Agenda

Welcome
Jay Roueche, Vice President - Treasurer and Investor Relations

Company Overview
Mark Blinn, President and Chief Executive Officer

Operational Review
Tom Pajonas, Senior Vice President and Chief Operating Officer

Break

Financial Update
Mike Taff, Senior Vice President and Chief Financial Officer

Wrap up and Conclusion
Mark Blinn, President and Chief Executive Officer

Questions and Answers
Leadership

Mark A. Blinn  
President & Chief Executive Officer

- Director, President and CEO since 2009. Previously served as CFO since 2004 and SVP of Latin America Operations from 2007
- Previously served as CFO of FedEx Kinko’s from 2003 to 2004, VP and Treasurer from 2002 to 2003
- Previously served as VP and Chief Accounting Officer of Centex Corp., from 2000 to 2002

Mark D. Dailey  
SVP & Chief Administrative Officer

- SVP and Chief Administrative Officer since 2010. Previously served as SVP, HR since 2006 and Chief Compliance Officer since 2005; VP, Supply Chain and Continuous Improvement, from 1999 to 2005
- Previously, VP, Supply Chain of N.A. Power Tools of The Black and Decker Corp from 1992 to 1999

Carey A. O’Connor  
SVP & General Counsel and Corporate Secretary

- SVP, General Counsel and Corporate Secretary since 2012. Previously served as VP and Corporate Secretary from 2011 to 2012, VP, Global Group Counsel from 2006 to 2011 and Director, Global Human Resources Counsel from 2003 to 2006
- Previously an attorney with Haynes and Boone

Thomas L. Pajonas  
SVP & Chief Operating Officer

- SVP & COO since 2012. Previously served as President of FCD from 2004 to 2012, SVP since 2006
- Previously served as MD of Alstom Transport from 2003 to 2004, SVP of the Power Boiler Business of Alstom from 1999 to 2003
- Previously served as SVP and GM of Asea Brown Boveri from 1996 to 1999

Michael S. Taff  
SVP & Chief Financial Officer

- SVP & CFO since 2012
- Previously served as CFO of Babcock & Wilcox Company from 2010 to 2011
- Previously served as CFO of McDermott Intl. from 2007 to 2010, Chief Accounting Officer from 2005 to 2007
- Previously served as CFO of HMT Inc from 2004 to 2005

Deborah K. Bethune  
VP, Tax

- VP, Tax since 2014
- Previously served as Director of International Taxes for the Americas and Asia Pacific Regions for the Electronic Data Systems

John E. Rouche, III  
VP, Treasurer & Investor Relations

- VP, Treasurer and Investor Relations since 2012
- Previously served as a VP, Investor Relations and Treasurer of McDermott Intl. from 2003 to 2012
- Previously served in finance positions for Pennzoil-Quaker State, Pennzoil, Rockport Resources Capital and Shell Oil Company
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; 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 exchange rates, including in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our 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.
COMPANY OVERVIEW & STRATEGY

Mark Blinn, President & CEO
Flowserve Corporation

- 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

- Develop and manufacture and repair precision-engineered flow control equipment for customer’s critical processes
  - Portfolio includes pumps, valves, seals and support systems, automation and aftermarket services supporting global infrastructure industries
  - Focused on oil & gas, power, chemical, water and general industries

- Worldwide presence with approximately 17,000 employees
  - 65 manufacturing facilities and 177 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 and compliance culture
Investment Highlights

• Focused flow control provider engaged primarily in energy infrastructure markets
• Diversified business model provides stability and foundation for earnings growth and cash flow generation
  – Broad portfolio of distinguished brand names that are well recognized in the industry
  – Over 10,000 customers globally buy our products and services, both directly and indirectly
  – Benefit from global geographic exposure and mix of industries served
  – Combination of short-cycle and large, late-cycle original equipment with strong recurring aftermarket
• Focus on operational excellence - margin expansion and cash flow improvement
• Experienced, shareholder focused leadership team - “One Flowserve”
• Growth pursued through innovation, expanding capabilities and strategic investments, primarily in emerging markets
• Disciplined capital allocation with emphasis on disciplined growth and returning value to the shareholder
• Leverage earnings power of improving operating platform

Momentum building as operational improvements position us to capitalize on expected global energy infrastructure investment
“One Flowserve” Culture

- Strong, collaborative management team
- Focus on top-line leverage with disciplined strategic prioritization and investment process
- Market share leverage across business through customer intimacy and strategic localization
- Cost leverage and operational excellence
- Propensity to improve the business and capture earnings power
- Focus on shareholder value drives disciplined strategic investments

“One Flowserve” culture drives market share gains, cost control and increased earnings leverage
Balanced Platform, Lower Risk, Stable Earnings & Positioned for Growth

*Flowserve has a diverse mix of products, end markets and geographic exposures which has provided earnings stability through the cycle and decreases the overall earnings 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

**Energy-focused End Markets**

- 2012 Bookings
  - General Industries 22%
  - Water 4%
  - Chemical 19%
  - Power 14%
  - O&G 41%

**Geographic Exposure**

- 2012 Sales
  - North America 33%
  - Europe 21%
  - Asia Pacific 20%
  - Middle East & Africa 16%
  - Latin America 10%

**Diverse OE / AM Mix**

- 2012 Sales
  - OE 59%
  - AM 41%
  - OE-Short Cycle / Recurring ~40%
  - OE-Large Project ~20%

**Balanced flow control portfolio of products and aftermarket services provides diversification and reduces earnings risk profile**
Diverse Exposures and Disciplined Investment Delivers Earnings Stability and Supports Growth

- Diversity provides stable earnings and margins through cycle, despite significant pricing impacts in the large OE business
- Aftermarket spend remains solid through challenging cycles and large project delays
  - Large OE projects are often subject to delays that can impact earnings, but typically represent only 20-25% of our business

Stability through trough implies margin leverage potential
“One Flowserve” approach delivers full suite of original equipment and aftermarket products and services to meet customer needs.

Common Markets
- Oil & Gas
- Power Generation
- Chemical
- Water
- General Industries

Common Customers
- Shell
- ConocoPhillips
- ExxonMobil
- FLUOR
- Chevron
- JACOBS Engineering
- BR
- Petrobras
- Saudi Aramco

Global Trends
- Energy Efficiency
- Demographic Shifts
- Localization
- Life Cycle Cost
- Emerging Markets Capture
- Value Stream
- Aging Infrastructure
- Independence
- Economic Growth

FINANCIAL REPORTING SEGMENTS
- EPD
- IPD
- FCD
+ Aftermarket
Engineered Product Division Overview

**2012 Sales $2.4B, OI $396M, OI Margin 16.5%**

~ 8,800 Employees

**Focus**
- Engineered Pump Operations
- Service & Solutions Operations
- Seal Operations

**Products / Solutions / Manufacturing**
- API Process Pumps
- Between Bearing Pumps
- Vertical Pumps
- Nuclear Pumps
- Nuclear Seals
- Energy Recovery Devices
- Mechanical Seals
- Hydraulic Decoking Systems
- Thrusters
- Concrete Volute Pumps
- Multiphase Pumps
- Cryogenic Expander

