water and general industries
- **Worldwide presence with approximately 18,000 employees**
  - 69 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, chemical and power companies, engineering & construction firms, and global distributors
- **Established commitment to safety, customer service, and quality with a strong ethical, compliance and performance culture**



# Investment Highlights

- Focused flow control provider engaged primarily in energy infrastructure markets
- Diversified business model provides stability and foundation for earnings growth
  - Broad portfolio of distinguished brand names, with over 10,000 customers globally
  - Stable business platform due to global geographic exposure and mix of industries served
  - Combination of run-rate and large, late-cycle original equipment with recurring aftermarket
  - Substantial installed base in existing infrastructure with global aftermarket QRC network
- Emphasis on operational excellence drives margin and cash flow improvement
- Experienced, shareholder focused leadership team - **“One Flowserve”**
- Growth pursued through customer focus, innovation, expanding capabilities and strategic investments, primarily in emerging markets
- Disciplined capital allocation with emphasis on growth and shareholder value
- Expected growth will leverage earnings power of improving operating platform

***Strong expected cash flow generation focused on growth initiatives and returns to shareholders***

# Diversified Business Model

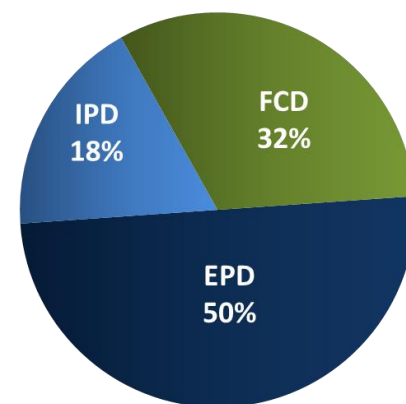
*Diverse mix of products, end markets and geographies provided earnings stability through the cycle and decreases risk profile*

## Operating Segments

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

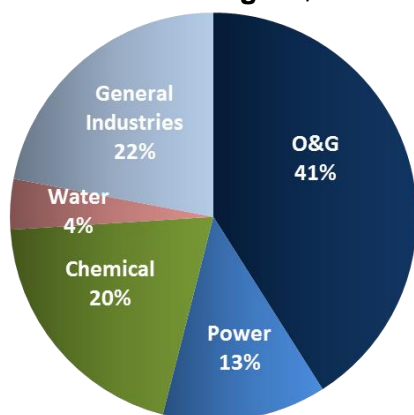
## Segment Breakdown

2013 Sales - \$5.0B



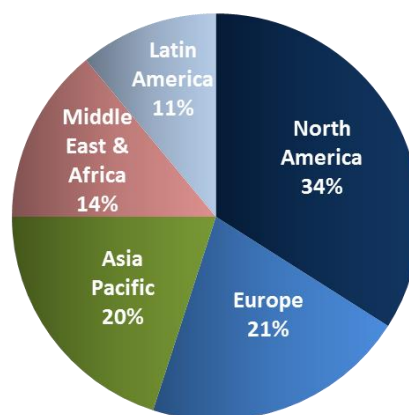
## Energy-focused End Markets

2013 Bookings - \$4.9B



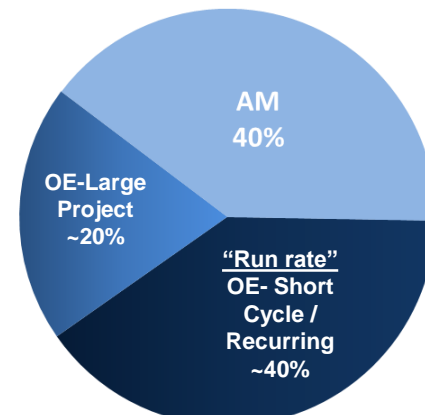
## Geographic Exposure

2013 Sales



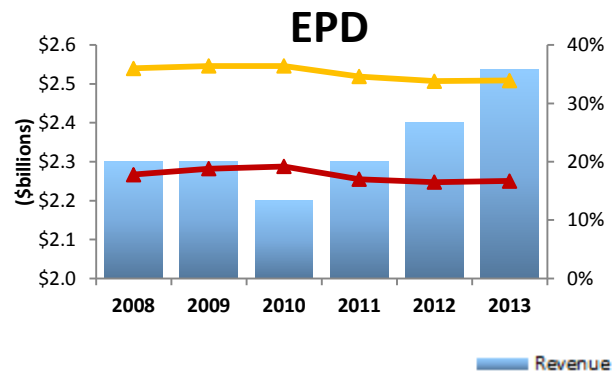
## Diverse OE / AM Mix

2013 Sales

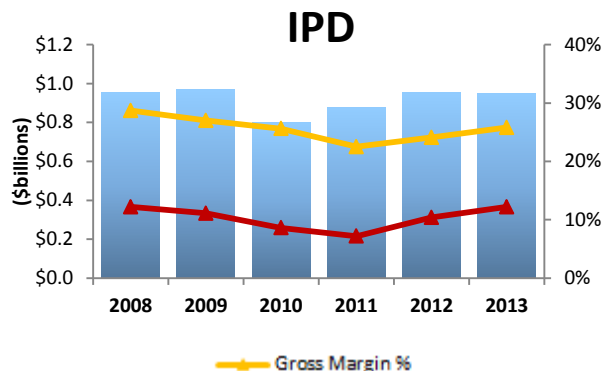


***Balanced flow control portfolio of products and aftermarket services provides diversification and reduces earnings risk profile***

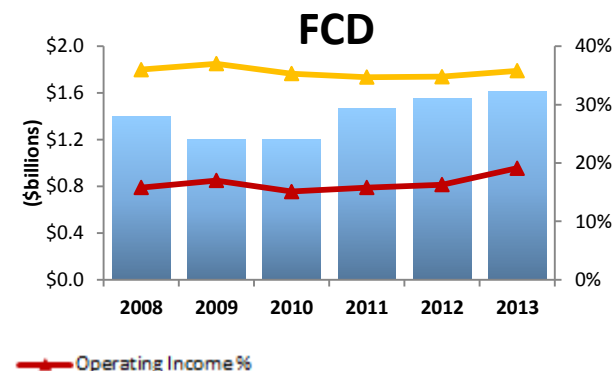
# Broad Flow Control Platform



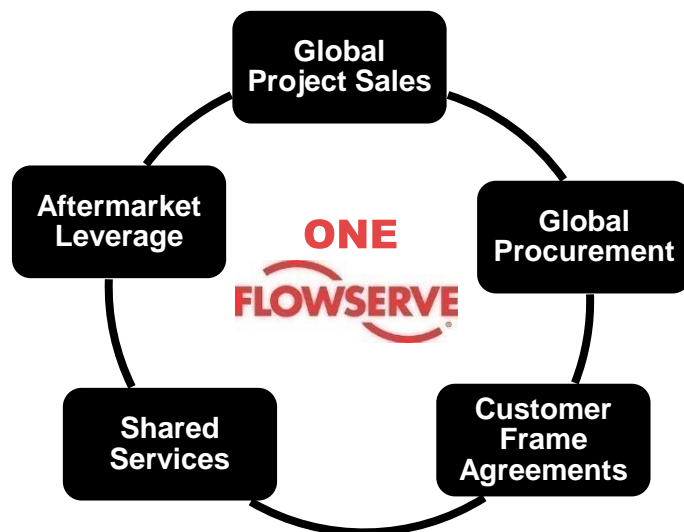
- Engineered Custom
- Late and long cycle-business
- Growing market share
- Solid aftermarket
- Direct sales to customers



