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,” “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; 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 oil and gas, chemical, power generation and water management 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 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 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 shareholder litigation and 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 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 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.
Agenda

• Welcome          Paul Fehlman, VP FP&A and Investor Relations
• Company Overview Mark Blinn, President and CEO
• Market Outlook   Dean Freeman, SVP Finance and Treasurer
• Financial Update Dick Guiltinan, SVP Finance and CAO
• Break
• Flow Solutions Group Tom Ferguson, SVP and President of FSG
• Flow Control Division Tom Pajonas, SVP and President of FCD
• Questions and Answers
Key Themes

• **Strong operating and financial performance during last decade**
  – Grew through acquisition 2000-2002 and organically 2003-2010
  – Significant geographic and end market diversification
  – Meaningful growth in original equipment and aftermarket revenues

• **Performed well in current recession**
  – Maintained margin performance in challenging pricing environment through realignment, supply chain savings, CIP, and cost control

• **Company is positioned to capture organic growth from global trends**
  – Significant investments in emerging markets and aftermarket
  – Expanded breadth of product offerings and advanced technology capabilities
  – Understanding changing customer needs through customer intimacy

• **Strong, flexible balance sheet supports investment for growth and cash deployment to drive shareholder value**
The Flowserve Legacy

Powerful legacy of more than 200 years of industry leadership with a respected roster of heritage brand names known worldwide.
Structure, Portfolio & Focus Industries

Flow Solutions Group (FSG)
- Designs, manufactures and services highly-engineered and industrial pumps, mechanical seals and systems

Flow Control Division (FCD)
- Designs, manufactures, distributes and services a broad portfolio of industrial valve and automation solutions

We pursue a strategy of industry diversity:

Industry
Leading
Solutions
Innovative Technologies and Processes

We deliver reliable, high-performance products which meet or exceed the total cost of ownership requirements of our customers

- The breadth and depth of our portfolio gives our customers expanded solutions to meet their needs
- Flowserve continues to possess a passionate commitment to technology and innovation
We Are Balanced Between Short and Long Cycle

- **Aftermarket business has proven to be resilient**
- **Long Cycle Projects** Mainly EPD project work to expand global footprint to meet growing emerging market and aftermarket demand
- **Short Cycle Markets (FCD)** Grown the business organically with good margins, and inorganically with high margin opportunity
- **Short Cycle Markets (IPD)** Continuing commitment to target margin improvement

Our balanced exposure to cycles contributed to the steadiness of margins to date through the downturn
Market and Geography Diversification

### 2005 Bookings By End Market - $3.0B
- Oil & Gas: 33%
- Power: 14%
- General Industries: 29%
- Water: 6%
- Chemical: 18%

### 2005 Sales by Geography - $2.7B
- North America: 44%
- Europe: 28%
- Asia/Pacific: 14%
- Latin America: 7%
- Middle East/Africa: 7%

### 2010 Q3 TTM Bookings By End Market - $4.1B
- Oil & Gas: 41%
- General Industries: 20%
- Water: 5%
- Chemical: 17%
- Power: 17%

### 2010 Q3 TTM Sales by Geography - $4.1B
- North America: 31%
- Europe: 26%
- Asia/Pacific: 18%
- Latin America: 10%
- Middle East & Africa: 15%
Growing the Aftermarket

- Significant expansion in QRC network worldwide
- Enhanced services and solutions offerings
- Resilient high margin business with less cyclicality
- 7% CAGR growth since 2005

OE/Aftermarket Bookings Split 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>OE Bookings</th>
<th>AM Bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,219</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>1,276</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1,448</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1,649</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>1,551</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1,706</td>
<td></td>
</tr>
</tbody>
</table>
Repositioning During Cyclical Decline

- **Long-cycle Project Business**
  - Projects delayed or re-budgeted
  - Pricing began chasing capacity
  - Capacity overshoot in the industry
  - “Low cost” E&C’s began winning the bids

- **Short cycle OE business fell off quickly and has stabilized recently**

### Graphical Data

- **12.4% Market CAGR (2003-2008)**
- **16.1% Flowserve CAGR (2003-2008)**
- **6.7% Market CAGR**
* Operating income and EPS exclude realignment charges of $68.1 million in 2009 and $45.1 million in 2010 Q3 TTM
Primary Impacts to Operating Income

We were able to effectively offset much of the pricing pressure experienced in 2010 through realignment, supply chain and other savings initiatives.

(*) P/V/M/O ➔ Price, Volume, Mix & Other
Creating Long Term Value

2005 – Q3 2010 TTM
Gross Margin

Increasing Application Complexity
Increasing Highly Engineered Solutions
Increasing Aftermarket Opportunity

Improved Supply Chain Efficiency
Improved Operational Excellence

TIME
VALUE CREATION
Vision:
Become the world’s most respected company in flow management through our industry expertise, innovative solutions and community commitment

Mission:
Move, control and protect the flow of materials in critical industries around the world as a business that exceeds customer expectations, attracts talented employees and delivers superior long-term shareholder value

As a company we are committed to:
• Being an experienced, trusted partner with our customers
• Attracting and retaining a highly-skilled, diversified workforce
• Delivering industry-leading products, services and solutions
• Leveraging innovative technologies and processes
• Ensuring a sustainable business for all of our stakeholders
Key Strategies & Plan Objectives

Operating our business with an attitude of uncompromising value creation is key to achieving our strategic vision

2011 – 2015 Core Strategic Plan Objectives

- Achieve compound annual revenue growth rate in excess of market
- Properly balance our global business across our key industries and geographies in alignment with market & business dynamics
- Invest in size and structure of the company to align with long term growth strategy
- Maintain focus on operational execution and financial performance
- Ensure the attraction and retention of the industry’s most talented resources
Key Strategies – Linkage to Decision Making Process
Growth in Emerging Markets

The developing regions of the world will increase their percentage of total primary energy demand (TPED) significantly over the next 25 years.

TPED in 2008 was 12.3 billion tons of oil equivalent split 44% mature and 56% emerging regions.

Forecasted TPED in 2020 is 14.6 billion tons of oil equivalent split 38% mature and 62% emerging regions.