**Regions / Customer / Low-Cost Manufacturing**
- Asia Pacific Region
- Latin America Region

**Footprint**
- 29 Manufacturing Locations and 128 QRCs

**Heritage Brands**
- BWIP
- Byron Jackson
- IDP
- Calder
- United
- Worthington
- Pacific
- Cameron
- ACEC
- Worthington
- Wilson-Snyder
- Nigata Worthington
- Durametallic
- Pacific Welz
- Lawrence

EPD includes seal products with their significant aftermarket opportunity as well as the majority of long-cycle project opportunity expected in 2H 2013 and 2014
2008-09 revenue and margins impacted by higher priced large projects and a weak USD. Recent performance driven by volume of smaller projects, improved operations and growing aftermarket.
Industrial Product Division Overview

2012 Sales $954M, OI $100M, OI Margin 10.4%

~2,600 Employees

Focus

Product and Geographic Expansion / Efficient Execution

Footprint

12 Manufacturing Locations and 20 QRCs

Heritage Brands

Aldrich
Durco
IDP
Plueger
Sciento
Sier Bath
Western Land Roller
Worthington
Worthington Simpson
TKL

Products

Ans/i/ISO Process Pumps
Industrial Process
Vertical Pumps
Slurry and Solid Handling Pumps
Submersible Pumps
Between Bearing Pumps
Thrusters
Barge Pumps
Gear

Top-line growth driven by product development, emerging market penetration and aftermarket initiatives with margin leverage on operational improvements
**IPD Financial Summary**

**Revenues**

- 2008: 1.0 USD Billion
- 2009: 1.0 USD Billion
- 2010: 0.8 USD Billion
- 2011: 0.9 USD Billion
- 2012: 1.0 USD Billion

**Gross Profit / GM%**

- 2008: 28.7%
- 2009: 27.0%
- 2010: 25.6%
- 2011: 22.5%
- 2012: 24.1%

**Operating Income / OI%**

- 2008: 12.2%
- 2009: 11.1%
- 2010: 8.6%
- 2011: 7.2%
- 2012: 10.4%

**By Industry**

- 2012 Bookings
  - Oil & Gas: 35%
  - General Industries: 31%
  - Water: 16%
  - Chemical: 13%
  - Power: 5%

**By Channel**

- 2012 Revenue
  - EPC: 32%
  - End User: 46%
  - Distr.: 14%
  - OEM: 2%

**By Region**

- 2012 Revenue
  - North America: 37%
  - Europe: 22%
  - Latin America: 7%
  - ME & Africa: 19%
  - Non-OECD Asia: 14%
  - FSU: 1%

*Improving operations progressing towards 14% to 15% operating margin target by 2015*
Flow Control Division Overview

2012 Sales $1.6B, OI $253M, OI Margin 16.3%

~5,400 People

Focus

Geographic Expansion / Innovation and Product Development / Operational Excellence

Footprint

24 Manufacturing Locations and 29 QRCs across 24 countries

Heritage Brands

Accord
Anchor/Darling
Argus
Atomac

Automax
Durco
Edward

Gestra
Kammer
Limitorque

Logix
McCanna
NAF
NAVAL

Noble Alloy
Norbro
Norstrom

PMV
Serck Audco
Valbart

Valtek
Vogt
Worcester

Products

Actuators - Pneumatic
Actuators - Mechanical
Actuators - Electric

Boiler Controls
Ball Valves

Check Valves
Gate Valves

Plug Valves
Positioners

Steam Traps

Driving top-line growth through product development and expanded aftermarket capabilities
FCD Financial Summary

Revenues

By Industry
- 2012 Bookings
  - Power 14%
  - Oil & Gas 29%
  - Chemical 29%
  - General Industries 27%
  - Water 1%

By Region
- 2012 Revenue
  - North America 33%
  - Europe 25%
  - Latin America 4%
  - ME & Africa 10%
  - Non-OECD Asia 13%
  - OECD Asia 12%
  - FSU 3%

By Channel
- 2012 Revenue
  - Distr. 40%
  - End User 35%
  - OEM 12%
  - EPC 13%

Gross Profit / GM%

Operating Income / OI%

USD - Billion

2008 2009 2010 2011 2012

USD - Millions

2008 2009 2010 2011 2012

2008 2009 2010 2011 2012

Solid operating platform reflected in stable margins through the cycle
2012 Milestones

- Solid revenue and earnings growth despite challenging market conditions and larger than expected currency headwinds
- “One Flowserve” launched and taking hold
  - Driving “Customer Focus” culture
  - COO organizational structure leveraging best practices across business units
  - Continued operational improvement in on-time delivery, working capital management, cost of poor quality and low-cost sourcing initiatives
  - Improved operational structure supports bolt-on acquisition strategy
  - Driving expense management culture
- IPD improvement on track with operating margin expansion of 320 bps from 2011 levels
- Key senior leadership talent on board or in new roles
  - COO, CFO, VP IR/Treasurer and General Counsel
- Footprint expansion in emerging markets – both manufacturing and QRCs
- Increased total shareholder return and optimized capital allocation structure
  - Returned $846 million to shareholders in share repurchases and dividends
  - Targeting debt to EBITDA of 1 to 2 times (FYE 2012 – Gross 1.2x, Net 0.8x)

Strong internal focus on driving value for shareholders
1. Increase revenues beyond market growth achieving $7.0 to $7.5 billion by 2017
   - Emerging market footprint
   - Product development localization
   - Global aftermarket expansion
   - Market share gain
2. Drive operational execution and financial performance
3. Solidify “One Flowserve” culture
   - Customer Focus
4. Return 40-50% of running 2 year net income average to shareholders and retain balance sheet strength and financial flexibility
5. Attract and retain industry’s most talented resources
6. Pursue bolt-on acquisitions to supplement organic growth where appropriate

Focused on disciplined, profitable growth
Long Cycle Infrastructure Investment Drivers

**Historical Primary Driver**
- **Profit**
  - Shareholder Value
  - Internal Rate of Return
  - Capital Investments

**Increasing Drivers of Investments**
- **Demographics**
  - Population Growth
  - Industrialization
  - Rural to Urban Move
  - Middle Class Rise
  - Growth Investments
- **Aging Infrastructure**
  - Refurbishment
  - Efficiency
  - Upgrade
  - Optimization
  - Feedstock changes
  - Sustaining Investments
- **Independence**
  - Diversification
  - Energy Security
  - Environmental
  - Nationalism
  - Political Investments
- **Economic Growth**
  - Job Creation
  - Political Stability
  - Social Stability
  - Localization
  - Social Investments

**Motivation for infrastructure investments now reflect other critical drivers**
Macro Factors Driving Infrastructure Needs

- Rapid population growth, GDP expansion and associated increased energy demand in emerging markets requires new infrastructure builds.
- Competitive pressures and aging infrastructure call for capacity upgrades and conversions in mature OECD countries.

