FLOWSERVE

Jefferies 2012 Global Industrial and A&D Conference

August 7, 2012

Special Note

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

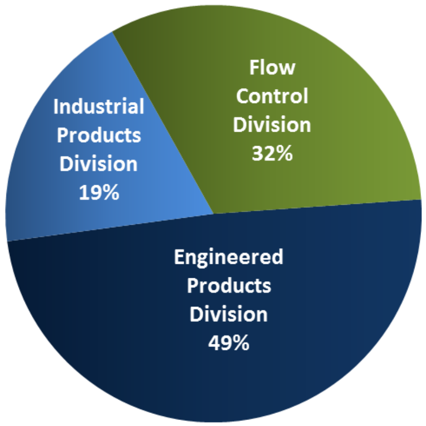
Flowserve Corporation

- **Leading manufacturer and aftermarket service provider of comprehensive flow control systems**
  - History dates back 1790 with more than 50 well-respected brands such as Worthington, IDP, Valtek, Limitorqure, Durco and Edward
- **Develop and manufacture precision-engineered flow control equipment for customer's critical processes**
  - Portfolio includes pumps, valves, seals, automation and aftermarket services supporting global infrastructure industries
  - Focused on oil & gas, power, chemical, water and general industries
- **Worldwide presence with approximately 16,500 employees**
  - 65 manufacturing facilities and 176 aftermarket Quick Response Centers (QRCs) with Flowserve employees in more than 50 countries
- **Long-term relationships with leading energy customers**
  - National and international oil & gas companies, engineering & construction firms, and global distributors
- **Established commitment to safety and quality with a strong ethical and compliance culture**

Balanced Portfolio Providing Diversification

Flowserve has a diverse mix of products, end markets and geographic exposures which has provided earning stability through the cycle and decreased the overall risk profile of the company