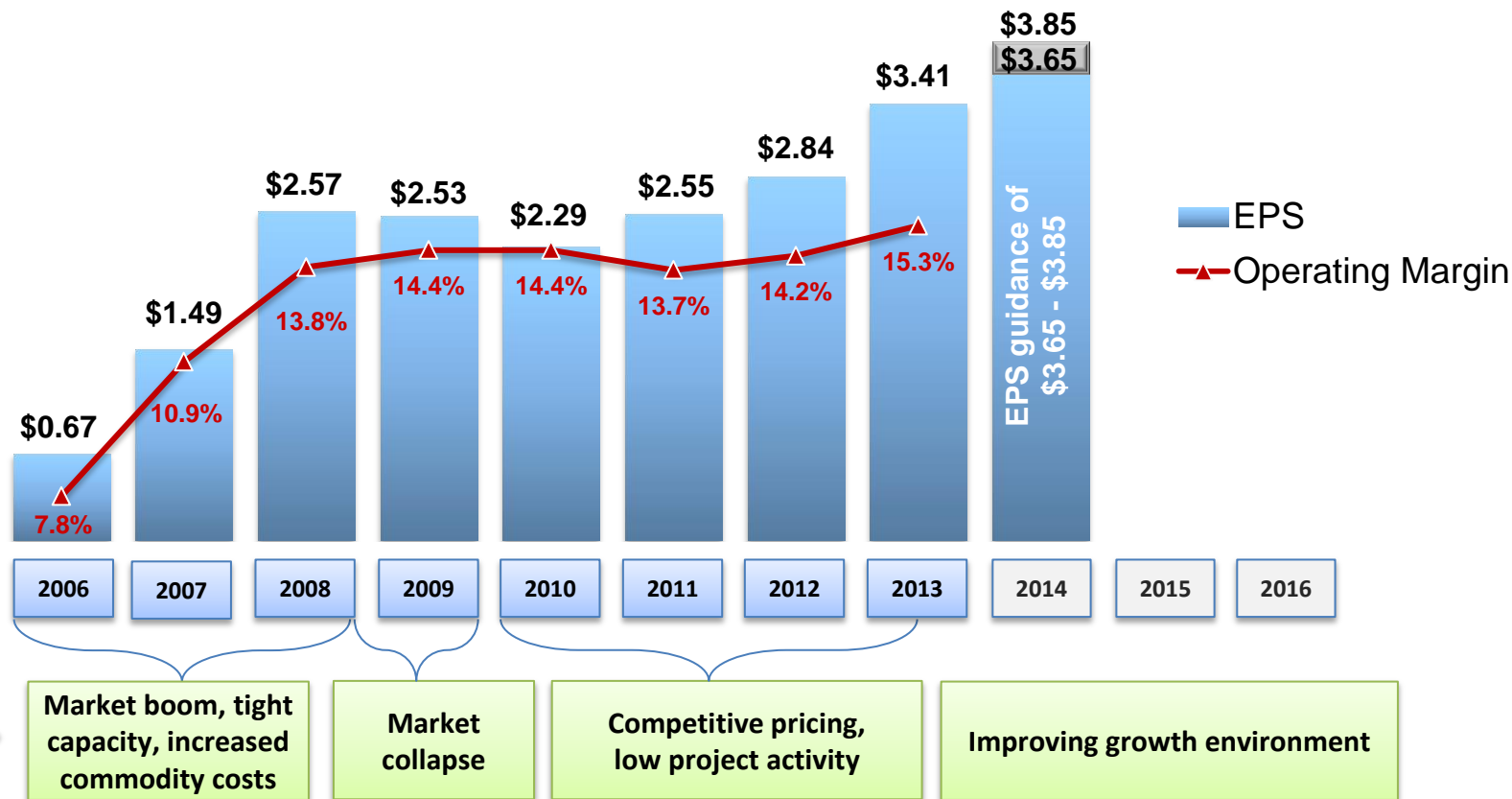
- Participates in projects
- Engineered to specifications
- Focus on improving product gaps
- Improving execution
- Direct sales and distribution



- Increasing exposure to oil and gas segment
- Consistent strong execution
- Focused on growth
- Direct sales and distribution



# Earnings Stability Through the Cycle

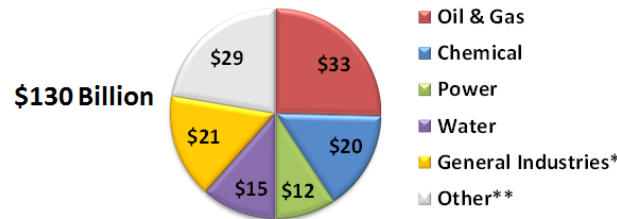


***Disciplined execution of strategies and operating excellence drive earnings and cash generation for growth investments***

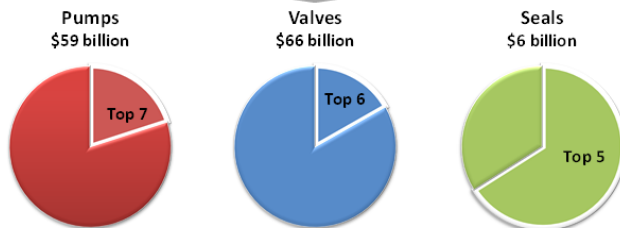
# Flowserve's Served Market

- Flowserve offers the market a broad range of flow control products
- Served markets represent ~75% of total available market
- Pump, valve & seal spend increasingly taking place in developing regions
- Developing markets accounted for nearly 60% of 2013 spend

**Total Available Market**



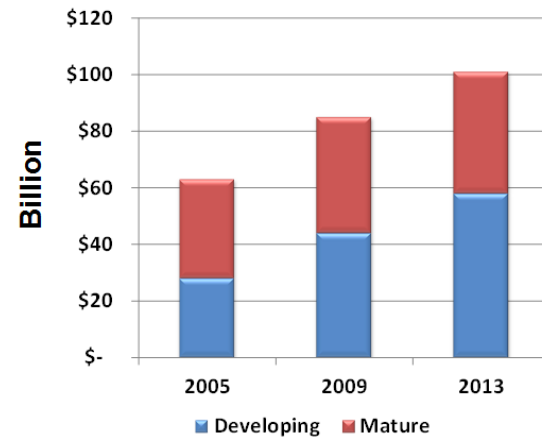
**Total Available Market – By Pumps, Valves & Seals**



Source: European Industrial Forecasting, company reports and internal estimates

\*General Industries: Mining, Pulp & Paper and Food & Beverage \*\*Other: Building & Construction, Marine and other

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



Source: European Industrial Forecasting

† Includes oil & gas, chemical, power, water & general industries; excludes building & construction, marine & other

***Pumps & valves are highly fragmented with many suppliers, whereas seals is concentrated among a few competitors***



# Key Drivers of Growth

<p><b>Energy and emerging market growth</b></p>	<p><b>Long-term tailwinds for our growth:</b></p> <ul style="list-style-type: none"> <li>• Energy demand growth</li> <li>• Global economic and population growth</li> <li>• Resurgence of large project activity</li> </ul>
<p><b>Opportunity “within four walls of Flowserve”</b></p>	<ul style="list-style-type: none"> <li>• Operational excellence - propensity</li> <li>• Customer focus / performance culture</li> <li>• Strategic localization / geographic expansion</li> <li>• Building upon our Aftermarket strength</li> </ul>
<p><b>Product Innovation</b></p>	<ul style="list-style-type: none"> <li>• Breakthrough products</li> <li>• Product line extensions</li> <li>• Product enhancements</li> </ul>
<p><b>Acquisitions</b></p>	<ul style="list-style-type: none"> <li>• Niche, bolt-on strategy – top-line synergies</li> <li>• Attractive segments – filling in “gaps”</li> <li>• Strong fit with our competitive advantages</li> <li>• Solid economics to drive long-term value</li> </ul>