*The growth of energy demand in emerging economies represents a strong opportunity for Flowserve.*

Source: BP Energy Outlook 2013
Energy Forecasted to Remain Key Market

- Total global energy demand about 35% higher in 2040
- Developing countries forecasted to increase by 65%
- Increasing oil and gas supply derived from unconventional resources
- Renewables and nuclear power maintain positive outlook

As energy infrastructure develops over time, Flowserve is well-positioned to serve the various segments
Flowserve’s Portfolio Aligned with Market Growth

(Bubble size represents Market size in 2012 - ○ represents $1 billion)

- **Oil Upstream**
- **Gas Transport**
- **Gas Upstream**
- **Inorganic Chemicals**
- **Pharma**
- **Hydro**
- **Oil Transport**
- **Steam**
- **Petrochemicals**
- **Combined Cycle Gas Turbine**
- **Gas Downstream**
- **Oil Downstream**
- **Sewage**
- **Water Supply**
- **Specialty Chemicals**
- **Desalination**

- **Nuclear**

**Offers**

- Represents markets that have permanent installed base which is aligned with FLS end-user strategy. Additionally, FLS has significant existing installed base in these markets.

**Aftermarket QRC footprint aligned with downstream, fixed installed base**

* Source: 5-Year CAGR to 2017 EIF June 2012 data, Flowserve internal portfolio estimates
Innovation: Providing Value to Customers

Delivering reliable, high-performance products that meet or exceed our customers’ total cost of ownership requirements

- Breadth and depth of portfolio expands customer solutions
- Commitment to continuous technology development and innovation
Expanding Capabilities and Service Offerings

Resources
- Service and Solutions Group
- Expanded Field Engineering & Technical Services
- RCA Training & Processes

Technologies
- Wireless Sensors & Data Acquisition
- Asset Data Management & SMART Technologies
- Hydraulic Component Upgrade Technology

Services
- Expanded Training Capacity & Curriculum
- Business Assessment Services

Value-based solution offerings differentiate FLS from our competition
Strategic Localization: Key to Accelerated Growth

Building local capabilities is foundational to our global plan.
Emerging Market Strategy Delivering Growth

Emerging Markets’ Bookings

- 2006: $1,424 million, 39%
- 2007: $1,545 million, 36%
- 2008: $2,105 million, 41%
- 2009: $1,611 million, 42%
- 2010: $1,792 million, 43%
- 2011: $2,123 million, 46%
- 2012: $2,270 million, 47%

Sales ($million) and % of Total Bookings.

Employees in Emerging Markets

- 2006: 15% of Total Employees
- 2007: 16%
- 2008: 17%
- 2009: 19%
- 2010: 20%
- 2011: 23%
- 2012: 24%

% of Total Employees.

Strategic localization has driven investment in higher growth, developing regions to meet increased local demand and growing content requirements.
Targeting Acquisitions with Key Strategic Fit

Acquisition strategy focused on product gaps and companies specializing in highly engineered systems and applications allowing for quick access to key markets

- Recent acquisitions at favorable multiples have been relationship driven and not pursued through an auction process
- Targeted acquisitions are designed to be quickly accretive and meet Internal Rate of Return (IRR) targets

Targeting companies in growth markets which complement our core products and capabilities

- Strong Brand Recognition and Market Reputation
- Highly Engineered Technology
- Underserved Aftermarket Opportunity
- Product Pull-through Opportunities
- Emerging Market Penetration
- Opportunities to Leverage Flowserve’s Existing Global Sales Force
Operational Focus Delivering Value

- 2012 internal focus produced significant value
  - Opportunities for continued improvement remain

- **COST OF QUALITY**
  - Supplier development programs to improve quality of purchased material
  - Process and metrics for reporting cost of quality issues

- **ON TIME DELIVERY**
  - Project Management Processes
  - Improve supplier OTD
  - Global and site supply chain integration

- **LEAN CIP/LCS**
  - Expand use of CIP and Lean technique
  - Process improvement plans developed by our CIP teams and third-party experts *(deploying CIP black belts to ship past due projects)*

- **AFTERMARKET GROWTH**
  - Expand integrated Services & Solutions Network
  - Expand capabilities of QRCs to service the entire portfolio
  - Deployment of diagnostics tools to drive aftermarket sales

Seeking maximum value from inside Flowserve’s four walls
Sustainable Business Model

- Promote an ethical and globally inclusive culture and attract, engage and retain a diverse workforce that exceeds customer expectations and achieves disciplined profitable growth.
- Continuously improve HR processes, systems and metrics.
- Create learning and succession opportunities that enable individual growth and organizational performance.
- Provide the right talent on time and where needed.
- Provide performance-based total compensation and recognition opportunities that are competitive and current in the markets in which we operate.

Development and succession planning supports sustainable leadership.
Proven Track Record of Creating Shareholder Value

Shareholder focused approach is a combination of:

• Organic and inorganic revenue and earnings growth
• Operational excellence
• Targeted geographic and end market diversification
• Growth in aftermarket business
• Returning capital to shareholders through dividends and share repurchases

<table>
<thead>
<tr>
<th></th>
<th>Total Return *</th>
<th>10-year</th>
<th>5-year</th>
<th>3-year</th>
<th>1-year</th>
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</thead>
<tbody>
<tr>
<td>FLS</td>
<td>1,532%</td>
<td>82%</td>
<td>63%</td>
<td>42%</td>
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<tr>
<td>Industry Peers</td>
<td>440%</td>
<td>48%</td>
<td>50%</td>
<td>20%</td>
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</tr>
<tr>
<td>S&amp;P Industrials</td>
<td>144%</td>
<td>19%</td>
<td>39%</td>
<td>12%</td>
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</tr>
</tbody>
</table>

Stock Price Return

Source: Bloomberg. Change in stock price. Values indexed to 0% as of 1/1/2008 to 3/15/2013
Industry peer group includes: CAM, CR, EMR, ITT, SPX, PNR, KSB, Smiths Group, Sulzer
* Total shareholder return through 3/15/2013 (dividends reinvested in security)

Superior shareholder returns validate Flowserve’s long-term strategy
Path to 2017 Revenue Target

Targeted Sales Growth 2013 - 2017

- Actual 2010: $4.03B
- Actual 2011: $4.51B (8.3% CAGR)
- Actual 2012: $4.75B (9.9% CAGR)
- Growth: Inorganic (8 - 10% CAGR)
- 2017 Revenue Target: $7.0 - 7.5B

• Last year’s 2016 revenue target of $6.5 to $7.0 billion was based on EIF’s 5-year estimate for addressable market growth of 5.9% CAGR *
• EIF has revised their estimated addressable market growth rate to 5.0% CAGR for 2013 – 2017, primarily due to slower forecasted growth in China, European uncertainty and a slowing chemical market following the 2011-2012 recovery
• Flowserve’s end-user strategy and investments anticipated to drive organic growth of 5.5% to 6.5% CAGR, which is 10% to 30% above that of the addressable market growth rate

*European Industrial Forecasting (EIF) estimates for the growth rate of Flowserve’s addressable end markets

Experience In Motion
OPERATIONS REVIEW

Tom Pajonas, SVP & COO
Operational Overview

• Significant Themes from 2012
• Business Overview
  – Industries Served
  – Product Attributes
• Market Overview
  – Customer Trends
  – Product Market Size
  – Served Market
  – Route to Market
  – Industry Analysis
  – The Value Chain
• Key Operational Strategies
  – Customer Intimacy
  – Strategic Localization
  – Operational Excellence
  – Technology Leadership
  – Sustainability
Significant Themes from 2012