96% of the overall growth in TPED from 2008 to 2020 is forecasted to be driven by the emerging regions.

Source: EIF Data
## Emerging Market Dynamics

<table>
<thead>
<tr>
<th>Trends</th>
<th>Response</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in population and affluence driving demand for infrastructure in power, oil &amp; gas, chemical, and water</td>
<td>Orientation toward large project pursuit, expansion of product offerings organically and inorganically</td>
<td>Continued large project pursuit and expansion of local aftermarket capabilities</td>
</tr>
<tr>
<td>Growing demand for local content</td>
<td>Strategic localization - added investment in manufacturing, QRC’s, and added headcount in emerging markets</td>
<td>Further investment in local manufacturing and aftermarket capabilities</td>
</tr>
<tr>
<td>Abundance of Oil &amp; Gas in developing markets driving capital spend for refining and chemical infrastructure</td>
<td>Orientation toward large project pursuit, product innovation for international standards</td>
<td>Continued large project pursuit and expansion of local aftermarket capabilities</td>
</tr>
<tr>
<td>Deepwater development in Brazil and West Africa</td>
<td>Developing deepwater pumping technology</td>
<td>Deployment of technology</td>
</tr>
</tbody>
</table>
### Developed Market Dynamics

<table>
<thead>
<tr>
<th>Trends</th>
<th>Response</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging refining and chemical infrastructure</td>
<td>Meeting demand for increased aftermarket service and complexity upgrades</td>
<td>Increased emphasis on aftermarket and life cycle cost management</td>
</tr>
<tr>
<td>Upswing in nuclear power plant life extensions</td>
<td>Added manufacturing and service infrastructure to support demand</td>
<td>Further investment as required</td>
</tr>
<tr>
<td>General reduction in new infrastructure build</td>
<td>Reduced manufacturing footprint and headcount in developed markets</td>
<td>Will respond to market dynamics as needed</td>
</tr>
<tr>
<td>Customers migrating towards total life cycle costing</td>
<td>Expansion of Services &amp; Solutions to meet the customer demand</td>
<td>Continued emphasis on growing Services and Solutions</td>
</tr>
</tbody>
</table>

- **North America**
- **Europe**
- **OECD**
- **Asia**

**Developed Markets**:
- **North America**
- **Europe**
- **OECD**
- **Asia**

**Market Dynamics**

**North America**

**Europe**

**OECD**

**Asia**
Customer Value Creation
Through the product life cycle

Stage 1: We leverage our engineering, application and applied technology capabilities to design a solution for our customers which helps reach a desired business outcome.

Stage 2: We leverage our product design, manufacturing and service capabilities to ensure our customers get the right product, at the right time and the right place with dependable service.

Stage 3: We leverage our aftermarket footprint and our technical know-how to optimize the performance and longevity of our customers’ continuing operations around the globe.

All three areas of strength are important and each requires different capabilities to ensure our long term success.
Customer Value Creation

Project execution

- Traditional project bid process
- Primary interaction with E&C as the buyer
- Historically price-driven, can hinge on availability and reliability

FlowsERVE leverages its operational excellence and project pursuit
Operational Excellence

• We differentiate ourselves through our execution and responsiveness to customers
  – Constant improvement in project execution
  – Leveraging our strategic supply chain to manage cost without sacrificing product quality or on-time delivery

• We optimize our capacity to make the best use of our manufacturing assets
  – Organizing around “lead plants”
  – Footprint rationalization in realignment
  – Use of CIP and Lean to reduce cost and create additional capacity

• We utilize, train on, and share best practices
  – Disseminated through Lean practitioners, black belts, and green belts
  – Institutionalized sharing through lead plants
Customer Value Creation
Application solutions

- Project front end engineering and design
- Primary interaction with end user as the buyer
- By working with end user to optimize engineering and design, Flowserve becomes a preferred supplier

Flowserve leverages engineering expertise, product breadth, technical innovation, and project pursuit
Investment in Research & Development

Flowserve R&D investment strategy has multiple dimensions:

- New Product Development
- Advanced Materials
- Customer Co-funded Development
- Advanced Diagnostics
- Enhanced Standards Compliance
Customer Value Creation

Life cycle cost

- Aftermarket opportunities for services and solutions
- Primary interaction with end user as the buyer
- Customers becoming more focused on life-cycle value and efficiency

Flowserve leverages its aftermarket network, solutions, and services capabilities
Growing the Aftermarket
Through Customer Intimacy

Customers require flexibility in aftermarket offerings and approach
• Our customers have different operational philosophies & cultures
• They look to Suppliers to fulfill different needs

Different Operational Philosophies

- Reactive
  - Unpredictable
- Planned
  - Predictable
  - Scheduled
  - Coordinated
- Proactive
  - Eliminate Defects
  - Improve Precision
  - Redesign
- Regressive

Strategic
- Alignment
  (Shared vision across unit)
- Integrating
  (supply, mfg, logistics, eng)
- Differentiating
  (new system performance)

Alliances

- Reactionary
- Cost Focus
- Value Focus
Services and Solutions for the Most Challenging Problems

Flowserve Services and Solutions integrates hydraulic, mechanical and materials engineering knowledge with creative operating and business solutions to:

- Improve equipment reliability and performance
- Reduce energy consumption
- Manage inventories
- Maintain flow management equipment
- Increase plant availability and output
- Develop and enhance workforce knowledge
- Improve the safety and environmental impact of operations
Employee Focus

Our Strategy:
Create, enrich and sustain a rewarding and engaging work environment which attracts, develops and retains the highest caliber personnel in the industry

Our Goals:
• Employees describe Flowserve as a great place to work
• Our corporate culture is centered on ethics, integrity and trust
• Flowserve encourages long-term career development that is pursued by employees and supported by their managers
• We have industry-leading retention rates and employee training programs
• Top industry personnel actively seek employment at Flowserve
Inorganic Growth