# Resurgence of Large OE Activity Expected



JV with Technip Awarded Sasol's Louisiana ethane cracker  
 Fluor and JGC Joint Venture Awarded EPC  
 Contract by Chevron Phillips Chemical for Gulf  
 Coast Petrochemicals Project in Texas

Fluor Selected for Clean Fuels Project in Kuwait

Fluor and JGC Awarded EPC Contract for Kitimat  
 LNG Project

CB&I Announces Contract For U.S. Ethylene Plant

CB&I and Chiyoda Awarded Contract for LNG Liquefaction and Export Facilities

CB&I Awarded Contract for LNG Liquefaction Terminal

CB&I Announces LNG Award in Australia



**BECHTEL ENTERS INTO CONTRACT WITH CHENIERE FOR CORPUS  
 CHRISTI LIQUEFACTION PROJECT**

KBR Awarded Two Engineering, Procurement, and Construction  
 Contracts for Agrium's Nitrogen Operations Facility



Jacobs Awarded Contract by Midwest Fertilizer

***E&C awards for large infrastructure projects key leading indicator***

# Targeting Acquisitions to Leverage Competitive Advantages



**2014 Acquisition**  
Cash Paid - \$373M  
Price/EBITDA ~10x



**Acquisition strategy seeks to pursue growth in:**

- Markets/units that have “earned the right to grow”
  - High profitability and strong growth
- Attractive businesses (profitable, growing, filling “gaps”)
- Targets that fit with Flowserve competitive advantages
  - AM network, installed base, global manufacturing and sales footprint, etc.
- Targeted acquisitions are designed to be quickly accretive and meet Internal Rate of Return (IRR) targets



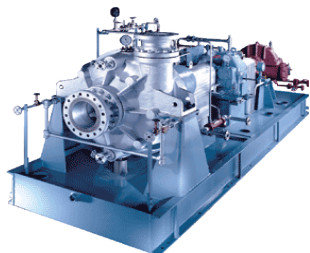
**2013 Acquisition**  
Cash Paid - \$78.7M  
Price/EBITDA ~11x

**Audco India JV - MM Nagar**  
2013 Acquisition/Divestiture  
Net Cash Rec'd – \$36.1M



**Recent acquisitions have reinforced our core business and markets**

- Recent acquisitions at favorable multiples include auction process and relationship driven transactions



**2011 Acquisition**  
Cash Paid - \$88.2M  
Price/EBITDA – 8.8x



**2010 Acquisition**  
Cash Paid - \$199.4M  
Price/EBITDA – 8.1x

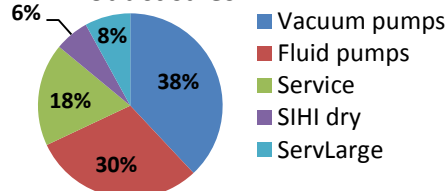
# SIHI Overview



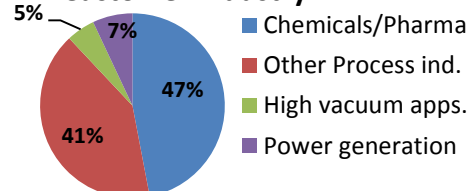
- Global pumping solution provider with innovative and customized solutions for demanding applications in the process industry
- Headquarters: Itzehoe, Germany
- Key products: Vacuum pumps, fluid pumps, ISO, ring section, side channel, end suction industrial

## Products and end markets

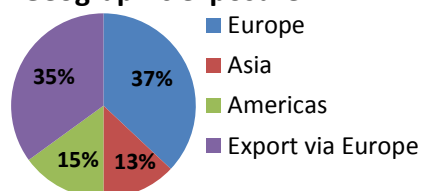
**Product sales**



**Customer industry**



**Geographic exposure**

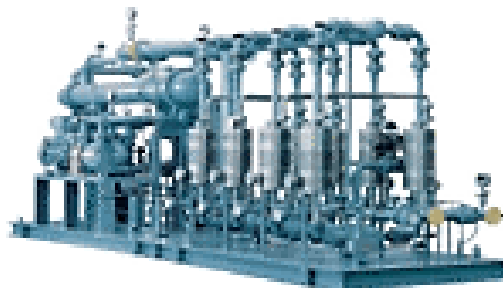


## Locations and employees

- 28 Facilities: Germany (3), 1 each in Spain, Belgium, The Netherlands, US, France, Canada, Colombia, China, Thailand, with foundry in UK and 16 service centers around the world
- Employees: ~1,700