- Advanced *One Flowserve*
  - Leverage global competencies
  - Leverage customer service
  - Operational focus

- Customer Focus Initiative
  - Quality
  - On-time delivery
  - Aftermarket growth

- Focus on leveraging operational initiatives
  - Operating platforms
  - SG&A
  - Product costing
  - Proposal and contract execution

- Product development
  - Automation
  - Materials
  - Chemical pump

- Continued strategic localization
  - Added 4 QRC’s mainly in emerging markets
  - Core manufacturing capacity in Brazil, India and China

*Leads to additional propensity for growth and margin expansion*
Industries Served

- **Oil & Gas** - Exceeding the demands of difficult applications in the oil & gas industry

- **Power Generation** - Wherever power is produced, Flowserve products and solutions are at work

- **Chemical Processing** - Flowserve products handle the world’s most corrosive chemicals

- **Water Resources** - Flowserve solutions meet the water demands of markets worldwide

- **General Industries** - Flowserve products are found in food and beverage, mining, pulp and paper

*We pursue a strategy of industry diversity*
## Typical Project Schedules Across the Industry

### Lifespan of Installed Product
- ~40 to 50 years

### Project Lifespan
- weeks to >7 years

### Development
- RFQ
- PO
- Shipment
- Commission

### Examples

<table>
<thead>
<tr>
<th>Project Type/Size</th>
<th>Project Example</th>
<th>Project Lifespan – Inception to Start-up</th>
<th>Purchase Cycle – PO to Shipment</th>
</tr>
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<tbody>
<tr>
<td>Large</td>
<td>Refinery</td>
<td>5 to 7 years</td>
<td>Pump 18-24 months</td>
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<td>Valve 12-18 months</td>
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<td>Seals 4 months</td>
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<tr>
<td>Medium</td>
<td>Combined Cycle</td>
<td>3 to 4 years</td>
<td>Pump 12-18 months</td>
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<td></td>
<td>Valve 6-8 months</td>
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<td></td>
<td>Seals 2 months</td>
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<tr>
<td>Small</td>
<td>Mining expansion</td>
<td>1 to 2 years</td>
<td>Pump 6-8 months</td>
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<td></td>
<td>Valve 3-6 months</td>
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<td>Seals 1 month</td>
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<tr>
<td>Aftermarket</td>
<td>Spares / Parts</td>
<td>24 hours to 3 months</td>
<td>Pump 24 hours to 3 months</td>
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<td></td>
<td>Valve 24 hours to 3 months</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Seals 24 hours to 3 months</td>
</tr>
<tr>
<td>Aftermarket</td>
<td>Alliances</td>
<td>e.g., 5-year Valves / Parts Alliance</td>
<td></td>
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</tbody>
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Projects vary between long and short PO to Shipment cycles
Characteristics of Served Industries

- Customers tend to have a longer term view of the industry dynamics
- Less dependent on short term
- $127 billion available market per year for pumps, valves and seals
- Infrastructure plants last 40 to 50 years and require service, revamps and updates
- Local support and service is imperative
- The value chain is localizing (services, supply base, etc.)

Serving a broad set of needs across a diverse set of industries with unique characteristics
Attributes of Products / Services

- Broad portfolio of flow control products
- The product must work when put into critical services
  - Nuclear Plants
  - Refineries
  - Transmission Lines
  - Chemical Plants, etc.
- On-Time Delivery is critical to meet schedules
- Aftermarket Services Life-Cycle is 40-50 years
  - Localized presence
  - Upgrades and re-rates
  - History of service
  - Break-fix
  - Condition-based maintenance

Providing the right product at the right time for the most critical applications
Market Introduction

Market

- Extremely fragmented
- Conservative end user base
- Cost of failure to user is typically high
- Distribution continues to consolidate
- Mature markets recovering at a slow rate
- Emerging markets still growth opportunity
- Localization requirements increasing
- Proximity to end user increasingly important

Competitive Environment

- Global competitors have differing competencies
- Expansion via acquisition rather than development
- Product development typically to existing offerings
- Regional (local) players are strong within region
- Low cost country competitors gaining acceptance
- Continued acquisitions and consolidation
- Local firms improving product sophistication

Market dynamics and competitive pressures continue, but attractive opportunities for growth exist
Customer Trends

- Customers focusing resources and investment in emerging markets during the next 5 years
  - ~95% of refinery
  - ~70% of power
  - ~85% of chemical and
  - ~94% of mining

- End users and EPCs leveraging excess capacity in supplier base to apply pricing pressure

- End users increasingly require local content and aftermarket support as condition of award

- Customers pushing more project and operational risk onto suppliers with tougher T&C’s

- Korean, Chinese and Indian EPCs focusing on capturing projects in Middle East and Latin America

- Further distributor consolidation is likely, as more players try to ride up the value chain to be closer to the end user

- Abundant low-cost North American shale gas driving aggressive chemical expansion

Supporting customers globally is key to disciplined profitable growth
Pump and valve markets are highly fragmented, seals concentrated among a few competitors

Total Available Market

$127 Billion

Pumps
$58 billion

Top 7

Valves
$64 billion

Top 6

Seals
$5 billion

Top 5

Source: European Industrial Forecasting, company reports and internal estimates; *General Industries: Mining, Pulp & Paper and Food & Beverage, **Other: Building & Construction, Marine and other
Pump, valve & seal spend shifting toward developing markets, but significant opportunities found in both developing & mature regions.

Flowserve’s Available Market

- Flowserve serves the market with a broad range of flow control products
- Pump, valve & seal spend is increasingly taking place in developing regions
- Developing markets accounted for about 58% of spend in 2012

Available* Market for Pumps, Valves & Seals

Source: European Industrial Forecasting
*Includes oil & gas, chemical, power, water & general industries; excludes building & construction, marine & other
Well Suited with Growth Opportunities

**Flowserve’s Served Market**

Based on product, route to market and geographical presence

<table>
<thead>
<tr>
<th>Oil &amp; Gas</th>
<th>% of FLS bookings</th>
<th>Upstream</th>
<th>Midstream</th>
<th>Downstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Available Market $30b</td>
<td>41%</td>
<td>- Onshore - Offshore &amp; deepwater - Oil sands - Enhanced oil recovery</td>
<td>- Crude oil pipelines - Liquids pipelines - Gas pipelines</td>
<td>- Oil refining - LNG - Heavy oil upgrading - Natural gas processing</td>
</tr>
<tr>
<td>EPD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPD</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>FCD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Portfolio strength**

Legend

- Fully served
- Partially served
- Not currently served

<table>
<thead>
<tr>
<th>Chemical</th>
<th>% of FLS bookings</th>
<th>Basic</th>
<th>Specialty</th>
<th>Pharmaceutical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Available Market $19b</td>
<td>19%</td>
<td>- Organic (petrochemical) - Inorganic</td>
<td>- Agriculture - Paints &amp; pigments</td>
<td></td>
</tr>
<tr>
<td>EPD</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>IPD</td>
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<td>FCD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Power</th>
<th>% of FLS bookings</th>
<th>Fossil</th>
<th>Nuclear</th>
<th>Alternative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Available Market $11b</td>
<td>14%</td>
<td>- Coal-fired - Gas-fired</td>
<td>- Nuclear service - Auxiliary service</td>
<td>- Solar - Wind - Biomass</td>
</tr>
<tr>
<td>EPD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPD</td>
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</tr>
<tr>
<td>FCD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: European Industrial Forecasting and internal estimates

**Flowserve has strong presence with attractive opportunities for growth in all of our core market segments**
Flowserve Route to Market
End Users, EPC’s, Distributors and OEM’s

Well positioned with strong market channel relationships
Flowserve’s Market Touch Points

- Focus on flow control
- 1,150 direct sales engineers worldwide
- 520 distributors worldwide
- 500 3<sup>rd</sup>-party representatives worldwide
- 450 aftermarket technical service field staff that are operating in customer facilities on a daily basis

Globalized sales channels provide high service levels to our customers and a significant competitive advantage
Competitive Landscape

From a “traditional” space perspective, Flowserve is uniquely positioned as the only player providing Pumps, Valves, and Seals...

