Flowserve Q3 2014 Earnings Conference Call

October 24, 2014

Experience In Motion

Special Note

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

Q3 2014 Financial Highlights

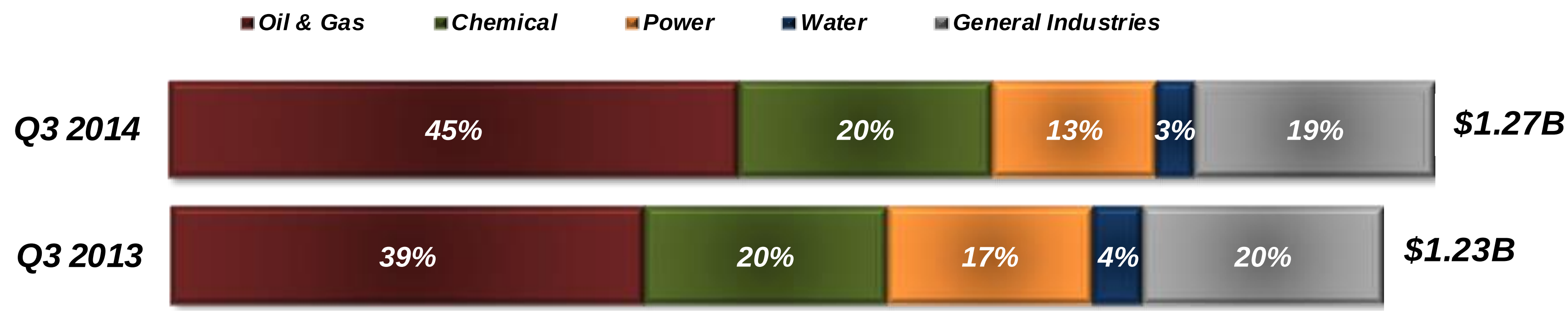
- Reported EPS* of 0.93, up 3.3%, including $0.01 per share net benefit from below-the-line currency, partially offset by discrete non-cash charge
- Solid bookings of $1.3 billion, up 3.7% versus prior year, or 5.0% on a constant currency basis
  - Strong aftermarket bookings of $518 million, an increase of 8.1% and the fourth consecutive quarter of over $500 million in bookings
  - Original equipment bookings increased roughly 1% versus prior year
  - Strength in the oil and gas and general industries, partially offset by weakness in the power market
- Gross margin improvement of 60 basis points to 35.0%, driven by 140 bps and 70 bps improvement in EPD and IPD, respectively
  - Adjusted for discrete, non-cash charge in IPD, gross margin improved 90 basis points to 35.3%
- Operating margin of 16.0%, increased 30 basis points versus prior year

***Calculated using Q3 2014 fully diluted shares of 137.5 million**

Business Outlook

- Energy markets support expected project activity and growth, near-term headwinds include macro uncertainty and potential customer final investment decision delays
- Continued internal focus and success of ***One Flowserve*** strategies driving strong, consistent execution
  - Internal progress supports increased focus on growth including inorganic growth opportunities with lower integration risk
  - Proven capabilities to meet and exceed customer requirements have us well positioned to capitalize on expected large project cycle
- Diverse end-market and geographic exposures continue to mitigate risk and volatility and provide opportunities across our global energy markets
- Disciplined focus on return on assets drives capital allocation, portfolio optimization and return for shareholders
- Backlog of $2.8 billion increased $265.4 million, or 10.4% versus Q4 2013 or 14.1% on a constant currency basis