### Acq'd Rev.

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefit</th>
<th>Primary Market</th>
<th>Acq'd Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$104 million</td>
<td>• Upstream &amp; midstream oil &amp; gas applications&lt;br&gt;• Filled product gap&lt;br&gt;• Pull-through of other Flowserve products&lt;br&gt;• Access to Flowserve global sales network</td>
<td>$104 million</td>
</tr>
<tr>
<td>2009</td>
<td>$23 million</td>
<td>• Global SWRO desalination&lt;br&gt;• Technology expansion&lt;br&gt;• Pull-through of other Flowserve products&lt;br&gt;• Access to Flowserve global sales network</td>
<td>$23 million</td>
</tr>
<tr>
<td>2008</td>
<td>$64 million</td>
<td>• Japanese refining&lt;br&gt;• Geographic expansion&lt;br&gt;• Access to Flowserve global sales network</td>
<td>$64 million</td>
</tr>
</tbody>
</table>
5-Year Sales Potential

Potential Sales Growth 2010-2015

Q3 2010 TTM

$4.1B

GROWTH POTENTIAL
Emerging Market Growth
Aftermarket Growth
Products & Technology
Operational Excellence
Balance Sheet

9-11% CAGR

2015

$6.5-7B

RISK POTENTIAL
Global Recessionary Trends
Increasing Competition

Disciplined Profitable Growth
Business Outcome

Sustainable Business Model

Drive Leveraged Earnings Growth
Drive Cash Flow
MARKET OUTLOOK
Dean Freeman, SVP Finance and Treasurer
Key Themes

- Energy infrastructure will play a leading role in global capital investment
- Our core industries provide broad based opportunity for organic growth
- Emerging regions provide growth through foundational infrastructure investment
- Mature regions provide growth through efficiency improvements and infrastructure sustainability
- Flowserve is well positioned to compete globally via:
  - Market reputation
  - Strong portfolio of offerings
  - Engineering capabilities & application knowledge
  - Aftermarket infrastructure
  - Geographical presence
Stages of Market Development

Influencers of infrastructure investments

Demographics
- Growth of Population
- Industrialization
- Urbanization
- Growth of Middle Class
- Growth of Upper Class

Economy
- Basic Needs
- Foundational Infrastructure
- City Development
- Affluency
- Sustainability

Resource Based
- Efficiency Based
- Scale Based
- Diversification Based
- Innovation Based

UNSTABLE GOVERNMENT → STABILIZING GOVERNMENT → STABLE GOVERNMENT

Accelerating Growth in Demand for:
- Electricity
- Potable Water
- Transportation
- Residential & Commercial
- Consumer Goods
- Food Varieties

Changing Focus & Attitudes:
- Focus on more specialized products
- Drive for more advanced technologies
- Environmental concerns increase
- Preservation of natural resources
- Legislation becomes more influential
- Aging infrastructure requires investment

Sources: World Economic Forum, Flowserve Internal Analysis
### 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>%</td>
<td>%</td>
</tr>
<tr>
<td>2008</td>
<td>33</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>12.3 Btoe</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>14.6 Btoe</td>
<td></td>
</tr>
</tbody>
</table>

**Percentage growth by source '08-'20**

- 7%
- 20%
- 21%
- 23%
- 36%
- 36%
- 201%

Sources: IEA WEO Outlook 2010, New Policy Scenario
Oil Market Demand Outlook (2010 – 2020)
Forecasted demand growth by primary drivers

Market Dynamics:
• Transportation accounts for approximately 60% of the overall growth in demand for oil
• China will remain the most significant contributor to the overall growth in demand for oil
• Future recovery of crude oil will involve a greater percentage of complex recovery methodologies

Opportunities:
• Complex recovery is an area where Flowserve has expanded our capabilities such as deepwater and tar sands
  - WEO 2010 forecasts an annual average investment of ~$260B for upstream development
• Refinery investment will be required predominately in the developing regions
  - Hydrocarbon Processing estimates a downstream capital spend of ~$56B in 2011 of which pumps and valves account for approximately 5%

Risks:
• A weaker than expected recovery of the global economy reduces overall demand growth for oil

Natural Gas Market Outlook
The market landscape changes with unconventional gas development

Market Dynamics:
- The expansion of production in non-conventional gas could dramatically change the global landscape
- LNG is still very active driven by the need for producers to get their product to market
- The mature markets are driving regasification while the developing markets lead in liquefaction investments

Opportunities:
- Flowserv’s acquisition of Valbart provides a platform for further penetration in upstream natural gas
- We have a portfolio of offerings for both the liquefaction and the regasification investments

Risks:
- Governmental and environmental regulations could impede upstream investments related to unconventional gas
- The price of gas experiences volatility or escalation thereby reducing its forecasted demand
Forecasted build out of generating capacity: 1,296 GW (gigawatts)

Market Dynamics:
- Additional capacity forecast includes approximately 200 gigawatts of replacement capacity
- The growth in capacity demand over this period is significantly influenced by urbanization and industrialization
- Capacity planning is also impacted by a growth in a country’s per capita consumption driven by modernization
  - Per capita consumption currently ranges from a low of 542 KWhr in India to 15,317 KWhr in N America

Opportunities:
- Flowserve’s portfolio of offerings are well positioned for the majority of power generation methodologies
- Coal, natural gas, nuclear and solar are all applications that leverage our highly engineered capabilities

Risks:
- Environmental legislation debate continues to moderate capital investment planning – particularly in the mature markets

Sources: IEA WEO 2010, Platts UDI Database, Flowserve Internal Analysis

Forecasted capacity expansion in millions of metric tons (MMT)

**Market Dynamics:**
- The planned expansion of capacity is primarily in the developing regions
- Petrochemical accounts for almost two-thirds of the planned investment
- China is investing to meet projected demand while the Middle East is investing for increased export business

**Opportunities:**
- Many of the petrochemical project plans are co-located with refineries where Flowserve has a strong market presence
- Agriculture and inorganic processes require the ability to withstand harsh conditions – an area of strength for Flowserve

**Risks:**
- Uncertainty in the economic condition of many countries could slow the growth of consumer demand

Sources: ICIS, SRI Consulting, GlobalData
NOTE: The data for the graphs is from a selection of chemicals that represent the majority of forecasted expansion