... and faces competitive pressure from a broad variety of players across different industry verticals

<table>
<thead>
<tr>
<th>Company</th>
<th>Oil &amp; Gas</th>
<th>Chemical</th>
<th>Power</th>
<th>GI*</th>
<th>Est PVS as % of Total Sales**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flowserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$4,751</td>
</tr>
<tr>
<td>Cameron</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,142</td>
</tr>
<tr>
<td>Crane</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,196</td>
</tr>
<tr>
<td>Ebara</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,425</td>
</tr>
<tr>
<td>Emerson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,197</td>
</tr>
<tr>
<td>GE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,200</td>
</tr>
<tr>
<td>ITT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$956</td>
</tr>
<tr>
<td>Pentair***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,641</td>
</tr>
<tr>
<td>Smiths</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,536</td>
</tr>
<tr>
<td>SPX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,682</td>
</tr>
<tr>
<td>Sulzer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,237</td>
</tr>
<tr>
<td>Weir</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,400</td>
</tr>
</tbody>
</table>

Source: Company reports and internal estimates

*General Industries (Mining, Pulp & Paper, Food & Bev, Water)

**Example: Based on Cameron 2012 total sales of $5,502M, total PVS sales of $2,142M represents ~25% of total sales

***Includes Tyco Flow Control

Flowserve is only “pure-play” provider of pumps, valves & seals
Investment in new capacity concentrated in Asia & Middle East

**Forecasted New Capacity Expansion Aligns With Footprint**

### Oil & Gas Industry
- Long-term oil & gas demand outlook continues to support healthy investment
- Refining most active in Middle East & BRIC countries
- North American unconventional resources boom producing strong pipeline & other opportunities

### Power Industry
- Emerging market economic development, environmental factors & age of infrastructure drive new capacity
- Asia accounts for majority of new coal-fired capacity; Middle East key for gas
- Nuclear power still in transition & current activity mixed

### Chemical Industry
- China, India & rest of Asia accounts for majority of new capacity
- Middle East continues diversification into chemicals
- Aggressive Investment in US petrochemicals given low-cost shale gas feedstocks

### General Industries - Mining
- Latin America key mining market, particularly new copper production
- China, Australia & South Africa also important producers of various minerals
- Miners investing more carefully now, but favorable long-term outlook driven by demand from China & elsewhere

### Forecasted Capacity Expansion (2013–2017)

**OIL REFINING**
- 16 M b/d

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity Expansion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td></td>
<td>27%</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td>21%</td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td>14%</td>
</tr>
<tr>
<td>India</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Other Asia...</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
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<tr>
<td>North America</td>
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</tr>
</tbody>
</table>

**POWER**
- 688 GW*

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity Expansion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Other Asia...</td>
<td></td>
<td>17%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
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<tr>
<td>Africa</td>
<td></td>
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<tr>
<td>Latin America</td>
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<tr>
<td>North America</td>
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</tr>
</tbody>
</table>

*Includes gas-fired, coal fired, nuclear and solar thermal capacity

**PETROCHEMICAL**
- 230 MMT

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity Expansion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td>40%</td>
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<tr>
<td>Middle East</td>
<td></td>
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<tr>
<td>India</td>
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<tr>
<td>North America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Asia...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
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</tr>
</tbody>
</table>

**COPPER MINING**
- 8.5 MMT

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity Expansion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>Other Asia...</td>
<td></td>
<td>26%</td>
</tr>
<tr>
<td>Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
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<tr>
<td>North America</td>
<td></td>
<td></td>
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<tr>
<td>India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
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</tr>
</tbody>
</table>

Experience In Motion
Original Equipment Project Proposal Trending

More projects moving into firm bidding phase
“One Flowserve”
Original Equipment Project Opportunity

<table>
<thead>
<tr>
<th>Plant Type</th>
<th>Total FLS Opportunity (OE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery - 300,000 bpd</td>
<td>$60m - $100m</td>
</tr>
<tr>
<td>Nuclear Power - 1700 MW</td>
<td>$60m - $80m</td>
</tr>
<tr>
<td>Coal Power Station - 600MW</td>
<td>$30m - $40m</td>
</tr>
<tr>
<td>Solar Power Station - 250 MW</td>
<td>$20m - $25m</td>
</tr>
<tr>
<td>Combined Cycle Power - 650 MW</td>
<td>$10m - $15m</td>
</tr>
</tbody>
</table>

Global Infrastructure build drives project growth and installed aftermarket base
Providing Value Throughout the Entire Schedule

Installed base expansion leads to increased aftermarket opportunities

Leveraging Global Competencies
(operations, supply chain, HR, finance, IT, legal, R&D, quality, marketing, project management)

“One Flowserve”
The Flowserve Difference

Customer-Centric Culture
On-Time Delivery, Product Quality, Reliability, Local Service

Customer Intimacy
- Understanding of the process, application, and environment
- Local aftermarket presence
- End-to-end view of the project lifecycle

Technology Leadership
- Local engineering capabilities
- Technical and application expertise
- Company and customer funded R & D
- Investment in basic and advanced research

We understand what is important to the customer
We have the technology to solve complex customer problems

Operational Excellence
- Highest On-time-delivery in the industry
- Focus on quality
- Six Sigma culture
- Meeting our commitments to customers

We exceed customer expectations on delivery and quality

Strategic Localization
- Global Quick Response Center (QRC) network
- Shared engineering processes
- Strategic sourcing
- Project management expertise

We have the largest network of company-owned facilities in the industry

Sustainable Business Model

Growth and margin opportunities
Proximity to Customers Provides Aftermarket Opportunities

End user customers typically experience approximately 9 times the initial purchase and installation costs over the equipment's operating life.

End user customers vary in maintenance philosophies.