## Est. 2014 key financial information

- Revenues: ~ €280M
- Gross Margin: ~ 30%
- EBITDA: ~ €30M

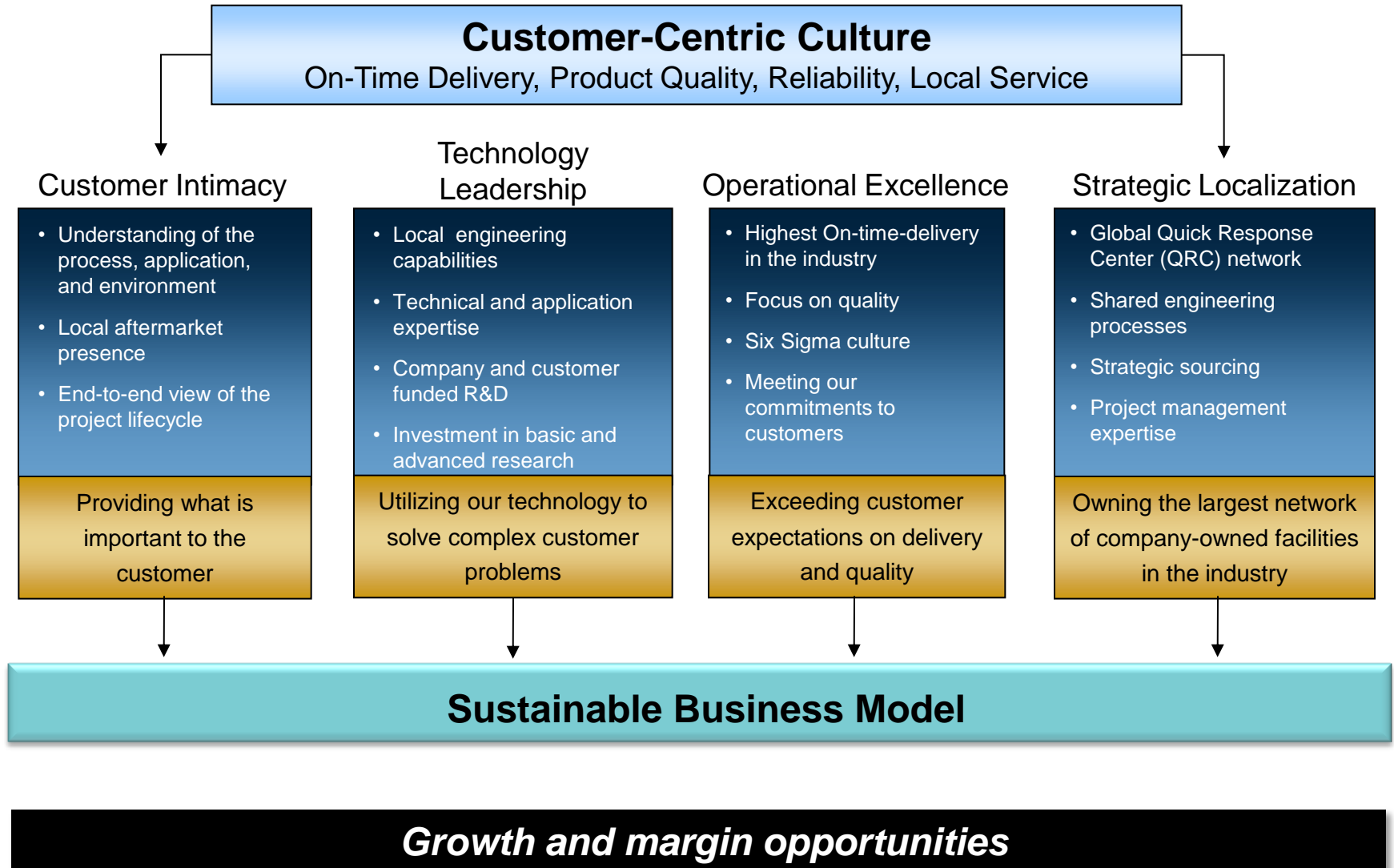


# SIHI Exemplifies M&A Strategy

Achieving Key Strategic Objectives	Rationale for Acquisition of SIHI
<i>Invest in markets/units that “earned the right to grow”</i>	<ul style="list-style-type: none"> <li>• Significant progress in IPD operating platform excellence</li> <li>• Demonstrated success in integrating past acquisitions including Lawrence Pumps and Innomag</li> </ul>
<i>Niche, bolt-on top line growth</i>	<ul style="list-style-type: none"> <li>• Products include high quality vacuum pumps and niche fluid pumps with little Flowserve product overlap</li> <li>• SIHI installed pump base provides Flowserve seal opportunities</li> </ul>
<i>Attractive businesses, markets and filling gaps</i>	<ul style="list-style-type: none"> <li>• Vacuum pumps are additive to Flowserve’s pump portfolio</li> <li>• Leading provider in demanding process industry applications</li> <li>• High product exposure to chemical market, significantly increases Flowserve’s exposure to EMA</li> </ul>
<i>Strong fit with our competitive advantages</i>	<ul style="list-style-type: none"> <li>• Leverage Flowserve’s worldwide sales force to drive SIHI’s vacuum pumps into growth regions</li> <li>• Large installed base supports aftermarket sales synergies</li> </ul>
<i>Drive long-term value</i>	<ul style="list-style-type: none"> <li>• Quickly accretive; IRR exceeds WACC</li> <li>• Opportunities to reinforce core business, markets and operating platform to improve profitability</li> </ul>

***SIHI acquisition supports long-term profitable growth and increased shareholder value***

# One Flowserve



# Global Provider of OEM & Aftermarket Services

Lead Product Operation	Secondary Product Operation	Quick Response Centers
<ul style="list-style-type: none"> <li>• “<i>Product line custodian</i>” and recognized as the world wide product leader</li> <li>• Common processes and procedures</li> <li>• Ensures products are identical irrespective of where it is manufactured</li> <li>• Global product focus</li> </ul>	<ul style="list-style-type: none"> <li>• Implements the manufacturing and aftermarket support within the <i>designated geographical region</i> for the assigned product</li> <li>• Local contract execution</li> <li>• Local manufacturing</li> <li>• Local market pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Local service and repair</li> <li>• Field engineering and technical service</li> <li>• Root cause analysis</li> <li>• Asset management services</li> <li>• Hydraulic upgrade technologies</li> <li>• Customer training</li> </ul>

<u>Assets</u>	<u>Total</u>	<u>NA</u>	<u>LA</u>	<u>EMA</u>	<u>AP</u>
Employees*	18,500	6,345	2,005	6,630	3,520
Mfg Sites	69	20	7	29	13
QRCs**	176	58	23	50	45

\* appx., includes temporary employees

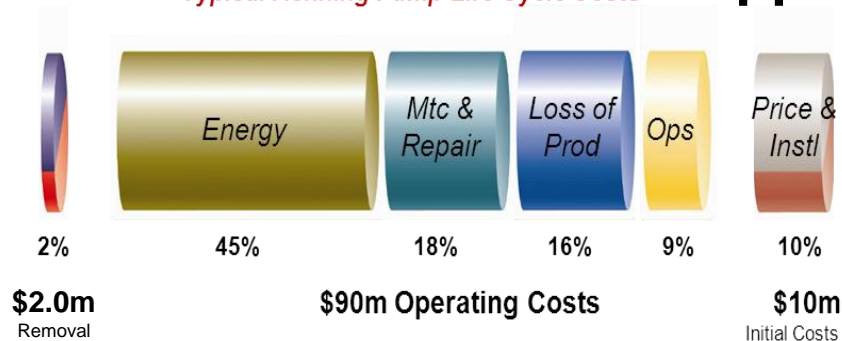
\*\* includes four shared sites

***Flowserve’s 245 facilities provide manufacturing and service to support customers worldwide and optimize our asset base***



# Proximity to Customers Provides Aftermarket Opportunities

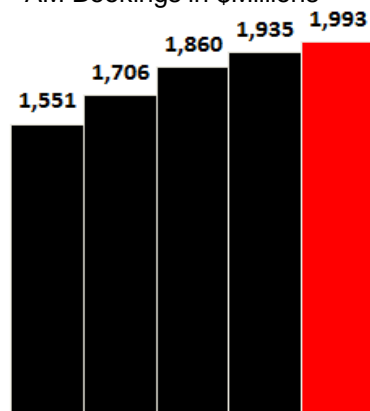
*Typical Refining Pump Life Cycle Costs*



End user customers vary in maintenance philosophies

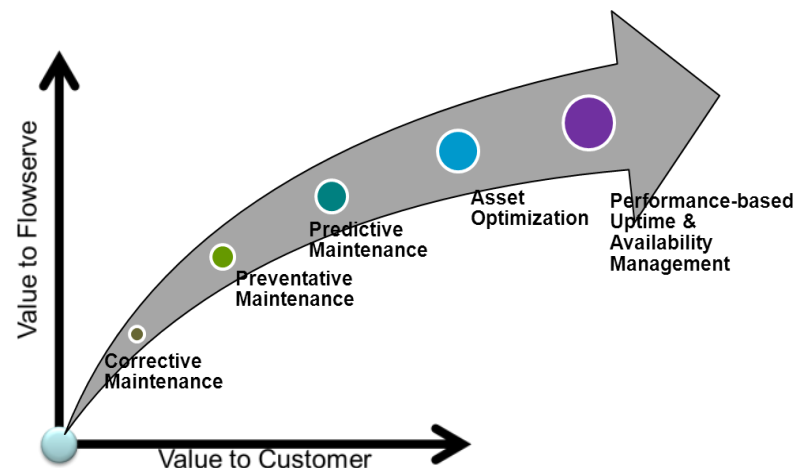
2010 – 2013 AM CAGR = 6.5%

AM Bookings in \$Millions



■ 2009 ■ 2010 ■ 2011 ■ 2012 ■ 2013

End-user customers typically experience approximately nine times the initial purchase and installation costs over the equipment's operating life