2Q12 TTM Sales Mix

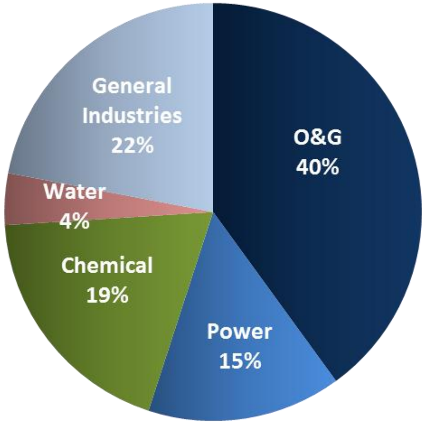


Operating Segments

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

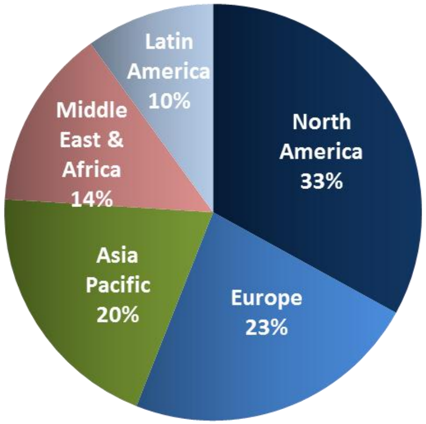
Diverse of End Markets

2Q12 TTM Booking Mix



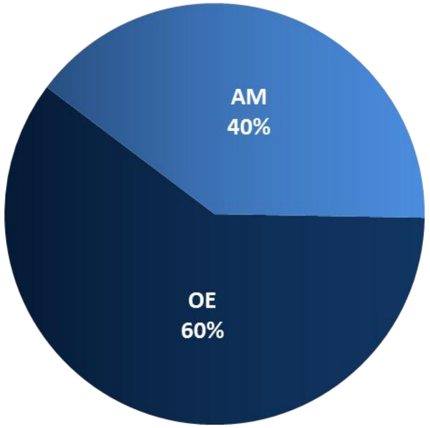
Geographic Diversification

2Q12 TTM Sales Mix



Diverse OE / AM Mix

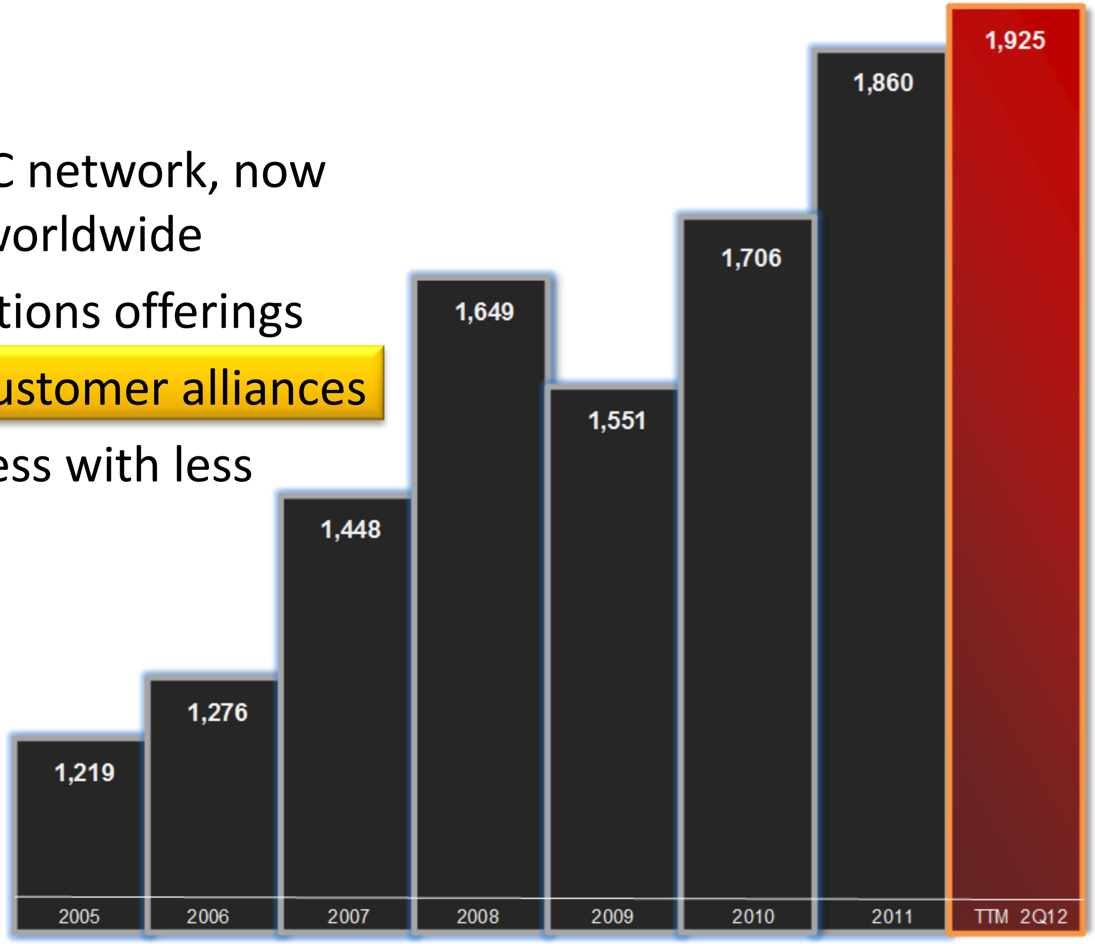
2Q12 TTM Sales Mix



FLOWSERVE

Growing the Aftermarket
Supporting Our Diversified Risk Model

- Significant expansion in QRC network, now operating in 176 locations worldwide
- Enhanced services and solutions offerings
- Approximately 450 global customer alliances
- Resilient high margin business with less cyclicality