Forecasted build out of desalination capacity is estimated at ~44M m³/d

**Market Dynamics:**

- The strongest growth in desalination is forecasted to come through reverse osmosis (RO) methodologies
- The industry continues to increase the size of operating plants with advancements in technology
  - In 2000, two RO plants at or greater than 100,000 m³/d
  - In 2010, there are (41) RO plants at or above 100,000 m³/d
- Seawater RO is projected to account for almost 75% of the growth in desalination investment

**Opportunities:**

- Large scale RO plant operations require the advantages of pumping and energy recovery technologies
- Flowserve continues to invest in expanding our energy recovery offerings for smaller scale operations

**Risks:**

- Project funding gets delayed due to concerns over global economic issues

Sources: Global Water Intelligence, DesalData, Flowserve Internal Analysis
In Summary

• Energy infrastructure end markets forecast strong growth potential

• Flowserve is positioned in emerging markets to support growing demand

• Flowserve technology leadership is positioned continue to support mature market demands

• Balancing global products and capabilities to meet diverse market opportunities
FINANCIAL UPDATE
Dick Guiltinan, SVP Finance and CAO
Key Themes

- **Operational excellence** initiatives aimed to improve the operating platform during a period of growth

- **Realignment activities** aimed to scale the business to the current environment, to optimize certain non-strategic assets and to reduce the overall cost structure

- **Cost management initiatives** aimed at increased functional efficiency while also supporting growth initiatives

- **Balanced** and disciplined deployment of cash

- **Balance sheet** provides stability, flexibility and strength to support growth
Strong Operating Platform

Significant improvement in operating performance

- Gross Margin excludes realignment charges $41.5 million in FY 2009, and $10.1 million in 2010 Q3 YTD. SG&A and operating income exclude realignment charges of $2.4 million in 2005, $12.9 million in 2006, $1.0 million in 2008. SG&A and operating income exclude realignment charges of $26.6 million and $68.1 million, respectively in FY 2009, and $0.1 million and $10.2 million respectively in 2010 Q3 YTD.
### Strong Operating Platform
Significant improvement in operating performance

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Q3 2010 (TTM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,695.3</td>
<td>3,061.1</td>
<td>3,762.7</td>
<td>4,473.5</td>
<td>4,365.3</td>
<td>4,090.8</td>
</tr>
<tr>
<td>Ending Backlog</td>
<td>994.1</td>
<td>1,630.0</td>
<td>2,276.6</td>
<td>2,825.1</td>
<td>2,371.2</td>
<td>2,600**</td>
</tr>
<tr>
<td>Adjusted SG&amp;A % / Sales*</td>
<td>25.3%</td>
<td>25.1%</td>
<td>22.8%</td>
<td>21.9%</td>
<td>20.8%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Adjusted Corporate Expense % / Sales*</td>
<td>4.6%</td>
<td>4.6%</td>
<td>3.5%</td>
<td>2.7%</td>
<td>2.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Adjusted Operating Margin (%)*</td>
<td>7.5%</td>
<td>8.2%</td>
<td>10.9%</td>
<td>13.8%</td>
<td>16.0%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Adjusted Operating Income*</td>
<td>201.2</td>
<td>252.5</td>
<td>411.9</td>
<td>615.7</td>
<td>697.6</td>
<td>624.9</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>43.6%</td>
<td>38.8%</td>
<td>28.8%</td>
<td>24.9%</td>
<td>26.8%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Manufacturing Footprint (000's sq ft)</td>
<td>7,100</td>
<td>6,700</td>
<td>6,800</td>
<td>7,100</td>
<td>7,000</td>
<td>7,000</td>
</tr>
</tbody>
</table>

* SG&A and operating income exclude realignment charges of $2.4 million in 2005, $12.9 million in 2006, $1.0 million in 2008. SG&A and operating income exclude realignment charges of $26.6 million and $68.1 million, respectively in FY 2009, and $0.1 million and $10.2 million respectively in 2010 Q3 YTD.

** Backlog is estimate for December 31, 2010 as reported in press release dated January 24, 2010.
Disciplined Cost Management

Focus on both growth spend and managing expenses during the cycle

- Increased investment in strategic initiatives
- Increased investment in compliance capabilities and improved risk management
- Balanced approach to expense management during period of growth
- Realignment expenses in 2009 and 2010 to achieve structural savings and scale the business
- Benefits of combining FSD and FPD into Flow Solutions Group in 2010

* SG&A excludes realignment charges of $2.4 million in 2005, $12.9 million in 2006, $1.0 million in 2008, $26.6 in FY 2009, and $0.1 million in 2010 Q3 YTD.
Cash Flow Generation

- Strong cash flow from operations supported increased investment in business, pension contributions and elimination of factoring.
- Conversion of net income to free cash flow over period was 88%.
- Conversion rate increased to 108% when adjusted for elimination of factoring program, U.S. pension contributions in excess of pension expense and realignment.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>$473</td>
<td>$792</td>
</tr>
<tr>
<td>Inventory</td>
<td>$416</td>
<td>$795</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$317</td>
<td>$493</td>
</tr>
<tr>
<td>Progress Billings</td>
<td>$43</td>
<td>$385</td>
</tr>
<tr>
<td>Net Working Capital</td>
<td>$529</td>
<td>$709</td>
</tr>
<tr>
<td>% of Sales</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>% of Backlog</td>
<td>53%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Amounts in millions USD
Balanced Cash Deployment
Approximately $2.4 billion in capital deployed from 2005 to present

<table>
<thead>
<tr>
<th>Category</th>
<th>2005-2010 Est</th>
<th>% of Total</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures</td>
<td>$556M</td>
<td>23%</td>
<td>Invested in operational platform growth and efficiency and strategic investments in new markets</td>
</tr>
<tr>
<td>Share Repurchases/Dividends</td>
<td>$560M</td>
<td>23%</td>
<td>Returned capital to equity providers balanced with investment in business</td>
</tr>
<tr>
<td>Acquisitions, net of divestitures</td>
<td>$202M</td>
<td>9%</td>
<td>Disciplined inorganic growth initiatives</td>
</tr>
<tr>
<td>U.S. Pension Contributions</td>
<td>$261M</td>
<td>11%</td>
<td>Fully funded on a Pension Protection Act basis as of 1/1/2010</td>
</tr>
<tr>
<td>Debt repayment &amp; Elimination of Factoring</td>
<td>$297M</td>
<td>13%</td>
<td>Strengthened the balance sheet and eliminated factoring</td>
</tr>
<tr>
<td>Realignment</td>
<td>$54M</td>
<td>2%</td>
<td>Scaled and optimized operating platform globally</td>
</tr>
<tr>
<td>Increase in Cash</td>
<td>$462M</td>
<td>19%</td>
<td>Enabled strong cash position during downturn in end markets</td>
</tr>
</tbody>
</table>
Return to Shareholders