Q3 2014 Bookings & Industry Outlook



OIL & GAS

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

POWER

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

CHEMICAL

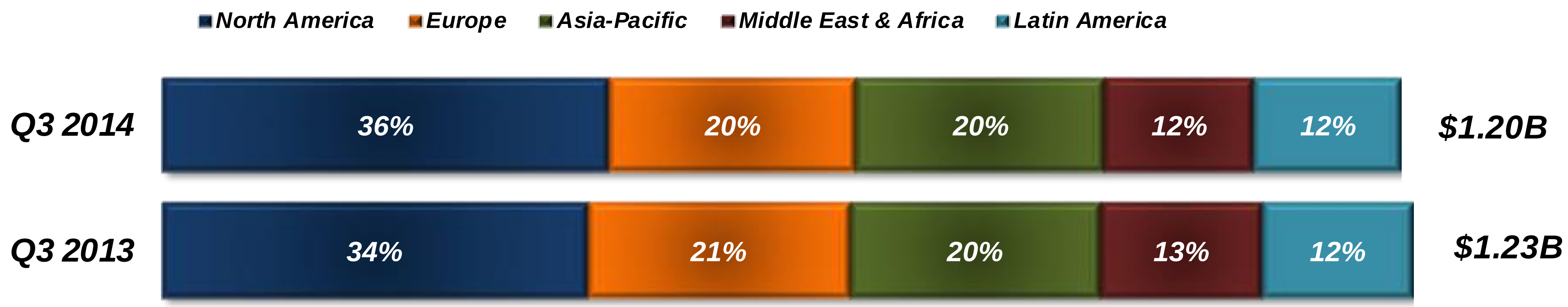
- ✓ *Strong North American market conditions for petrochemicals and derivatives given low-cost natural gas feedstock*
- ✓ *Majority of new chemical capacity still being developed in BRIC countries and other developing economies*

GENERAL INDUSTRIES

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

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

Q3 2014 Sales & Regional Outlook



NORTH AMERICA

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

EUROPE

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

MIDDLE EAST & AFRICA

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

ASIA-PACIFIC

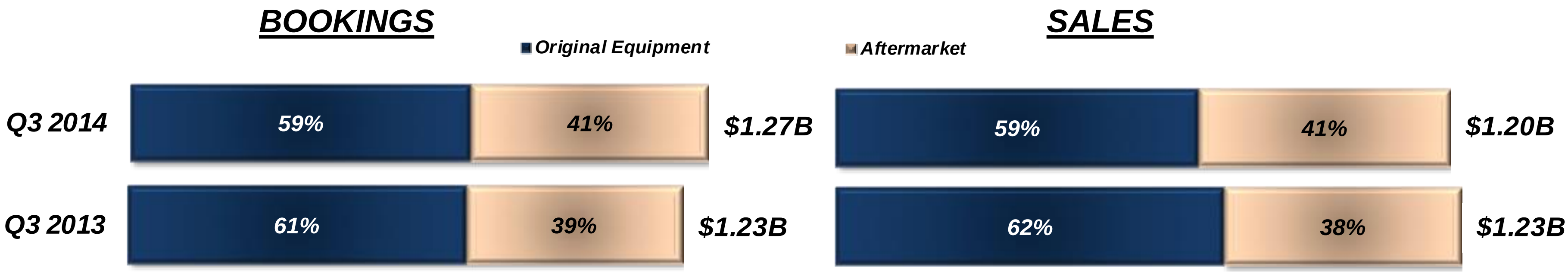
- ✓ *New coal-fired power plant additions in Asia Pacific; environmental and diversification factors support growth in other power technologies*
- ✓ *About half of global refining and chemical capacity additions planned for China, India and other Asia Pacific countries over the next five years*

LATIN AMERICA

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

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

Q3 2013 – Consolidated Bookings & Sales



Bookings

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

Sales

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

Sources: Flowserve Internal Data

Q3 2014 - Consolidated Financial Results

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

- Diluted EPS calculated using fully diluted shares of 137.5 million and 141.1 million shares in Q3 2014 and Q3 2013, respectively
- Flowserve repurchased 475,177 and 1,115,276 shares in Q3 2014 and Q3 2013, respectively

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

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

Q3 2014 Cash Flows

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

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

Primary Working Capital

Balances for All Periods as a % of Trailing Twelve Months Sales

($ millions)	Q3 2014		Q3 2013	
	$	%	$	%
Receivables	1,131	23.2%	1,090	22.3%
Inventory	1,118	22.9%	1,184	24.2%
Payables	(491)	(10.1)%	(495)	(10.1)%
Primary Working Capital	**1,758**	**36.0%**	**1,779**	**36.4%**
Advance Cash*	(339)	(6.9)%	(394)	(8.1)%
Total	**1,419**	**29.1%**	**1,385**	**28.3%**
Backlog	**2,822**		**2,700**	