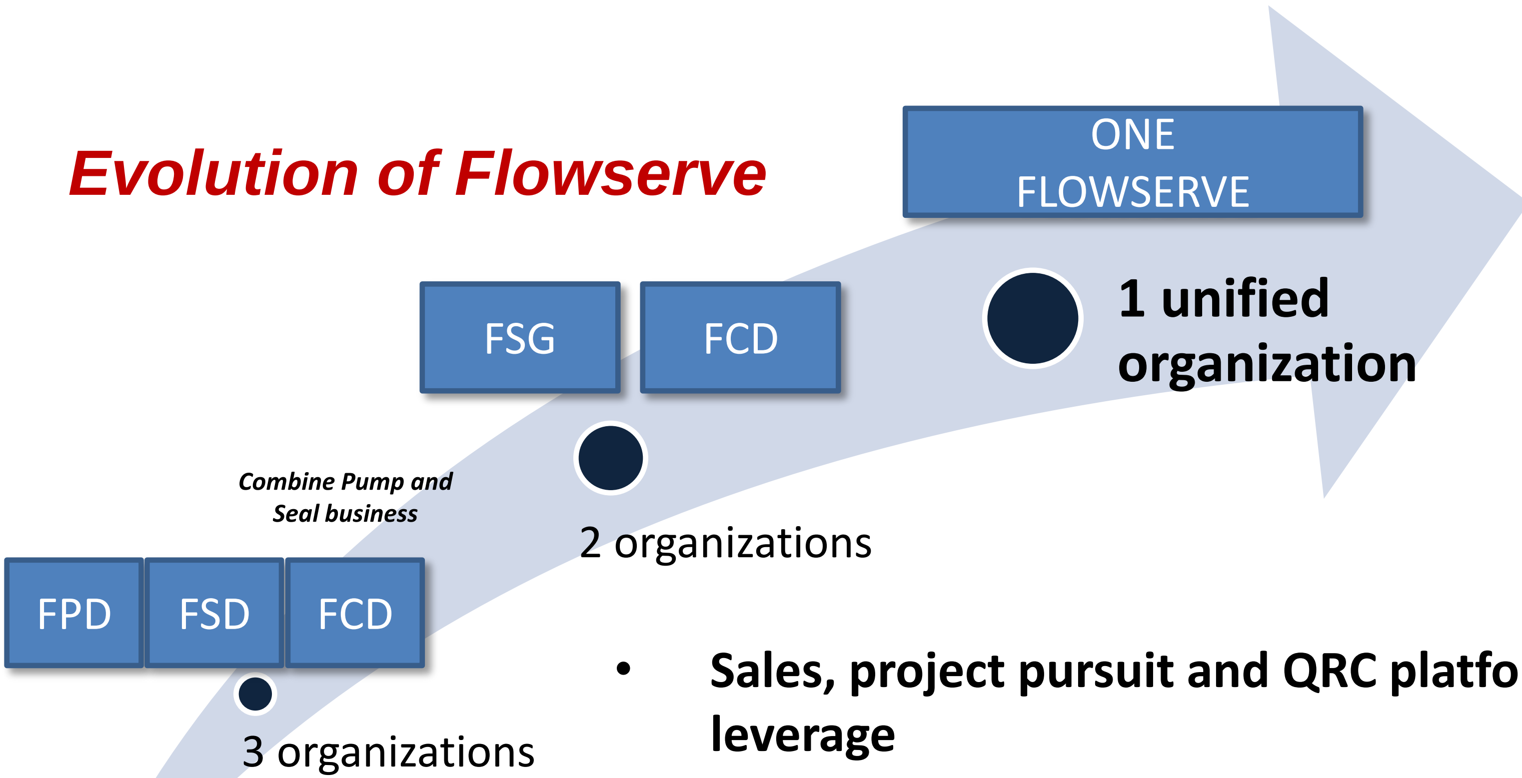


Bookings in $millions

Our extensive network of company-owned QRCs – the largest in the industry – has positioned our aftermarket business for continued growth

Benefits of New COO Structure

Evolution of Flowserve



- **Sales, project pursuit and QRC platform leverage**
- **Common processes**
- **Expense leverage & shared services**
- **Increased focus on Enterprise Frame Agreements as customers reduce number of vendors**

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

We understand what is important to the customer

Technology Leadership

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

We have the technology to solve complex customer problems

Operations

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

We exceed customer expectations of delivery and quality

Globalization

- 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

Our products, global footprint, delivery, and commitment to customers' needs make Flowserve the low-risk provider of flow control technologies and services