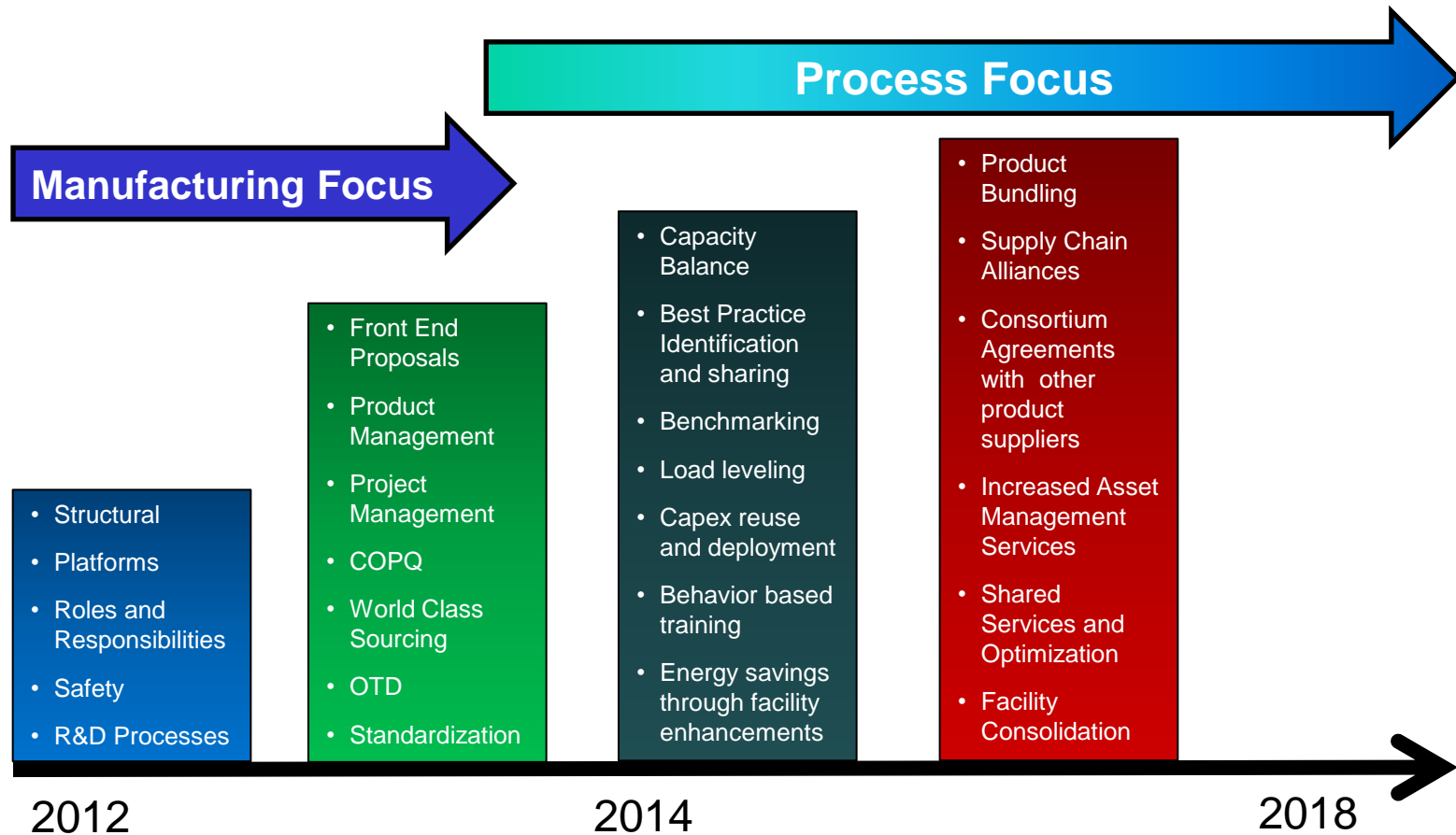


FLS Services & Solutions business drives aftermarket growth

**Leveraging large projects, run rate and aftermarket opportunities over the 40 to 50 year cycle**



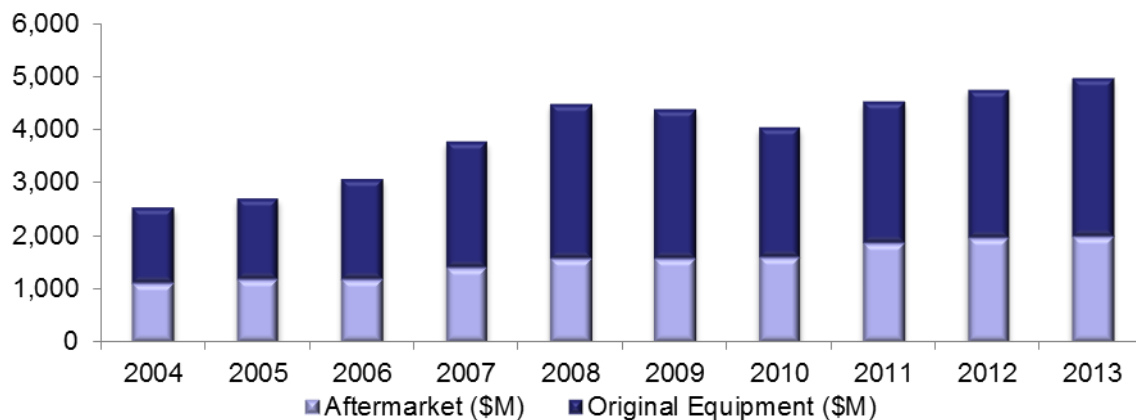
# Process Improvement Continuum



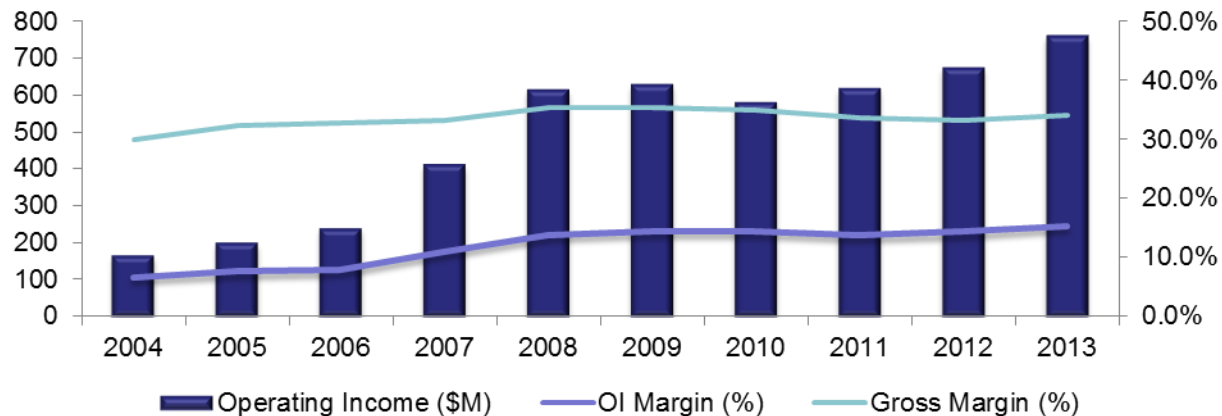
***Expanding CIP throughout the business***