### Dividends/Share

- 2006: $0.00
- 2007: $0.45
- 2008: $0.90
- 2009: $1.06
- 2010: $1.14

### Dividends and Share Repurchases

- **Dividends (Amounts in millions USD)**
  - 2006: $63
  - 2007: $45
  - 2008: $165
  - 2009: $41
  - 2010 E: $46

- **Share Repurchases**
  - 2006: $26
  - 2007: $51
  - 2008: $51
  - 2009: $59
  - 2010 E: $64
Liquidity Position

- **Refinanced prior credit facility, August 2012 maturity, in December 2010:**
  - Matures in December 2015
  - $500 million revolving credit facility
  - $200 million accordion option
  - $500 million Term Loan
- **Primary sources of liquidity are cash flow from operations and credit facility**
- **€125 million European LC Facility**
- **Approximately $560 million in cash on 12/31/2010**
- **Credit ratings: BB+/Ba1/BB+**
Cash Deployment Plan Framework

• **Balanced and disciplined** approach to cash usage
• **Reinvest in business** and optimize the global operating platform
• **Consider inorganic growth opportunities** that focus on technology, aftermarket, or geographic expansion
• **Shareholder return considerations**
  – Combines dividend and share repurchase programs
• **Risk management of debt**
  – On and off balance sheet
  – Pension obligations

*Cash should be available to support disciplined profitable growth and opportunistic strategic additions*
Strong Returns on Capital

Return on Net Assets

Source: Flowserve analysis, publically filed financial statements and investment analyst reports. RONA is based on the average of the beginning and ending net assets for the year measured and excludes realignment charges. Peer group includes, CR, CW, ITT, ITW, DCI, LECO, MOGA, ETN, PNR, DHR, GDI, ROK, WTS, IEX, PCAR, and DHR.

Source: Bloomberg. Change in stock price. Values indexed to 100 as of January 2005. Peer group includes, CR, CW, ITT, ITW, DCI, LECO, MOGA, ETN, PNR, DHR, GDI, ROK, WTS, IEX, PCAR, and DHR. Crude oil is Bloomberg CL1 for WTI.

* Includes impact of acquisition of Valbart
Positioned capital structure to balance flexibility and cost while being poised to support the business initiatives

- Long run target gross debt to capital has been 25 – 35%
- Flexed lower to support strong balance sheet and competitive position in challenging environment
- Could flex to a higher level to facilitate strategic objectives
- Demonstrated strong access to capital markets with recent refinancing
Break
Flow Solutions Group
Tom Ferguson, SVP and President of FSG
Key Themes

• **2010 was a productive year**
  - Formed Engineered Products Division (EPD) and Industrial Products Division (IPD)
  - Continued integration of a solutions capability across FSG

• **Responded to current recession dynamics**
  - Effective cost management (SG&A and supply chain) to maintain margin performance in a challenging pricing environment
  - Positioned our operating platform for the future

• **Global megatrends will drive growth**
  - Global infrastructure demands in FSG core markets
  - Emerging market growth
  - Energy efficiency and scarce resources

• **We are positioned to capture growth in excess of the market**
  - Aggressively grow our aftermarket services business
  - Continued global integration and strategic localization
  - Investments in technology and portfolio management
FSG Video
Currently Playing
Engineered Products Division

HIGHLY ENGINEERED PUMPS
- Custom engineered to order
- Extensive specification and testing requirements
- High reliance on project management
- ‘Job shop’, low 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

GLOBAL CAPITAL PROJECTS PURSUIT

LOCAL END USER SUPPORT
Industrial Products Division

INDUSTRIAL PUMPS
- Pre-configured product
- Flowserve standards
- Optimized global production platform
- Integrated supply chain and low-cost sourcing focus
- Speed to market and channel support

SERVICES & SOLUTIONS
- Aftermarket parts & services
- Engineering & technical services
- Education & training
- Asset management & optimization

GLOBAL CAPITAL PROJECTS PURSUIT

LOCAL END USER SUPPORT
Engineered Products Division

**REVENUE $(B)**

- 2007: $1.0
- 2008: $1.5
- 2009: $2.0
- TTM 9/2010: $2.5

**BOOKINGS- END MARKETS TTM Q3 2010**

- O&G: 54%
- CHEM: 12%
- GI: 14%
- POWER: 19%
- WATER: 1%

**BOOKINGS- GEOGRAPHIES TTM Q3 2010**

- OE, 48%
- AM, 52%
- NECD Asia: 15%
- OECD Asia: 12%
- Europe: 12%
- Africa & ME: 23%
- FSU: 6%
- NA: 24%
- LA: 17%

**OE v AM REVENUE TTM Q3 2010**

- AM, 52%
- OE, 48%
OE, 71%
AM, 29%

BOOKINGS- END MARKETS
TTM Q3 2010
- CHEM, 10%
- O&G, 32%
- GI, 28%
- WATER, 20%
- POWER, 9%

BOOKINGS- GEOGRAPHIES
TTM Q3 2010
- NA 33%
- Africa&ME 22%
- Europe 24%
- OECD Asia 7%
- NECD Asia 9%
- LA 6%
For Flow Solutions Group, 2010 was …

• A challenging year
  - Focused to meet financial and customer commitments in a difficult environment
  - Market, margin & currency headwinds
  - Flat overall market growth
  - Pricing down on long cycle business
  - Aftermarket and run rate business dampened some of the pricing hit
  - Some operating sites struggled with performance and financial issues
  - Leadership transitions at all levels of the organization