Total Served Market for Pumps, Valves and Seals

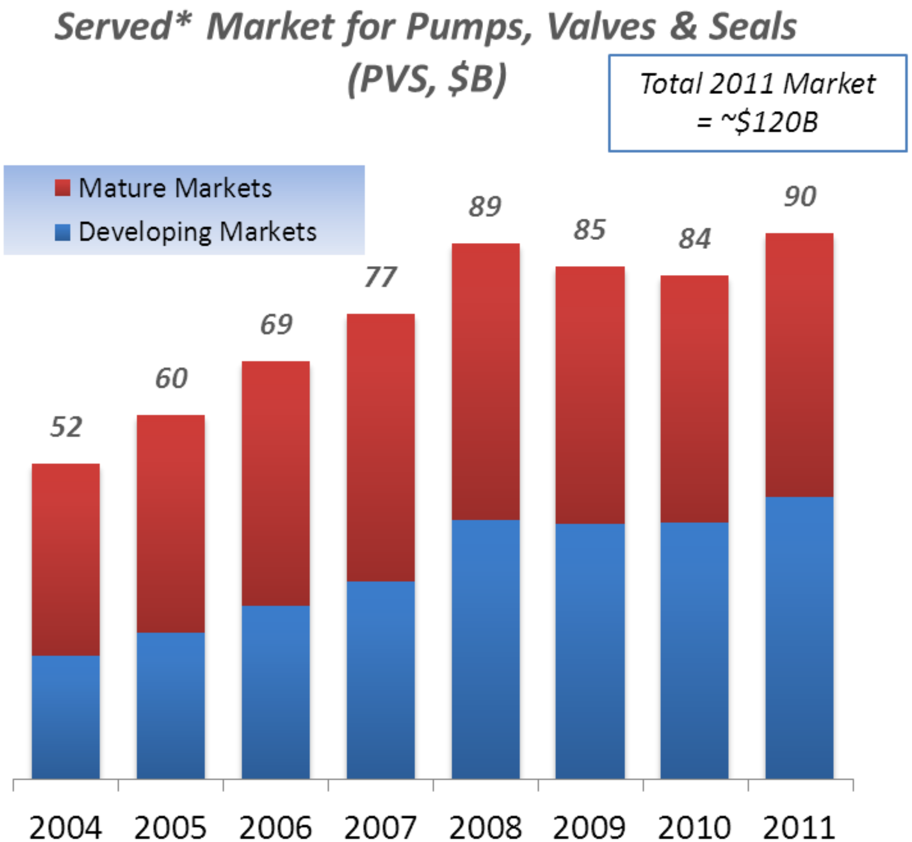


Chart Source: European Industrial Forecast adjusted to nominal dollars

- **Estimated total available market spending for PVS during 2011 was ~$120B**
- **Flowserve's served markets* represent ~75% of the total market available**
- **In 2011, emerging market spend was estimated to surpass mature market spend for the first time (39% to 52% from 2004 to 2011)**

* Portions of the total available market that Flowserve does not serve: Building and Construction, Marine, and "Other General Industrial".

While the emerging markets now rival the market spend of mature markets, both represent significant opportunities for Flowserve