# Strong Annual Financial Performance

## Sales

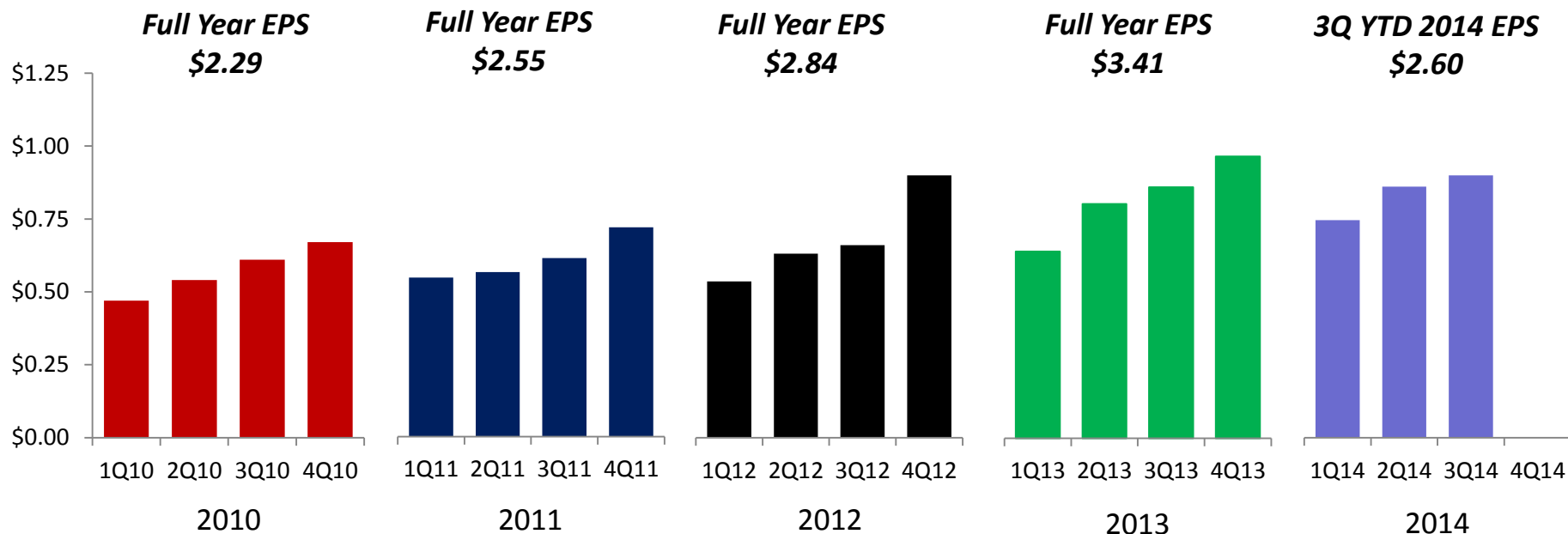


## Operating Results



# EPS Seasonally Second-Half Weighted

(Quarterly EPS - diluted)

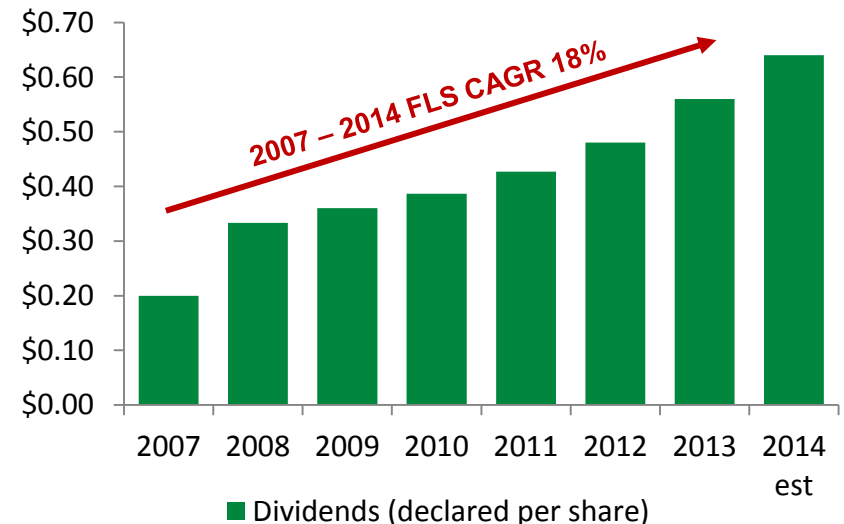
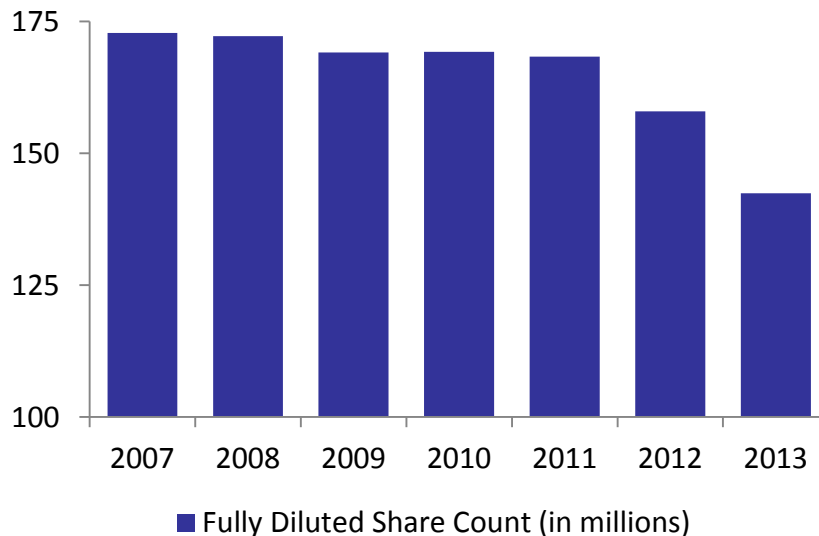


***Earnings continue to be seasonal, expect over 80% of full-year 2014 target range will be generated during final three quarters of the year***

Note: EPS adjusted to reflect 3-for-1 stock split effective June 21, 2013

# Consistent Returns to Shareholders

- Total diluted share count has been reduced by nearly 16% since 2005
- Cumulative annual declared dividends increased 220% to the anticipated \$0.64 per share in 2014 from \$0.20 per share in 2007



**Note: Dividends and share count adjusted to reflect 3-for-1 stock split effective June 21, 2013**

# Long-Term Capital Deployment Plan








- Capital deployment priorities will continue to focus on accretive investments to maximize the operating platform and total shareholder return
- From 2009-2013, Flowserve generated \$1.4 billion in free cash flow and \$626 million of net incremental debt
- In the current 5-Year plan, forecast assumes continued strong cash generation and incremental net debt of \$750 - \$900 million to maintain the mid-range of leverage target

Planned Cash Deployment	2014 - 2018
Share Repurchases & Dividends	40% - 50% of average two-year net earnings
Capital Expenditures	~ \$700 - \$800 million
Pension Contribution	~ \$140 - \$160 million
Growth Investments	In excess of \$2 billion

<sup>1</sup> Includes borrowing capacity to maintain mid point of our stated total debt to EBITDA leverage target