Accounts Receivable

Accounts Receivable DSO at 84 days in Q3 2014, versus 80 days prior year Q3, primarily due to the impact of certain Latin American customers

- *Targeted DSO in the mid 60s*

Inventory

Inventory turns were 2.8 times, versus 2.7 times prior year Q3

- *Driving towards inventory turns goal of 4.0x to 4.5x*

*** Advance cash commitments from customers to fund working capital**

2014 Outlook

Cash Use Priorities in 2014

- Continue to execute on announced capital allocation policy of annually returning 40 – 50% of running 2-year average net earnings to shareholders
- Estimate capital expenditures to be $150 – $160 million, including an investment to further expand and consolidate our valve activity in China
- Scheduled debt principal reduction of $40 million
- Estimate U.S. and non-U.S. pension fund contributions to be approximately $30 – $35 million
- Other strategic opportunities, after disciplined analysis

Working Capital

- Execute on working capital initiatives to increase on-time delivery and improve DSO and inventory turns to targeted levels

SG&A Cost Focus

- Continue expense-management culture as we target SG&A as a percent of sales of 18% while making strategic growth investments

2014 EPS Guidance

- Implied 2014 EPS growth of 7% - 13% reflects earnings power on relatively flat top-line growth and continued progress on our operating margin improvement goal
- Similar to prior year, 2014 earnings will be second half weighted

Tightening 2014 full year EPS target range to $3.65 to $3.85

* EPS amounts for 2006 and 2007 have not been retrospectively adjusted to reflect the adoption of the two class method of calculating earnings per share under ASC 260, “Earnings Per Share” which was effective January 1, 2009. The impact of adoption was a decrease to EPS of $0.01 for 2006 and $0.02 for 2007.

Questions and Answers

Engineered Product Division
Q3 2014 Segment Results

($ millions)	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter Delta ($)	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2014	Year to Date 2013	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings	$ 684.9	$ 665.3	$ 19.6	2.9%	5.5%	$ 2,023.0	$ 1,845.5	$ 177.5	9.6%	12.8%
Sales	$ 620.9	$ 651.4	$ (30.5)	(4.7)%	(2.1)%	$ 1,735.3	$ 1,816.0	$ (80.7)	(4.4)%	(2.0)%
Gross Profit	$ 217.9	$ 219.2	$ (1.3)	(0.6)%		$ 606.3	$ 617.4	$ (11.1)	(1.8)%	
Gross Margin (%)	35.1%	33.7%		140 bps		34.9%	34.0%		90 bps	
SG&A	$ 107.6	$ 107.5	$ 0.1	0.1%	2.0%	$ 318.9	$ 327.8	$ (8.9)	(2.7)%	(0.6)%
SG&A (%)	17.3%	16.5%		80 bps		18.4%	18.0%		40 bps	
Income from Affiliates	$ 1.8	$ 2.3	$ (0.5)	(21.7)%		$ 7.8	$ 7.1	$ 0.7	9.9%	
Operating Income	$ 112.1	$ 114.0	$ (1.9)	(1.7)%	1.0%	$ 295.2	$ 296.8	$ (1.6)	(0.5)%	2.2%
Operating Margin (%)	18.1%	17.5%		60 bps		17.0%	16.3%		70 bps	

Continued operating improvement drove gross and operating margin increase while solid bookings support growth

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

Engineered Product Division
Q3 2014 Bookings and Sales

($ millions)		3rd Quarter				Year to Date			
		2014	2013	Delta (%)	Constant FX (%)*	2014	2013	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	288	306	(6)%	(3)%	829	757	10%	14%
		42%	46%	(400 bps)		41%	41%	0 bps	
	AM	397	359	11%	13%	1,194	1,089	10%	12%
		58%	54%	400 bps		59%	59%	0 bps	
Sales Mix **	OE	242	293	(17)%	(14)%	642	763	(16)%	(13)%
		39%	45%	(600 bps)		37%	42%	(500 bps)	
	AM	379	358	6%	8%	1,093	1,053	4%	6%
		61%	55%	600 bps		63%	58%	500 bps	