FLOWSERVE

World's Primary Energy Demand

Contribution by Fuel Source *[Btoe = billion tons of oil equivalent]*

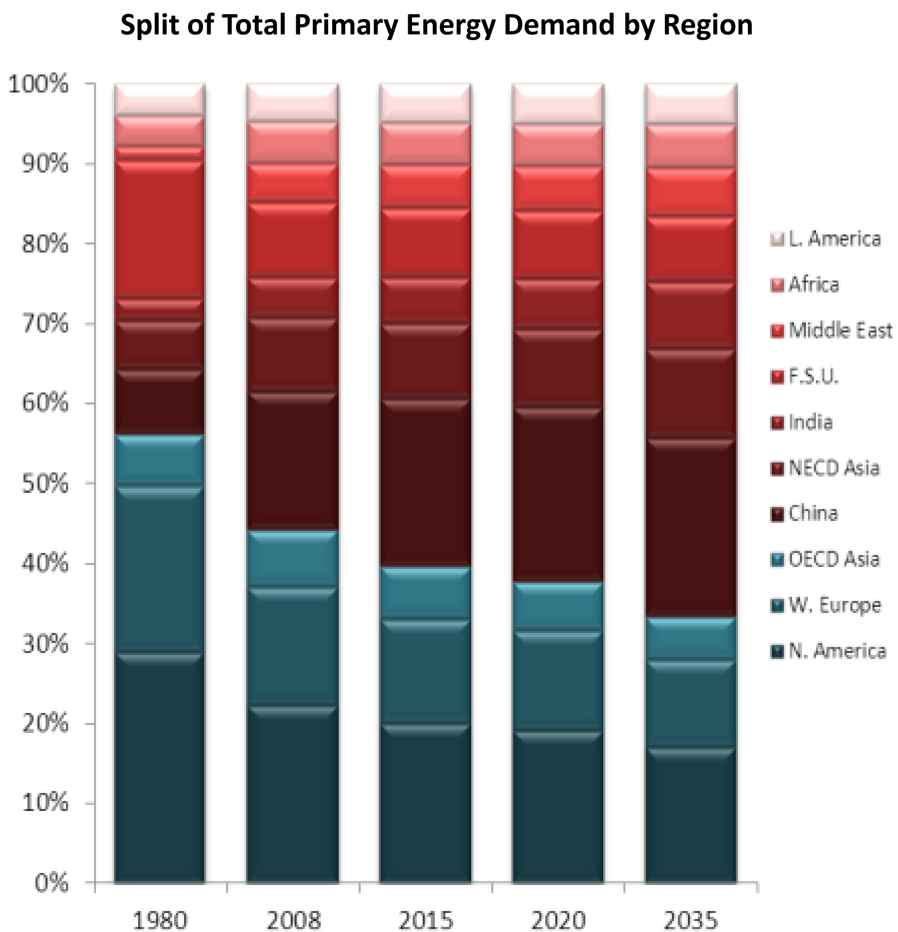
Year	Percentage Contribution by Fuel Source							Total Demand
2009	33%	27%	21%	10%	6%	2%	1%	[12.1 Btoe]
2020	30%	28%	22%	10%	6%	3%	2%	[14.8 Btoe]
CAGR 2009 to 2020	**0.9%**	**2.0%**	**2.2%**	**1.8%**	**2.6%**	**2.7%**	**10.2%**	
	OIL	**COAL**	**GAS**	**BIO MASS**	**NUCLEAR**	**HYDRO**	**RENEWABLES**	

USES	OIL	COAL	GAS	BIO MASS	NUCLEAR	HYDRO	RENEWABLES
	Transportation	Transportation	Transportation	**Transportation**			
	Industrial Use	Industrial Use	Industrial Use	Industrial Use			
	Power Generation	**Power Generation**	**Power Generation**	**Power Generation**	**Power Generation**	**Power Generation**	**Power Generation**
	Marine				Marine		
	Petrochem	Petrochem	**Petrochem**				
	Heating & Cooking	Heating & Cooking	**Heating & Cooking**	**Heating & Cooking**			

Sources : IEA WEO Outlook 2011 , New Policy Scenario

Steady long-term energy demand growth forecasted to fuel needs of a growing and modernizing world