2009 – 2012 AM CAGR = 7.65%
AM Bookings in $Millions

1,551 1,706 1,860 1,935

We will leverage large projects, run rate and aftermarket opportunities over the 40 to 50 year cycle.
Structured for Growth
65 Manufacturing / 177 QRC Sites Globally

*Excludes non-consolidated JV operations
Developing standardization and quality in emerging market manufacturing facilities while providing a balanced matrix for products and services

**Optimizing Manufacturing Footprint**

**Lead Product Operation**
- "Product line custodian" and recognized as the world wide product leader
- Common processes and procedures
- Ensures products are identical irrespective of where it is manufactured

**Secondary Product Operation**
- Implements the manufacturing and aftermarket support within the designated geographical region for the assigned product
- Local contract execution
- Local manufacturing
- Local market pricing

<table>
<thead>
<tr>
<th>Global Product Focus</th>
<th>Local Product Focus</th>
</tr>
</thead>
</table>

**Experience In Motion**
Expanding Global Operational Footprint
Meeting The Need For Product Localization…

...Identified 7 New QRC’s and 5 Expansions As Continued Build-out Of Global QRC Network During Next 24 Months

Rio, Brazil (Greenfield)
• 165,000 Ft² facility ... Opened 2012
• Focused on O&G, Chemical and Mining

Coimbatore, India (Block III)
• 70,000 Ft² addition ... Opening 2013
• Focused on Power, O&G and Chemical

Suzhou, China (Greenfield)
• 200,000 Ft² facility ... Phase 1 opening 2013
• Focused on O&G and Chemical

Adding manufacturing / QRC capability in growth markets
Driving the culture for enhanced performance

Customer Focus Initiative...

Focusing on Key Metrics...

<table>
<thead>
<tr>
<th>Focus</th>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>LTA</td>
</tr>
<tr>
<td></td>
<td>TRR</td>
</tr>
<tr>
<td></td>
<td>Pure Safety</td>
</tr>
<tr>
<td>CIP</td>
<td>Total Savings</td>
</tr>
<tr>
<td>OTD</td>
<td>OE</td>
</tr>
<tr>
<td></td>
<td>AM</td>
</tr>
<tr>
<td>COPQ</td>
<td>Total Cost</td>
</tr>
<tr>
<td>Customer</td>
<td>1-4 Rating</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
</tr>
</tbody>
</table>

Customer focused culture
Driving Quality through Continuous Improvement Process

- **Expert Training**
  - 1,784 trained Master Black Belts, Black Belts, Green Belts and Lean experts

- **Product cost reductions**
  - Reduced weight, cost, number of parts

- **COPQ reductions**
  - Rework, scrap, liquidated damages, warranty

- **Process standardization and compliance**

Recognized global leadership position in industries served
Focused on Key Metrics and Processes

...Supply Chain

- Materials & Products
- Emerging Regions
- Supplier Development
- People Process Tools

...Focusing On Key FLS Metrics

<table>
<thead>
<tr>
<th>Focus</th>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>Inventory Turns</td>
</tr>
<tr>
<td></td>
<td>Days Payable Outstanding</td>
</tr>
<tr>
<td>Material Cost</td>
<td>Delivered net cost savings YOY</td>
</tr>
<tr>
<td></td>
<td>Low-Cost Sourcing</td>
</tr>
<tr>
<td>Delivery</td>
<td>Supplier OTD%</td>
</tr>
<tr>
<td></td>
<td>Intercompany OTD</td>
</tr>
<tr>
<td>Supplier Quality</td>
<td>Supplier COPQ</td>
</tr>
</tbody>
</table>

Low Cost Sourcing Spend (% of total spend)

- FCD
- EPD
- IPD

2012 2013 2014 2015 2016 2017

Strategic initiatives aligned to deliver supply chain KPIs
Technology Leadership
Focus on Research and Development

2012 Spend by Project Type

- Enhanced standards compliance
- New Product Development
- Advanced Materials
- Product Cost Reduction
- Customer co-funded development

A balanced approach between basic research, applied product development, and customer co-funded development keeps us a leader of the industry
# Key Priorities and Initiatives for 2013-17

## Growth

### Strategic Localization
- Brazil – expand manufacturing
- Russia – light assembly for select products and local QRC
- India – expand manufacturing
- China – expand manufacturing and QRCs
- Middle East – grow installed base
- North Africa – establish local QRC

### Product Quality
- Expand breadth and depth of customer satisfaction metrics
- Expand use of CIP and Lean techniques
- Expand supplier development programs to improve quality of purchased material
- Establish company-wide process and metrics for tracking and reporting cost of quality issues

### On-Time Delivery
- Implement best in class Project Management Process
- Improve supplier OTD
- Expand internal tracking of inter-company OTD
- Global and site supply chain integration

### Cost Reduction
- Product cost analysis
- Increase low-cost sourcing
- Supplier rationalization
- Drive COPQ improvements
- Improve inventory turns

### Aftermarket Leverage
- Expand integrated Services & Solutions Network
- Expand capabilities of QRCs to service the whole portfolio
- Accelerate deployment of diagnostics tools as a means to drive aftermarket sales
- Develop and deploy additional aftermarket solutions and offerings

## SG&A Efficiency

## Focus on Innovation

*Flowserve’s priorities support continued differentiation in the industry and reinforce our areas of key competitive advantage*
Operations Summary…
Propensity to Grow and Improve

- **Grow our Business**
  - Products
  - Regions
  - Industries
  - Aftermarket growth
  - Inorganically

- **Increase Margin**
  - Product cost reductions
  - Aftermarket growth
  - COPQ reductions
  - Low-cost sourcing
  - Lead time reduction
  - Supplier development
  - Lean and Six Sigma initiatives
  - Pricing optimization

This leads to a growing sustainable business model
FINANCIAL UPDATE

Mike Taff, SVP and CFO
Significant Themes

- Building momentum on margin expansion and cash flow improvement
  - Focus on operational metrics & costs support margin growth
- Top-tier performance vs. peers
  - EBITDA growth and margin expansion
  - Return on capital
- Successful implementation of 2012 capital structure initiative
- Track record of returning capital to shareholders
- Solid bookings growth and backlog – despite market uncertainty
  - Bookings and earnings growth supported by operational excellence and improved cost structure
- Commitment to improve working capital
- Foreign exchange impact
- Strong balance sheet
- Guidance and driving shareholder value
Strong Annual Financial Performance

Sales

Operating Results

Aftermarket ($M) vs. Original Equipment ($M)

Operating Income ($M) vs. OI Margin (%) vs. Gross Margin (%)
Top-Tier EBITDA Margin Performance

<table>
<thead>
<tr>
<th>Industry Peers benchmark</th>
<th>2001-2012 Change in Margin</th>
<th>2006-2012 Change in Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLS</td>
<td>480 bps</td>
<td>600 bps</td>
</tr>
<tr>
<td>Industry Peers</td>
<td>-150 bps</td>
<td>-10 bps</td>
</tr>
</tbody>
</table>

**EBITDA margin improvement through aggressive focus on cost reduction and successful integration of acquisitions**

Industry peer group includes: CAM, EMR, PNR, SPW, Smiths Group, CR, KSB, ITT, Sulzer
Driving Expense Management Culture

SG&A as % of Sales

- Achieved 640 bps improvement in operating margin over the past 6 years
  - 50 bps improvement in 2012 vs. 2011 in spite of legacy backlog impact
  - Backlog quality improved throughout 2012 with increased selectivity of projects despite pricing environment in long-cycle projects
- Continued progress towards SG&A as a percent of sales goal of 18%
  - 90 bps improvement in 2012 vs. 2011
- Balanced approach to expense management during period of growth
  - Continued investment in aftermarket capabilities through the cycle