• A productive year
  - Integrated seal & pump businesses to create the new FSG
  - Formed IPD and EPD
  - Significant growth in bookings
  - Generated higher operating margins than our primary competitors through Q3 2010
  - Took cost action through realignment, CIP, supply chain management
  - Created an integrated Services and Solutions platform across FSG
  - Continued investment in areas with forecasted growth

We are positioning FSG for sustainable, profitable growth
Oil & Gas Industry


Trends

- World oil production is expected to see growth both onshore and offshore
- Demand for products related to gas is expected to grow at twice the rates of products related to oil
- W. Africa and Brazil are the most important regions with regards to deepwater potential

FSG Response

- O&G upstream market development
- Multiphase and subsea products
- Renewable fuel products
- Heavy oil processing technology development
- CO2 product development
- Asset management & optimization

Sources: IEA, OPEC Oil Report, GlobalData, Flowservce Internal Data

FSG is positioned to benefit from long term demand growth for O&G
Power Industry


Trends

- Nuclear expansion is occurring only in Asia at the present; recovery is expected from 2010
- Desalination is the fastest growing component of demand and is concentrated in the Middle East & Australia; while future growth is expected in N. Africa & China
- Major Investments in alternative energy

FSG Response

- Strategic localization of product & service offerings
- Nuclear product development
- Desalination energy recovery technologies
- Renewable energy products
  - Solar pumps
  - Geothermal pumps
- Energy enhancement programs

FSG’s portfolio supports the key energy growth segments

Sources: WEO 2010, GlobalData, Platts UDI Database
DWEER: Dual Work Exchanger Energy Recovery

- Highly efficient energy recovery technologies
- High reliability: transfers pressure from HP brine to LP seawater at 4 cycles/min with no mixing and, hence, lower energy requirements
- Low speed minimizes wear and lowers life cycle cost
- Low noise eliminates need for expensive acoustic protection
- Ideal for large projects (1 DWEER output equals the output of multiple smaller devices)
- Small footprint alongside membrane racks or even under membranes rack.

**Strong market share in 2010 on large projects**

Best ERD for investments based on Life Cycle Cost

**New small size available for smaller projects**
**New FRP vessel optional material construction**
**New electric control unit available**

Leverage FLS pumps installed base and existing life cycle cost agreements
Retrofit/Upgrade capability of installations with other ERD’s through ISG services
Effective life cycle cost assurance

**Introduction in small plants market**

**Solutions Provider Win-Win Aftermarket**

Similar size for equal capacity with fewer moving parts. Easy to install

Potential for greater FSG market share capture in Desalination
**Chemical Industry**

**Trends**
- The availability of low cost feedstock, combined with burgeoning oil reserves, is leading to a rapid build up of petrochemical production in the Middle East.
- Rapid growth expected over the next five to seven years in coal-based chemicals in China.

**FSG Response**
- Strategic localization in growth geographies.
- Channel expansion.
- Leverage FLS global capital project capabilities.
- Chemical process pump portfolio development.
- Life cycle cost improvement programs.

**Forecasted Capacity Expansion (2011-2015)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>375 MMT (38%)</td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
</tr>
<tr>
<td>Rest of Asia</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Industrial Info Resources, GlobalData, ICIS.com

**Continued investment for local supply in growth regions**
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
  - Vietnam
  - Indonesia
  - Dalian, China
  - Kawasaki, Japan
  - Quindao, China
  - Ningbo, China

Estimated influence by geography on capex spend for pumps and seals

Source: EIF
Global Capital Projects

Flowserve’s approach integrates our global sales and operations network with the broadest product portfolio in the industry to position FLS as a trusted partner to our customers for their capital project needs:

- We are not selling on price; rather an overall value that Flowserve has the true capability to provide
- Our scope is dependent upon the philosophy of the Owner’s project team
- Focused on reducing project life cycle cost, not just supply of original equipment
- Enables Flowserve and the owner to better plan and mitigate schedule risk and expense associated with traditional Engineering Contractor approach
- FSG & FCD provide additional leverage on some projects

Leveraging Flowserve’s unique capabilities and strong capital project experience
Our Global Services & Solutions Platform

Globally Integrated Services & Solutions Network
Serving our customers in over 40 countries with over 500 engineers and more than 140 Quick Response Centers worldwide.

- Central Engineering & Technical Service Hub
- Learning Resource Center
- Component Technology Foundry
- Integrated Solutions Hub
- Quick Response Center
Flowserve Services and Solutions integrates our global service network, engineering knowledge and technologies to offer creative operating and business solutions to:

- Improve equipment reliability and performance
- Reduce energy consumption
- Manage inventories
- Maintain flow management equipment
- Increase plant availability and output
- Develop and enhance workforce knowledge
- Improve the safety and environmental impact of operations

Typically, 90% of the total life cycle cost (LCC) of a flow management system is accumulated after the equipment is purchased and installed.
Strategic Performance Management Process

Translates the Flowserve Strategic Plan into a management process through Tiered Initiatives and the Balanced Scorecard

Strategic Plan

- Strategic Development Initiatives:
  - New Development
  - Organizational Capability
  - Market Expansion

- Annual Financial Objectives:
  - Revenue Growth
  - Earnings
  - RONA

Execution

Strategic Development Initiatives

- Operations Balanced Scorecard

- Financial
  - Grow Organic Revenue (Revenue)
  - Achieve Profitability Targets (OpInc)
  - Max Shareholder Value (Cash Flow)

- Customer Intimacy
  - Delight our Customers (Customer Satisfaction)
  - Meet Time Commitments to Customer (OTD)
  - Deliver quality product (Escapes, COQ)

- Operational Excellence
  - Safe Workplace (TRR)
  - Accountability Process & Measures
  - Aftermarket Support (BOM)

- Learning & Growth
  - Career Development Plans
Key Drivers of Growth 2011-15

- Differentiate our execution and responsiveness from our competitors
- Leverage our Services and Solutions platform to aggressively grow our aftermarket
- Grow Original Equipment Business faster than market rate; manage selectively by balancing capacity and margins
- Execute our IPD Recovery Plan
- Investments in technology and portfolio management
- Strategically manage our global operating platform expansion
- Effective management of costs
FSG 5-Year Growth Strategy

- Services & Solutions Growth
- Strategic Localization
- Product & Portfolio Growth