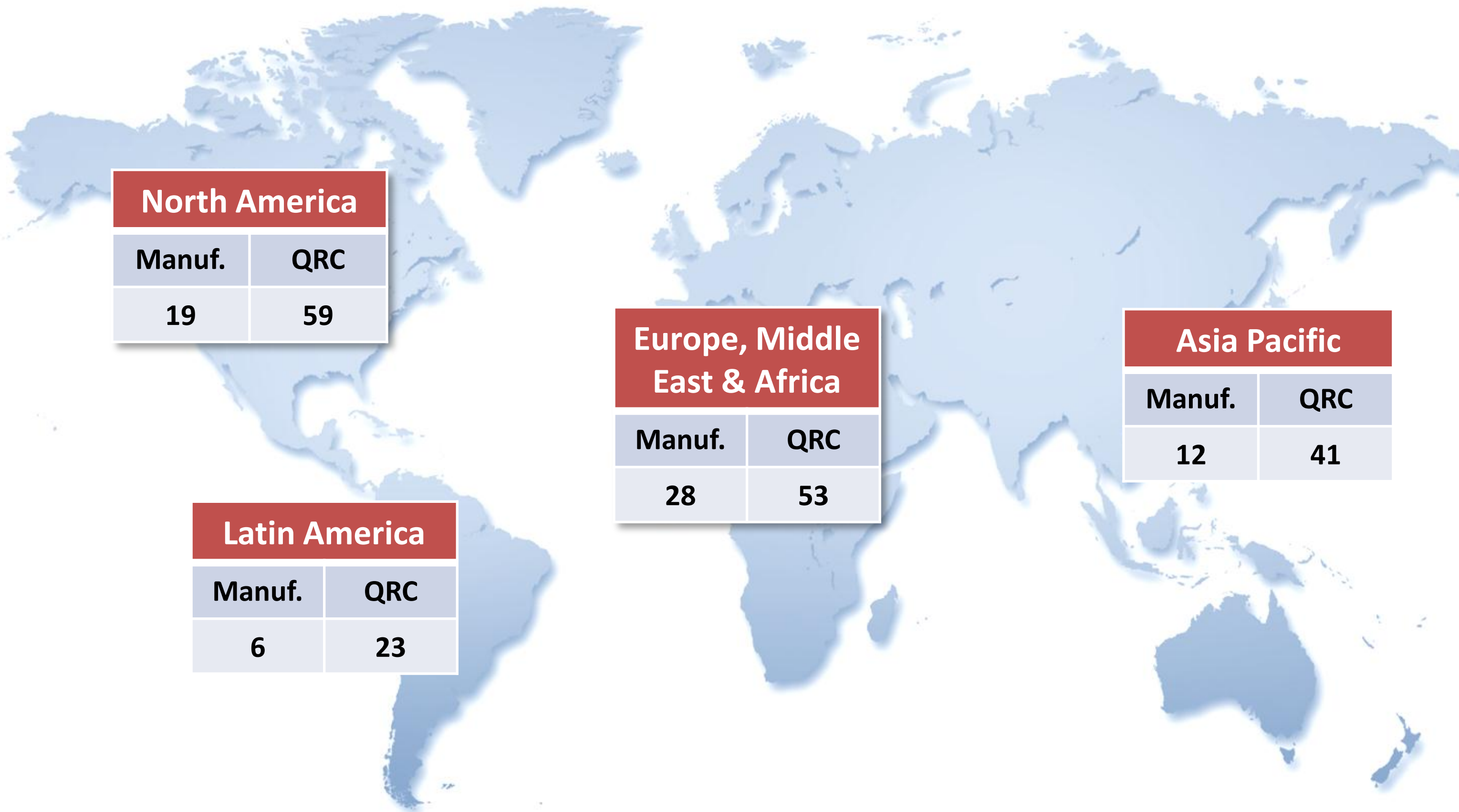
Strategic Localization



- India Expansion
- China Expansion
- Russia Development
- Africa Development
- Brazil Expansion Program
- Latin America QRC Expansion
- Middle East Development
- Asia Pacific QRC Build-out

Expansion of manufacturing and QRC footprint follows the capital investment plans of our key customers and served markets