Sales: $3,061, $3,763, $4,473, $4,365, $4,032, $4,510, $4,751

Source: Company filings, FactSet, Bloomberg
Note: Industry peer group includes: CAM, EMR, PNR, SPW, Smiths Group, CR, KSB, ITT, Sulzer
Consistent Returns Delivered

Return on Invested Capital

Return on Equity

Note: Industry peer set includes: Cameron, Emerson, Pentair, SPX, Smiths Group, Crane, KSB, ITT, Sulzer

Flowserve ROIC and ROE have continued to outperform Industry peers
Top-Tier Return on Net Assets

- RONA used to evaluate the return achieved through investment in fixed assets and working capital
- Senior executive compensation is tied to RONA performance vs. High Performance Peer Group

Source: Flowserve analysis, publicly filed financial statements and investment analyst reports.
RONA is based on the average of the beginning and ending net assets for the year measured.
Industry peer group includes: CAM, EMR, PNR, SPW, Smiths Group, CR, KSB, ITT, Sulzer
High Performance Peer Group (used to calculate incentive compensation) includes: CAM, CBE, DNR, DCI, DOV, DRC, GDI, GR, ITW, ITT, LECO, NDSN, PLL, PH, ROK, SKF.B-SE, SUN-VX, WAB, WEIR-LN

Flowserve outperformed both core and high performance peers over the last five years
Improved Cash Flow Generation

Strong free cash flow driven by:

- Increased investment in emerging markets and aftermarket capabilities
- Operational excellence
- Capital expenditures in excess of depreciation to drive organic growth is headwind to FCF conversion

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>$163</td>
<td>$417</td>
<td>$409</td>
<td>$431</td>
<td>$356</td>
<td>$218</td>
<td>$517</td>
</tr>
<tr>
<td>Capital Exp.</td>
<td>($74)</td>
<td>($89)</td>
<td>($127)</td>
<td>($108)</td>
<td>($102)</td>
<td>($108)</td>
<td>($136)</td>
</tr>
<tr>
<td>FCF</td>
<td>$89</td>
<td>$328</td>
<td>$282</td>
<td>$323</td>
<td>$254</td>
<td>$110</td>
<td>$381</td>
</tr>
</tbody>
</table>

While work remains, solid free cash flow generation progress in 2012 targeting free cash flow at net income level

* FCF = Operating Cash Flow – Capital Expenditures
** FCF Conversion = Free Cash Flow / Net Income
Focus on Working Capital Improvement

- Implementing process improvement plans developed by our CIP teams and third party experts
  - Reduced past due backlog by 18.7% in 2012 versus year end 2011
  - Black belts deployed across the business improving our working capital management processes

Gaining traction on accounts receivable dispute identification, resolution and collection process improvements
Strategic Approach to Deploying Capital

- Capital spending focused on most accretive, long-term investment in both the operating platform and returning capital to the shareholder
  - Capital expenditures made to support ongoing revenue & earnings growth
  - Shareholder payout ratio of 40 – 50% for dividends and share repurchases, following completion of $1 billion repurchase program
  - Debt level expected to remain within stated 1-to-2x Debt to EBITDA leverage target

<table>
<thead>
<tr>
<th>Category</th>
<th>2006-2012</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Repurchases &amp; Dividends</td>
<td>$1.62B</td>
<td>48%</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$744M</td>
<td>22%</td>
</tr>
<tr>
<td>Acquisitions, net of divestitures</td>
<td>$278M</td>
<td>8%</td>
</tr>
<tr>
<td>Debt Payment &amp; Elimination of Factoring</td>
<td>$252M</td>
<td>7%</td>
</tr>
<tr>
<td>U.S. Pension Contributions</td>
<td>$237M</td>
<td>7%</td>
</tr>
<tr>
<td>Realignment</td>
<td>$77M</td>
<td>2%</td>
</tr>
<tr>
<td>Increase in Cash</td>
<td>$208M</td>
<td>6%</td>
</tr>
</tbody>
</table>
Expanding our manufacturing capacity and QRC network, primarily in emerging markets

Continue to upgrade production equipment to improve industry-leading operational performance

Invest in additional information systems infrastructure to improve support function integration and reduce costs

Capital spending supports strategic organic growth
Consistent Returns to Shareholders

- Annual declared dividends increased 180% to the anticipated $1.68 per share in 2013 from $0.60 per share in 2007
- Repurchased approximately $1.3 billion of shares from 2006 to early 2013, reducing total diluted share count by nearly 15% since 2005
Capital Structure Policy

• Announced a policy in December 2011 of returning 40-50% of running 2-year average net income through share repurchases and dividends

• In May 2012, announced plan to further improve efficiency
  – Planned target range of Debt to EBITDA of 1-to-2 times
  – Accelerated a $1 billion stock repurchase plan
  – Committed to a strong balance sheet and flexibility to fund growth

• Upgraded to “investment grade” by all major rating agencies in 2012
Progress on Capital Structure

- Completed new $1.25 billion, 5-year credit facility
- Issued $500 million of 10-year, 3.5% senior notes
- Returned nearly $850 million to shareholders during the year, including $300 million ASR program
- Year-end leverage of 1.2x EBITDA; at low end of 1-to-2x target
- Announced additional corporate actions in February 2013
  - Replenished stock repurchase program of $750 million,
  - Dividend increase of 16.7% to 42 cents per quarter, and
  - A planned 3-for-1 stock split, subject to shareholder action
- Planned completion of $1 billion share repurchase plan in 1H13
  - Afterwards, resume policy of returning 40-50% of 2-year average net income through share repurchases and dividends
Improved Backlog Quality

- Large projects comprise approximately 35%-40% of backlog
- Large pump project costs include approx. 40% of buyout items such as motors and castings, which carry little margin, particularly in down cycle

Backlog quality has improved as legacy backlog shipped in 2012 reduced the current level to approximately 5% of backlog
Disciplined Foreign Currency Management

- Roughly 2/3 of revenue is translated into US dollars from non-US dollar reporting entities
  - A stronger US dollar versus prior year results in lower reported revenue
- FLS executes foreign currency forwards on large contracts to lock in the cash margin at the project award date
  - Roughly half of equipment manufactured in Europe is for export
- FX hedges are marked-to-market each quarter end and flow through earnings in “Other Income/Expense”
  - Sequential strengthening in the US dollar results in a non-cash loss on the mark-to-market below-the-line
- Reported gain/loss on the hedges will have a reverse impact in gross margin in future quarters as revenue is recognized (assuming constant currency rates going forward)

2012 Sales Currency

FX contracts (USD equivalent)

<table>
<thead>
<tr>
<th></th>
<th>12/31/11</th>
<th>12/31/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notional Outstanding</td>
<td>$481M</td>
<td>$609M</td>
</tr>
</tbody>
</table>

Foreign currency risk management strategy minimizes fluctuations in cash flow from foreign exchange rate movements
Flexibility with Strong Balance Sheet

- Targeted Debt to EBITDA of 1 to 2 times
- Conservative management of the balance sheet through the cycle provided flexibility
- Financial performance and strong banking relationships should enable ample access to capital if needed to support strategic objectives