***Growth is a heightened priority through 2018***

# Financial Commitments Made and Delivered

Commitment	Result	Status
<b>Revenue Growth Rate</b> <ul style="list-style-type: none"> <li>2013 guidance growth rate of 4% - 6%,</li> <li>Long-term revenue CAGR of 8-10%</li> </ul>	<ul style="list-style-type: none"> <li>Delivered an increase of 4.3% or 5% on constant currency basis in 2013</li> <li>On track; 7.4% CAGR since 2010 with limited acquisition activity</li> </ul>	
<b>SG&amp;A</b> <ul style="list-style-type: none"> <li>Long-term SG&amp;A to sales target of 18%</li> </ul>	<ul style="list-style-type: none"> <li>Continue to make progress in improving SG&amp;A leverage and cost containment. Ended 2013 at 19.5%, an improvement of 80 bps since 2011</li> </ul>	
<b>Operating Margin Improvement</b> <ul style="list-style-type: none"> <li>Improve 150-250 bps from 2011 levels by end of 2014</li> </ul>	<ul style="list-style-type: none"> <li>At year end 2013, have delivered a 160 bps improvement from 2011 levels, achieving the lower end of the range with a year remaining for further improvement</li> </ul>	
<b>IPD Margin Improvement</b> <ul style="list-style-type: none"> <li>Improve operating margin to 14% - 15% by end of 2015</li> </ul>	<ul style="list-style-type: none"> <li>Operating margin improvement remains on track at 12.2%, with 180 bps improvement in 2013 and 500 bps since 2011</li> </ul>	
<b>Working Capital Improvement</b> <ul style="list-style-type: none"> <li>Achieve DSO in the mid 60s and inventory turns of 4.0x to 4.5x</li> </ul>	<ul style="list-style-type: none"> <li>Despite increased sales in emerging markets, we made progress with DSO at 75 days at year-end 2013 and improved inventory turn by over three-tenth of a turn to 3.5x</li> </ul>	
<b>Shareholder Return</b> <ul style="list-style-type: none"> <li>Returning 40% - 50% of 2-year average net earnings to shareholders annually</li> </ul>	<ul style="list-style-type: none"> <li>Returned \$1.4 billion through share repurchases and dividends since 2012</li> </ul>	
<b>Leverage Ratio</b> <ul style="list-style-type: none"> <li>A long-term target gross leverage ratio of 1.0x-2.0x total debt to EBITDA</li> </ul>	<ul style="list-style-type: none"> <li>Ended 2013 with a leverage ratio of 1.4x, with 10-Year Senior Note offerings of \$500 million in September 2012 and \$300 million in November 2013</li> </ul>	

*Continue to deliver on our commitments*

# 2014 Outlook

2014 EPS <sup>1</sup>	\$3.65 – \$3.85
Revenue Growth (Constant Currency) <sup>2</sup>	Essentially Flat
Tax Rate	~30%
Capital Expenditures	\$150 – \$160 M
Pension Contributions	\$30 – \$35 M
Scheduled Debt Reduction	\$40 M
Longer Term Guidance:	
Operating Margin Improvement (from 2011 levels)	150 – 250 bps
SG&A as a Percent of Sales	18%

<sup>1</sup> Narrowed range as of October 24, 2014 from \$3.65-\$4.00; Similar to recent years, 2014 earnings are expected to be second half weighted

<sup>2</sup> Expect 2014 full year revenue growth to be essentially flat on a constant currency basis. Excludes potential impact of acquisition or divestiture activity that may arise

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# APPENDIX

# Substantial OE Opportunities from New Infrastructure



Refinery - 300,000 bpd  
\$60m - \$100m



Nuclear Power - 1700 MW  
\$60m - \$80m



Coal Power Station - 600MW  
\$30m - \$40m



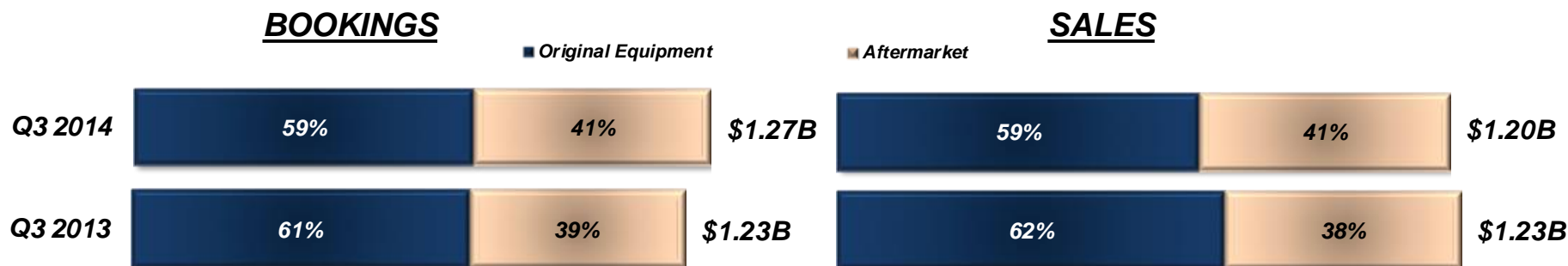
Solar Power Station - 250 MW  
\$20m - \$25m



Combined Cycle Power - 650 MW  
\$10m - \$15m

***Global Infrastructure build drives project growth and installed aftermarket base***

# Q3 2013 – Consolidated Bookings & Sales



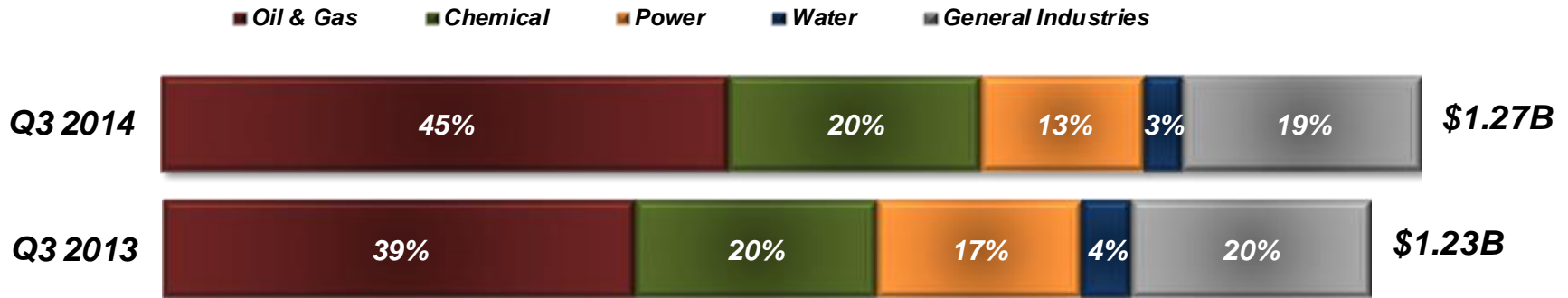
## Bookings

- Bookings in Q3 2014 increased 3.7%, or 5.0% on a constant currency basis, driven primarily by strength in the oil and gas and general industries
  - Aftermarket bookings increased 8.1% year-over-year, or 9.4% on a constant currency basis

## Sales

- Sales in Q3 2014 decreased 2.0%, or 0.7% on a constant currency basis, driven primarily by customer directed delays, foreign currency headwinds and the impact of the sale of the Naval business in the first quarter 2014

# Q3 2014 Bookings & Industry Outlook



## OIL & GAS

- ✓ Oil & gas investment remained strong; ongoing signs of increased discipline in some upstream capital expenditures
- ✓ Geopolitical conflicts in key energy producing regions cause uncertainties; potential to drive capital deployment toward stable countries
- ✓ New refining capacity additions in Middle East and other developing economies; clean fuels initiatives also prompt spending

## **POWER**

- ✓ Fossil fuel power investment in Europe driven by favorable economics and the region's partial retreat away from nuclear power generation
- ✓ China accounts for the largest share of new nuclear opportunities; U.S. nuclear fleet may benefit from newly proposed carbon emissions policy
- ✓ Middle East & North Africa planning to develop significant solar power capacity to diversify its power mix

## **CHEMICAL**

- ✓ Strong North American market conditions for petrochemicals and derivatives given low-cost natural gas feedstock
- ✓ Majority of new chemical capacity still being developed in BRIC countries and other developing economies