9/10 TTM: $3.0B
2015: $4.8 – 5.2B
FSG is differentiated in our markets

<table>
<thead>
<tr>
<th>Strategic Localization</th>
<th>Operational Excellence</th>
<th>Innovation &amp; Portfolio Management</th>
<th>Customer Intimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lead Product Operations (LPO) provide centers of excellence for design, manufacturing, and sourcing</td>
<td>• CIP Culture • Best in Class Project Management Process • Leadership Development Program • Strategic Performance Management System drives results</td>
<td>• Industry leading “best in class” technology • Highly engineered solutions to complex customer problems • Pre – engineered offerings for industrial markets • Asset Management Platform enables equipment diagnostics</td>
<td>• Differentiated Sales Channel (Pumps and Seals) • Trained Direct and distributor sales network • Integrated Service and Solutions Network</td>
</tr>
</tbody>
</table>

| 35 manufacturing locations Plus 146 QRCs | Best cost sourcing focus High on time delivery | Broadest portfolio for targeted industries | 700+ direct sales 200+ distributors |
FLOW CONTROL DIVISION
Tom Pajonas, SVP and President of FCD
Key Messages

• We have built a strong operating platform
• Trends expected to drive growth in the next 5-10 years:
  – Industrial demand
  – Customer buying behavior
  – Valve industry structure
• Technology has become a differentiator in the market
• Customers’ investment strategy is transitioning from a “price-only” to a “total lifecycle” model
• Fragmentation in the valve market will create future consolidation opportunity

We are positioned to capture growth in excess of the market growth rate
FCD Products & Industries Served

### Chemical

- ¼-turn ball, plug, and butterfly valves designed for isolation of highly corrosive, erosive, or lethal processes
- Pneumatic valve actuation and automation solutions

### General Industries

- ¼-turn ball, segment, and butterfly valves designed for isolation and control of slurry services
- All-welded ball valves for buried services
- Linear control valves for low-flow and cryogenic applications

### Power

- Multi-turn gate and globe valves, and check valves for high temperature and high pressure steam services
- Thermostatic steam traps and electronic controls for high efficiency boilers
- Heavy-duty electric actuators and controllers for valve automation

### Oil & Gas

- Linear and rotary control valves for general service and severe applications involving high pressure drops, cavitating or flashing services, or extreme temperatures
- Trunnion-mounted ball valves for gaseous and liquid services
- Lubricated plug valves for zero-leakage applications

### Water

- Multi-turn and ¼-turn non-intrusive electric actuators for isolating and modulating services
- Sleeveless, non-lubricated plug valves for isolation services requiring tight shut-off and in-line repairability
- High performance, double-offset butterfly valves for isolation services

### Petrochemical
- Fine chemical
- Pharmaceutical

### Pulp & Paper
- Industrial gases
- Mining
- District Heating
- Food & beverage
- Marine
- Distribution

### Natural Gas power generation
- Nuclear power generation
- Coal power generation
- Industrial steam
- Solar (Thermal)
- Geothermal
- Carbon Sequestration

### Oil & Gas production (including onshore and offshore)
- Oil & Gas transmission, distribution, and storage
- Refining
- Liquid Natural Gas
- Shale Gas

### Desalination
- Potable water treatment and distribution
- Waste water
Our footprint provides global access to suppliers and local access to customers

Our footprint is aligned with current customer base and migrating closer to emerging markets

Total 2010 Headcount: ~5,000
Total Locations: 57 (includes 30 QRCs)
Product Examples

36” Control valve for Crude Oil Pipeline

48” Trunnion-mounted ball valve for Natural Gas Pipeline

Cryogenic control valves for liquid rocket propulsion system

24” Main Steam Isolation Valve for Nuclear Power Plant

FCD’s strengths lie in complex, engineered-to-order solutions for critical applications
FCD has delivered a 7.3% CAGR over the past six years
FCD reacted quickly to market conditions in 2010

2010 market conditions were “choppy” …

• Chemical project business dried up
• Power was mixed:
  – Increase in nuclear
  – Decrease in fossil
• Mining and water were on a down cycle
• Oil & Gas large scale projects did not start letting out until late 2010

… and FCD responded with actions to drive gross margins

• Formation of General Industries Sector to drive focus
• Continued to drive low cost sourcing
  – India, China, Eastern Europe
• Realignment actions
• Cost control
• Combined Research & Development with Marketing to align product development with customer priorities
• Automation strategy launched
• Acquired TMBV to fill gap in product portfolio

FCD’s platform can flex to changing market conditions
Market growth is driven by factors at both the macroeconomic, industry, and customer levels.

### Macroeconomic Drivers
- Infrastructure is aging
- Emerging market industrial growth
- Government & Environmental regulations
- Energy independence and security
- Nationalization of supply chain

### Valve Industry
- Extremely fragmented
- Distribution continues to consolidate
- LCC competitors gaining global acceptance
- Regional local players are strong in that region

### Customers
- Customers driving localization
- Installed based & certifications are important
- End users outsourcing non-core activities
- Loss of experienced technical talent

**Key market drivers paint an attractive picture for long-term growth in market demand.**
## Disciplined Profitable Growth

**Customer Intimacy**
- **Industries**
  - Expand market share by exploiting customer intimacy
  - Oil & Gas
  - Chemical
  - General Industries
  - Power
- **Portfolio Selling**
  - Increase size of major projects by packaging multiple products with up-front engineering and project management
  - Leveraging FSG
  - Major project pursuit
- **Strategic Localization**
  - Expand market share by increasing sales presence and strategic localization
  - China
  - India
  - Brazil
  - Russia
- **Emerging Markets & Localization**
  - Expand share of parts and service market by leveraging local presence and pursuing new alliances
  - Value-added services
  - QRC expansion
- **Operational Excellence**
  - Continue to focus on gross margin improvements through productivity enhancements and cost optimization
  - Low Cost Country Sourcing
- **Aftermarket**
  - Expand product portfolio through key technologies and adjacent offerings
  - Diagnostics
  - Materials
  - Automation