FLS Strategic Footprint



North America

Manuf.	QRC
19	59

Europe, Middle East & Africa

Manuf.	QRC
28	53

Asia Pacific

Manuf.	QRC
12	41

Latin America

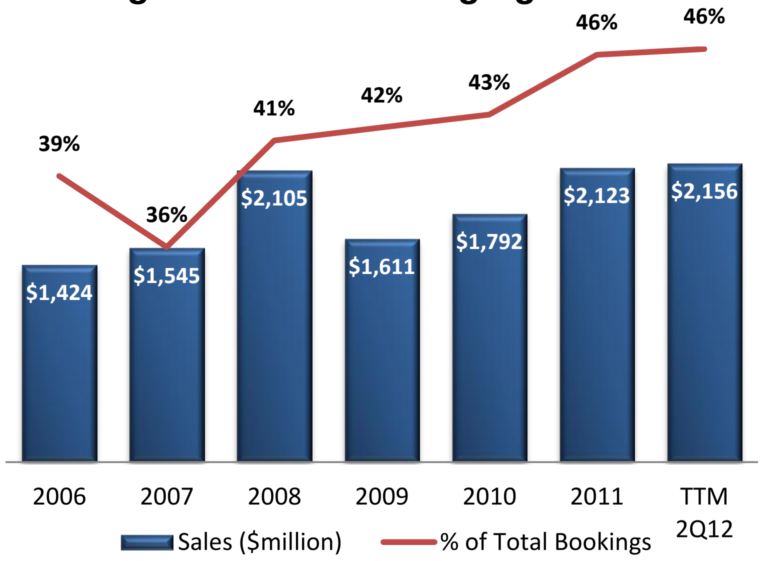
Manuf.	QRC
6	23

65 Manufacturing / 176 QRC Sites Globally

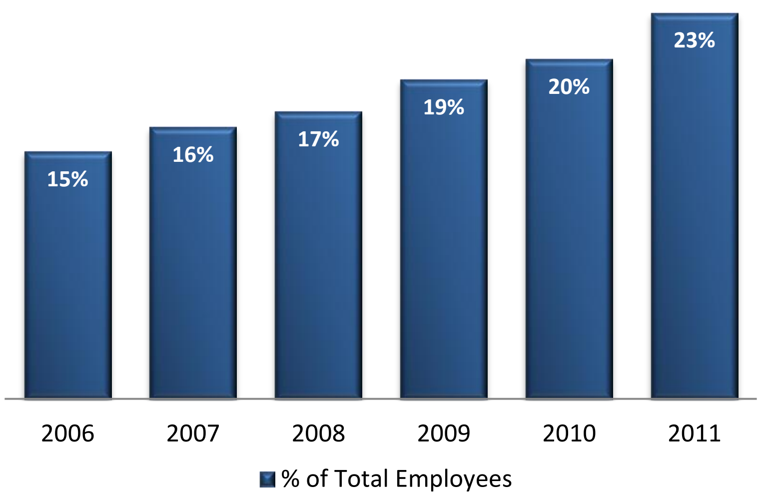
*Excludes non-consolidated JV operations

Repositioned to Capture Accelerating Emerging Market Growth

Bookings Growth in Emerging Markets



Employee Growth in Emerging Markets



Strategic localization has driven investment in higher growth, developing regions to meet increased local demand and growing content requirements

Engineered Product Division (EPD)

Custom Engineered Pumps

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

Engineered Pumps

- Pre configured API pumps
- High reliance on project management
- Medium specification and testing requirements
- Medium volume environment

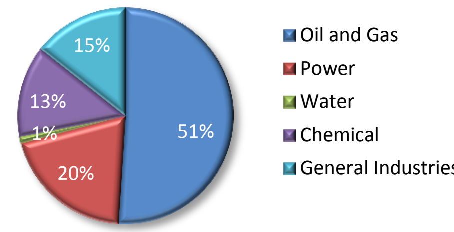
Mechanical Seals & Systems

- Engineered & preconfigured
- High transactional environment
- Continuous technology innovation
- Aftermarket requires quick response
- QRC network enables high customer intimacy

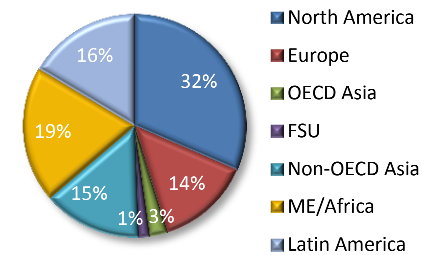
Services & Solutions

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

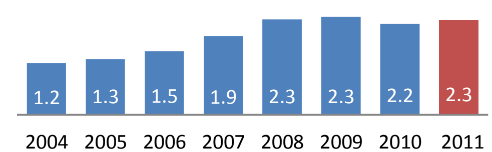
2011 Bookings by Industry



2011 Bookings by Region

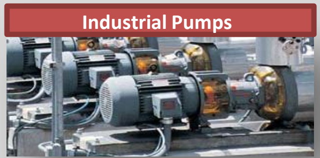


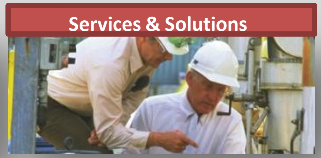
Revenue (in $B)