End-user strategies driving strong growth in aftermarket bookings and sales

* Constant FX represents the year over year variance assuming 2014 results at 2013 FX rates
** Gross bookings and sales do not include interdivision eliminations

Engineered Product Division Overview

- Bookings increased 2.9%, or 5.5% on a constant currency basis, on strong aftermarket activity
  - Growth driven by oil and gas and general industries, partially offset by power generation industry
  - Strong growth in North America and Europe, partially offset by Asia Pacific and the Middle East
- Sales decreased 4.7%, or 2.1% on a constant currency basis, due primarily to decreased sales into the Middle East and Europe, partially offset by increased sales into North America
- Gross margin increased 140 basis points to 35.1%, primarily due to a mix shift to aftermarket, partially offset by negative impact of under absorption due to lower sales
- Operating margin increased 60 basis points to 18.1%

Industrial Product Division
Q3 2014 Segment Results

($ millions)	3rd Quarter					Year to Date				
	2014	2013	Delta ($)	Delta (%)	Constant FX (%)*	2014	2013	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 230.4	$ 228.5	$ 1.9	0.8%	0.8%	$ 707.2	$ 643.3	$ 63.9	9.9%	9.2%
Sales	$ 231.4	$ 222.4	$ 9.0	4.0%	3.6%	$ 681.3	$ 672.6	$ 8.7	1.3%	0.1%
Gross Profit	$ 60.6	$ 56.8	$ 3.8	6.7%		$ 182.5	$ 172.0	$ 10.5	6.1%	
Gross Margin (%)	26.2%	25.5%		70 bps		26.8%	25.6%		120 bps	
SG&A	$ 32.1	$ 31.6	$ 0.5	1.6%	1.6%	$ 99.1	$ 94.9	$ 4.2	4.4%	3.4%
SG&A (%)	13.9%	14.2%		(30 bps)		14.5%	14.1%		40 bps	
Operating Income	$ 28.5	$ 25.2	$ 3.3	13.1%	13.1%	$ 83.4	$ 77.1	$ 6.3	8.2%	6.9%
Operating Margin (%)	12.3%	11.3%		100 bps		12.2%	11.5%		70 bps	

Solid operating improvement continued operating margin progress towards long-term goal of 14 - 15%

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

Industrial Product Division
Q3 2014 Bookings and Sales

($ millions)		3rd Quarter 2014	3rd Quarter 2013	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2014	Year to Date 2013	Year to Date Delta (%)	Year to Date Constant FX (%)*
	OE	159	155	3%	3%	481	425	13%	13%
Bookings Mix **		69%	68%	100 bps		68%	66%	200 bps	
	AM	71	73	(3)%	(4)%	226	219	3%	1%
		31%	32%	(100 bps)		32%	34%	(200 bps)	
	OE	160	156	3%	3%	463	471	(2)%	(3)%
Sales Mix **		69%	70%	(100 bps)		68%	70%	(200 bps)	
	AM	72	67	7%	6%	218	202	8%	6%
		31%	30%	100 bps		32%	30%	200 bps	

Solid bookings and sales reflect increased focus on growth while operational improvements continue

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

** Gross bookings and sales do not include interdivision eliminations

Industrial Product Division Overview

- Bookings increased 0.8% on solid original equipment activity
  - Growth driven primarily by oil and gas and general industries, partially offset by power generation
  - Regional strength into North America and the Middle East, partially offset by bookings into Asia Pacific and Europe
- Sales increased 4.0% versus prior year, or 3.6% on a constant currency basis, with increased sales into North America, Africa and Asia Pacific, partially offset by decreased sales into the Middle East and Latin America
- Gross margin increased 70 basis points to 26.2%, or 220 bps to 27.7%, excluding a discrete non-cash charge in the quarter
  - Margin improvement primarily attributable to a mix shift to aftermarket and lower manufacturing costs resulting from execution of operational improvements and disciplined selectivity of customer bookings
- Operating margin increased 100 bps to 12.3%, or 250 basis points to 13.8% excluding a discrete non-cash charge in the quarter