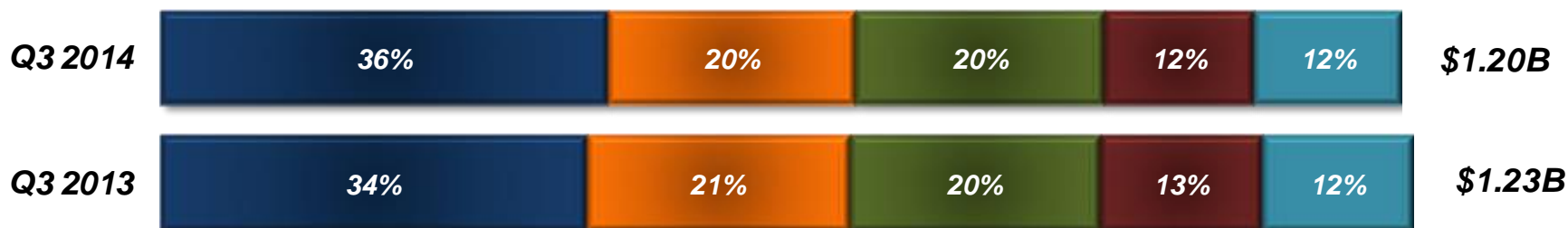
## **GENERAL INDUSTRIES**

- ✓ Mining down cycle continues; pockets of opportunity exist and fundamental growth drivers persist for the long-term
- ✓ Good levels of business activity through distribution channels to general industries

**Sources:** GlobalData, Industrial Info Resources, American Chemistry Council, Global Water Intelligence, ITR Economics, IMF, Flowserve internal data

# Q3 2014 Sales & Regional Outlook

■ North America ■ Europe ■ Asia-Pacific ■ Middle East & Africa ■ Latin America



## NORTH AMERICA

- ✓ Continued opportunities in North American unconventional resources across the upstream, midstream and downstream
- ✓ Strong momentum in petrochemicals with additional project announcements, EPC awards and equipment orders
- ✓ Power market in flux due to pending environmental regulations and changing economics of power generation technologies

## EUROPE

- ✓ Gradual recovery taking hold but conditions fragile given geopolitical tensions in Eastern Europe and Russia
- ✓ Refining and chemical in Western Europe squeezed by Middle East, U.S. and Asia Pacific capacity additions

## MIDDLE EAST & AFRICA

- ✓ Good oil & gas activity throughout the upstream, midstream and downstream segments, particularly in the Persian Gulf and West Africa
- ✓ Favorable growth outlook overall but regional risks may weigh on prospects

## ASIA-PACIFIC

- ✓ New coal-fired power plant additions in Asia Pacific; environmental and diversification factors support growth in other power technologies
- ✓ About half of global refining and chemical capacity additions planned for China, India and other Asia Pacific countries over the next five years

## LATIN AMERICA

- ✓ Both Brazil deep water oil & gas and Mexico's proposed energy reforms promising for growth in the region
- ✓ Latin America a key mining market, particularly for copper; industry spending on projects restrained

Sources: GlobalData, Industrial Info Resources, American Chemistry Council, Global Water Intelligence, ITR Economics, IMF, Flowserve internal data

# Q3 2014 - Consolidated Financial Results

(\$ millions)	3rd Quarter					Year to Date				
	2014	2013	Delta (\$)	Delta (%)	Constant FX (%)*	2014	2013	Delta (\$)	Delta (%)	Constant FX (%)*
<b>Bookings</b>	\$ 1,274.8	\$ 1,229.8	\$ 45.0	3.7%	5.0%	\$ 3,851.4	\$ 3,635.4	\$ 216.0	5.9%	7.1%
<b>Sales</b>	\$ 1,204.0	\$ 1,229.1	\$ (25.1)	(2.0)%	(0.7)%	\$ 3,496.5	\$ 3,565.2	\$ (68.7)	(1.9)%	(1.2)%
<b>Gross Profit</b>	\$ 421.5	\$ 422.7	\$ (1.2)	(0.3)%		\$ 1,228.9	\$ 1,217.6	\$ 11.3	0.9%	
<b>Gross Margin (%)</b>	35.0%	34.4%		60 bps		35.1%	34.2%		90 bps	
<b>SG&amp;A</b>	\$ 230.9	\$ 231.6	\$ (0.7)	(0.3)%	0.6%	\$ 685.3	\$ 706.3	\$ (21.0)	(3.0)%	(2.5)%
<b>SG&amp;A (%)</b>	19.2%	18.8%		40 bps		19.6%	19.8%		(20 bps)	
<b>Income from Affiliates</b>	\$ 1.8	\$ 2.2	\$ (0.4)	(18.2)%		\$ 7.4	\$ 36.0	\$ (28.6)	(79.4)%	
<b>Operating Income</b>	\$ 192.4	\$ 193.4	\$ (1.0)	(0.5)%	1.0%	\$ 551.1	\$ 547.4	\$ 3.7	0.7%	1.8%
<b>Operating Margin (%)</b>	16.0%	15.7%		30 bps		15.8%	15.4%		40 bps	
<b>Other Income / (Expense), net **</b>	\$ 5.6	\$ 1.7	\$ 3.9	229.4%		\$ (1.1)	\$ (8.7)	\$ 7.6	(87.4)%	
<b>Tax Expense</b>	\$ 52.7	\$ 55.9	\$ (3.2)	(5.7)%		\$ 141.5	\$ 155.0	\$ (13.5)	(8.7)%	
<b>Net Earnings</b>	\$ 128.6	\$ 126.3	\$ 2.3	1.8%		\$ 359.8	\$ 344.4	\$ 15.4	4.5%	
<b>Diluted EPS</b>	\$ 0.93	\$ 0.90	\$ 0.03	3.3%		\$ 2.60	\$ 2.41	\$ 0.19	7.9%	

- Diluted EPS calculated using fully diluted shares of 137.5 million and 141.1 million shares in Q3 2014 and Q3 2013, respectively

- Flowserve repurchased 475,177 and 1,115,276 shares in Q3 2014 and Q3 2013, respectively

\* Constant FX represents the year-over-year variance assuming 2014 results at 2013 FX rates

\*\* YTD 2014 includes \$0.3 million impact of losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts vs. a loss of \$8.5 million YTD 2013

# Q3 2014 Cash Flows

(\$ millions)	Q3	Q2	Q1	YTD	
	2014	2014	2014	2014	2013
Net Income	\$ 130	125	\$ 109	\$ 364	\$ 346
Depreciation and amortization	27	29	27	83	79
Change in working capital	(6)	(90)	(207)	(303)	(286)
Other	(14)	10	(14)	(18)	(30)
<b>Total Operating Activities</b>	<b>137</b>	<b>74</b>	<b>(85)</b>	<b>126</b>	<b>109</b>
Capital expenditures	(30)	(22)	(32)	(84)	(95)
Dispositions, acquisitions and other	1	1	47	49	37
<b>Total Investing Activities</b>	<b>(29)</b>	<b>(21)</b>	<b>15</b>	<b>(35)</b>	<b>(58)</b>
Payments on long-term debt	(10)	(10)	(10)	(30)	(15)
Dividends	(22)	(22)	(19)	(63)	(57)
Short-term financing and other, net	(11)	4	10	3	205
Repurchase of common shares	(35)	(43)	(110)	(188)	(370)
<b>Total Financing Activities</b>	<b>(78)</b>	<b>(71)</b>	<b>(129)</b>	<b>(278)</b>	<b>(237)</b>
<b>Effect of exchange rates</b>	<b>(11)</b>	<b>(2)</b>	<b>(1)</b>	<b>(14)</b>	<b>(5)</b>
<b>Net Increase / (Decrease) in Cash</b>	<b>\$ 19</b>	<b>\$ (21)</b>	<b>\$ (199)</b>	<b>\$ (201)</b>	<b>\$ (191)</b>

***Flexibility to follow announced policy to annually return 40-50% of average trailing two-year net earnings to shareholders while supporting strategic initiatives to grow the business***