*Efficient capital structure supports investments to grow the business and return cash to shareholders*
EPS Seasonally Second-Half Weighted
(QQuarterly Earnings Per Share - diluted)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q09</td>
<td>$1.50</td>
<td>$2.00</td>
<td>$1.00</td>
<td>$2.50</td>
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<tr>
<td>2Q09</td>
<td>$2.00</td>
<td>$2.50</td>
<td>$1.50</td>
<td>$3.00</td>
</tr>
<tr>
<td>3Q09</td>
<td>$2.50</td>
<td>$3.00</td>
<td>$2.00</td>
<td>$3.50</td>
</tr>
<tr>
<td>4Q09</td>
<td>$3.00</td>
<td>$3.50</td>
<td>$2.50</td>
<td>$4.00</td>
</tr>
<tr>
<td>1Q10</td>
<td>$1.00</td>
<td>$1.50</td>
<td>$1.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>2Q10</td>
<td>$1.50</td>
<td>$2.00</td>
<td>$1.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>3Q10</td>
<td>$2.00</td>
<td>$2.50</td>
<td>$2.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>4Q10</td>
<td>$2.50</td>
<td>$3.00</td>
<td>$2.50</td>
<td>$3.50</td>
</tr>
<tr>
<td>1Q11</td>
<td>$1.50</td>
<td>$2.00</td>
<td>$1.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>2Q11</td>
<td>$2.00</td>
<td>$2.50</td>
<td>$2.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>3Q11</td>
<td>$2.50</td>
<td>$3.00</td>
<td>$2.50</td>
<td>$3.50</td>
</tr>
<tr>
<td>4Q11</td>
<td>$3.00</td>
<td>$3.50</td>
<td>$3.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>1Q12</td>
<td>$1.00</td>
<td>$1.50</td>
<td>$1.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>2Q12</td>
<td>$1.50</td>
<td>$2.00</td>
<td>$1.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>3Q12</td>
<td>$2.00</td>
<td>$2.50</td>
<td>$2.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>4Q12</td>
<td>$2.50</td>
<td>$3.00</td>
<td>$2.50</td>
<td>$3.50</td>
</tr>
</tbody>
</table>

Full Year EPS
2009: $7.59
2010: $6.88
2011: $7.64
2012: $8.51

Note: Sum of quarters may not equal full year due to share repurchases and the associated average share counts for the respective periods.
## 2013 Guidance Range

<table>
<thead>
<tr>
<th>2013 EPS ¹</th>
<th>$9.60 – $10.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Growth ²</td>
<td>4 – 6%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>30%</td>
</tr>
<tr>
<td>Venezuela Currency Devaluation Impact (in 1Q13)</td>
<td>~ ($0.07 – $0.09) of EPS</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$120 – $130M</td>
</tr>
<tr>
<td>Pension Contributions</td>
<td>$25 – $30M</td>
</tr>
<tr>
<td>Capital Returned to Shareholders ³</td>
<td>$425 – $475M</td>
</tr>
</tbody>
</table>

### Longer Term Guidance:

<table>
<thead>
<tr>
<th>1-2 Year Operating Margin Improvement (from 2012 levels)</th>
<th>100 – 200 bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A as a Percent of Sales</td>
<td>18%</td>
</tr>
</tbody>
</table>

¹ Similar to recent years, 2013 earnings will be second half weighted. Additionally, first half earnings will be effected by Venezuela's currency devaluation and shipments of the majority of remaining legacy backlog.

² Does not assume impact of potential acquisitions which may arise.

³ Includes dividend and completion of $1 billion buyback plan, followed by return of 40 - 50% of 2 year average of net earnings to shareholders annually.
Delivering on Commitments to Shareholders

**Revenue Growth**
8-10% CAGR
2017 Target

**Margin Expansion**
1-2 Year Operating Margin
Target of 100 – 200 bps

**Earnings Improvement**
Diverse end markets, geographies and cycle exposure provide stable bookings and earnings through cycles

**Increasing Free Cash Flow**
Earnings growth generating increasing FCF to support growth initiatives and return capital to shareholders

**Dividend Growth**
40 - 50% annual earnings returned to shareholders

**Share Repurchases**

Driving shareholder value and business improvement
SUMMARY REMARKS

Mark Blinn, President & CEO
Disciplined Profitable Growth and Long-Term Shareholder Value Creation

• Unified, “One Flowserve” leadership drives disciplined growth and operational excellence across platform

• Demonstrated growth and stable earnings, through the cycle, is a result of our diversity: products, services and geographic exposures

• Business model focused upon:
  – Disciplined approach to top-line growth – organic & bolt-on acquisitions
  – Cost control – both in COGS and SG&A
  – Driving significant margin opportunities and realizing propensity of this business
  – Enhanced by consistent capital allocation policy
  – Delivers powerful EPS potential

• Flowserve is committed to creating shareholder value
Disciplined Revenue Growth

- Organic growth driven by strategic investments in product development, industries, regions and aftermarket capabilities
  - Targeted capacity increases include Brazil, China and India
  - Expect sales to increase 10-30% above addressable market growth rate
- Inorganic growth focused on acquisitions in technologies, products and regions that fill gaps - enabling accelerated growth and key market access
  - Disciplined process realizes accretive assets and shareholder value

- Lawrence Pumps
  2011 Acquisition
  Cash Paid - $89.6M
  Price/EBITDA – 8.9x

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

- Calder
  2009 Acquisition
  Cash Paid - $30.8M
  Price/EBITDA – 9.7x
Increased Margin Opportunity

- Leverage organic and bolt on acquisition top-line growth
- Continue to invest in and grow aftermarket
- Operational excellence focus
  - On-time delivery, lead times, cost of quality and low-cost sourcing
  - “Engineering costs out of our products”
- Continued progress on IPD’s operational improvement
- Achieve SG&A as a percent of sales target of 18%
Revenue and aftermarket growth, operational improvements and share repurchases drive leveraged earnings growth and cash flow.
Commitment to Returning Capital

**Share Repurchases**
Solid history of disciplined capital allocation and expect share repurchases to continue through 40-50% payout policy.

Replenished stock repurchase authorization to $750 million in Q1 2013.

Expect to repurchase $280-$300 million of shares in first half of 2013.

**Dividend**
Consistent quarterly dividends since 2007.

Increased payout 17% in Q1 2013; the 5th consecutive annual dividend increase.

*Committed to returning between 40% and 50% of running two-year average net earnings to shareholders annually.*
Investment Highlights

• Focused flow control provider engaged primarily in energy infrastructure markets
• Diversified business model provides stability and foundation for earnings growth and cash flow generation
  – Broad portfolio of distinguished brand names that are well recognized in the industry
  – Over 10,000 customers globally buy our products and services, both directly and indirectly
  – Benefit from global geographic exposure and mix of industries served
  – Combination of short-cycle and large, late-cycle original equipment with strong recurring aftermarket
• Focus on operational excellence - margin expansion and cash flow improvement
• Experienced, shareholder focused leadership team - “One Flowserve”
• Growth pursued through innovation, expanding capabilities and strategic investments, primarily in emerging markets
• Disciplined capital allocation with emphasis on disciplined growth and returning value to the shareholder
• Leverage earnings power of improving operating platform

“Building Momentum”
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