Flow Control Division
Q3 2014 Segment Results

($ millions)	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter Delta ($)	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2014	Year to Date 2013	Year to Date Delta ($)	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings (1)	$ 392.0	$ 373.2	$ 18.8	5.0%	4.8%	$ 1,227.2	$ 1,250.8	$ (23.6)	(1.9)%	(2.8)%
Sales (1)	$ 387.0	$ 394.4	$ (7.4)	(1.9)%	(1.9)%	$ 1,176.3	$ 1,189.6	$ (13.3)	(1.1)%	(2.0)%
Gross Profit	$ 143.2	$ 147.4	$ (4.2)	(2.8)%		$ 440.4	$ 428.4	$ 12.0	2.8%	
Gross Margin (%)	37.0%	37.4%		(40 bps)		37.4%	36.0%		140 bps	
SG&A (2)	$ 70.9	$ 70.7	$ 0.2	0.3%	0.3%	$ 205.5	$ 220.6	$ (15.1)	(6.8)%	(7.8)%
SG&A (%)	18.3%	17.9%		40 bps		17.5%	18.5%		(100 bps)	
Income from Affiliates (3)	$ —	$ (0.1)	$ 0.1	(100.0)%		$ (0.3)	$ 28.9	$ (29.2)	(101.0)%	
Operating Income (4)	$ 72.3	$ 76.7	$ (4.4)	(5.7)%	(5.7)%	$ 234.6	$ 236.7	$ (2.1)	(0.9)%	(0.9)%
Operating Margin (%)	18.7%	19.4%		(70 bps)		19.9%	19.9%		0 bps	

Impressive year-to-date gross margin improvement reflects continued strong operating performance and cost control

* Constant FX represents the year over year variance assuming 2014 results at 2013 FX rates
(1) Q3 2014 vs. Q3 2013 compare includes approximately 3% of negative impact from the sale of the Naval business in Q1 2014
(2) YTD 2014 includes $12.6 million impact of net gain from sale of the Naval business
(3) YTD 2013 includes $28.3 million impact of net gain from joint venture transactions
(4) Excluding Naval gain in Q1 2014 and joint venture transactions net gain in Q1 2013, YTD operating income increased 6.5%

Flow Control Division
Q3 2014 Bookings and Sales

($ millions)		3rd Quarter 2014	3rd Quarter 2013	3rd Quarter Delta (%)	3rd Quarter Constant FX (%)*	Year to Date 2014	Year to Date 2013	Year to Date Delta (%)	Year to Date Constant FX (%)*
Bookings (1) Mix **	OE	325	314	4%	3%	1,031	1,051	(2)%	(3)%
		83%	84%	(100 bps)		84%	84%	0 bps	
	AM	67	60	12%	12%	196	200	(2)%	(2)%
		17%	16%	100 bps		16%	16%	0 bps	
Sales (1) Mix **	OE	321	339	(5)%	(5)%	976	999	(2)%	(3)%
		83%	86%	(300 bps)		83%	84%	(100 bps)	
	AM	66	55	20%	18%	200	190	5%	5%
		17%	14%	300 bps		17%	16%	100 bps	

Solid bookings including strong aftermarket performance

* Constant FX represents the year over year variance assuming 2014 results at 2013 FX rates
** Gross bookings and sales do not include interdivision eliminations
(1) Q3 2014 vs. Q3 2013 compares include approximately 3% of negative impact from the sale of the Naval business in Q1 2014

Flow Control Division Overview

- Bookings increased 5.0%, or 4.8% on a constant currency basis, including approximately 3% of negative impact from the sale of our Naval business in the first quarter of 2014
  - Increased bookings primarily driven by the oil and gas industry
  - Increased bookings into the Middle East, North America and Latin America, partially offset by decreased activity into Africa and Europe
- Sales decreased 1.9%, including approximately 3% of negative impact from the sale of our Naval business in the first quarter of 2014
  - Lower original equipment sales were partially offset by strong aftermarket activity
  - Decreased sales into Europe (primarily Naval) and Asia Pacific were partially offset by increased sales into Latin America
- Gross margin decreased 40 basis points to 37.0%, primarily due to unfavorable product line mix
- Operating margin decreased 70 basis points to 18.7%, primarily on decreased gross profit