**Innovation & Portfolio Management**
- **Products & Technologies**
  - Considering growth opportunities in multiple segments
  - Industries
  - Regions
  - Products
  - Routes-to-market
- **Acquisitions**
  - Drive employee engagement
  - Technical training
  - Career development programs
  - General Manager development
  - Sales development
  - Sales incentives

**Employee Focus**
- **Drive**
  - Employee engagement
  - Technical training
  - Career development programs
  - General Manager development
  - Sales development
  - Sales incentives

---

_FCD has positioned itself to exploit market growth potential through key strategic initiatives_
Oil & Gas Industry

**Trends**
- Shale natural gas drilling remains strong in the US
- LNG priority continue to increase
- Large OEM projects continue in the Middle East, Brazil, Africa, Asia
- Harder to reach oil
- Complex Recovery

**FCD Response**
- Localization of products/services
- Increase Automation
- Aftermarket services over the life of the product
- Invest in transmission line valves (Trunnions)

New technologies for harder to reach and more complex recovery will require high pressures/temperatures/materials/services

Sources: IEA, OPEC Oil Report, GlobalData, Flowserve Internal Data
Power Industry

**Forecasted Capacity Expansion**
(2011-2015)
**POWER 1,296 GW**

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>34%</td>
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<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
</tbody>
</table>

**Trends**
- New nuclear continues to be active China, India, US
- Nuclear life extensions/updates are increasing
- Fossil market increasing in India and China
- Natural gas could be the next "new" fossil fuel
- Clean energy (wind, solar, biofuels, geo-thermal) will continue to grow

**FCD Response**
- Nuclear certification
- India power base
- China Joint Venture
- Automation increases in nuclear (especially diagnostics)
- Lifecycle program to meet extended life of plants

Sources: WEO 2010, GlobalData, Platts UDI Database

New nuclear build, facility uprates, maintenance, efficiency and environmental changes will drive the power market
Leveraging capabilities in existing regions for product life cycles and emerging market growth opportunities is critical.
Material advances and energy efficiency devices will continue to drive this sector.

Trends:
- Overall growth in desalination market especially in Middle East
- Mining will continue to grow in Africa and Latin America

FCD Response:
- New products for desalination market
- Material advances will drive the mining market


Desalination: 8.9 M M³/D

- China
- Middle East: 45%
- India
- Rest of Asia
- Africa
- Latin America
- North America
- Europe

Sources: DesalData (Large Scale Projects), Global Water Intelligence
FCD’s sales are balanced between direct and indirect channels

- More than 450 direct sales resources around the globe support configurable and engineered products
- More than 500 distributors support standardized products and provide local inventory and support
- 30 Quick Response Centers, each located within 4 hour drive of key customer facilities, provide after-sales service and support

The breadth of our customer facing network drives customer intimacy and ease of doing business
FCD plans to continue to invest in localizing in emerging economies

- **China**
  - Capitalize on early successes in nuclear power and grow our JV
  - Expand QRC footprint to increase local content for automation and TMBVs

- **India**
  - Drive our JV to supply the Indian market with indigenous products
  - Expand our engineering center of excellence on global projects

- **Brazil**
  - Localize content on key products to capture larger share of growth in Oil & Gas

- **Russia**
  - Establish in-country assembly & test operation for select products
FCD will continue to focus on high growth markets

**2004 (Bookings) - $851M**

- Chemical: 29%
- General Industries: 37%
- Oil & Gas: 16%
- Power: 15%
- Water: 3%

**2010 (Bookings for Q3 trailing 12 mo) - $1,260M**

- Chemical: 30%
- General Industries: 25%
- Oil & Gas: 24%
- Power: 19%
- Water: 3%

*Through selective focus on regional markets within key industries, FCD will drive to exceed the market rate of growth*
Customers are driving towards a total cost of ownership model for their investment decisions.

FCD will drive growth in the aftermarket business through expanded service and solution offerings.
Our focus on low-cost sourcing and continuous improvement has contributed to year-over-year improvements in gross margin.

FCD’s strong focus on cost improvements is a key component to profitable growth.
Core Competencies in underlying technologies are shared across the breadth of the portfolio

<table>
<thead>
<tr>
<th>Control Valves</th>
<th>Automation</th>
<th>90°-Turn On/Off</th>
<th>Gate/Globe/Check</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mechanical Design &amp; Analysis</strong> – Technologies related to rigid-body mechanics, thermodynamics, vibration, and CAD/CAM/CAE</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Fluid Mechanics</strong> – Technologies related to the design and analysis of fluid motion, including cavitation and flow-induced vibration</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Materials</strong> – Technologies related to metallic and non-metallic solid materials, including coatings, casting, molding, machining, welding, and testing</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Mechatronics</strong> – Technologies related to devices whose principle aim is to convert between mechanical and electrical inputs and outputs (example: actuators, sensors)</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Electronics and Software</strong> – Technologies related to microelectronics, power electronics, embedded code, and software</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

As a result of having a broad portfolio, FCD is able to more rapidly leverage innovations across the business in response to market drivers.
FCD’s long-term revenue growth plan builds on multiple growth strategies

FCD expects to grow in excess of the market rate of growth!
In summary …

**Key Market Dynamics**

- Extremely fragmented
- Minimal overlap with primary global players
- Distribution continues to consolidate
- LCC competitors gaining global acceptance
- Portfolio is continuing to commoditize
- Mature markets still in decline within specific core industry segments
- Emerging markets continue to be a growth opportunity with increasing localization requirements
- Proximity to end user is becoming increasingly important for Aftermarket

**Key Messages**

- We have built a strong operating platform
- Megatrends will drive growth in the next 5-10 years:
  - Industrial demand
  - Customer buying behavior
  - Valve industry structure
- Technology has become a differentiator in the market
- Customers’ investment strategy is transitioning from a “price-only” to a “total lifecycle” model
- Fragmentation in the valve market will create future consolidation opportunity

**FCD Strategic Imperatives**

- Industries
- Portfolio Selling
- Emerging Markets & Localization
- Aftermarket
- Operational Excellence
- Product & Technologies
- Acquisitions
- Employee Focus

We believe we have clear growth initiatives based on market, industry, and customer dynamics, and will drive overall growth of our business
QUESTIONS & ANSWERS