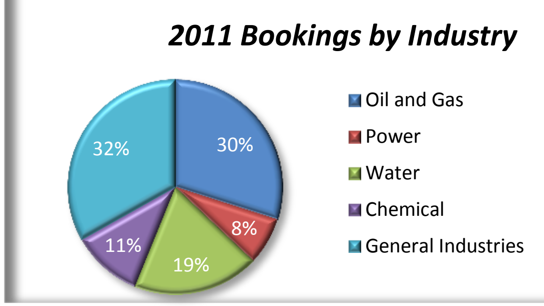
- ***Products** - EPD provides highly custom engineered pump and seal packages*
- ***Industries** - 71% of bookings in the oil & gas and power markets*
- ***Regions** - Driven by large global capital projects and local aftermarket solutions*

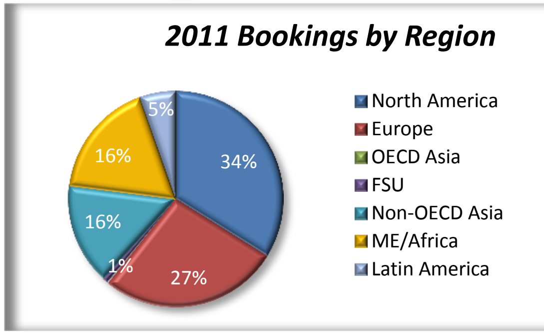
Industrial Product Division (IPD)

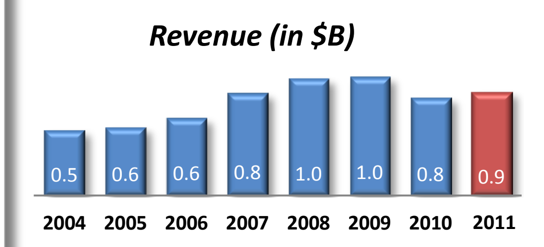




Industrial Pumps	Services & Solutions
Pre-configured product	Aftermarket parts & services
Flowserve standards	Engineering & technical services
Optimized global production platform	Education & training
Integrated supply chain and low-cost sourcing focus	Asset management & optimization
Speed to market and channel support	







- *Products - IPD provides pre-configured, industrial pump products*
- *Industries - 62% of bookings in the chemical, water and general industries*
- *Regions - Driven by local manufacturing availability and parts support*

Flow Control Division (FCD)

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

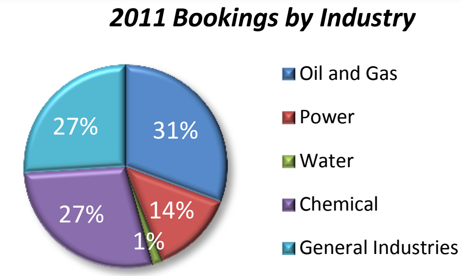
Lubricated plug valves for zero-leakage applications

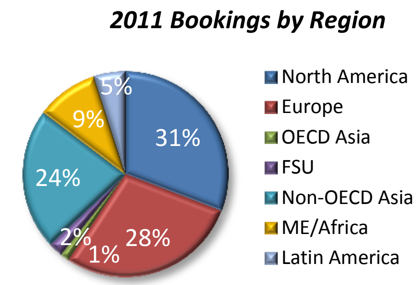
Water

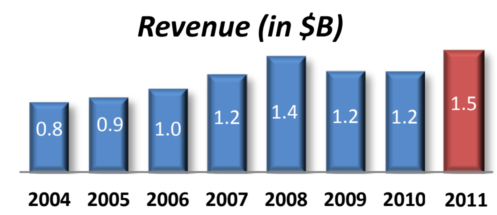
Multi-turn and ¼-turn non-intrusive electric actuators for isolating and modulating services

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







- *Products - FCD provides highly engineered and pre-configured valves*
- *Industries – Bookings balanced across oil & gas, chemical, power , and GI*
- *Regions - Driven by large global capital projects and local aftermarket solutions*

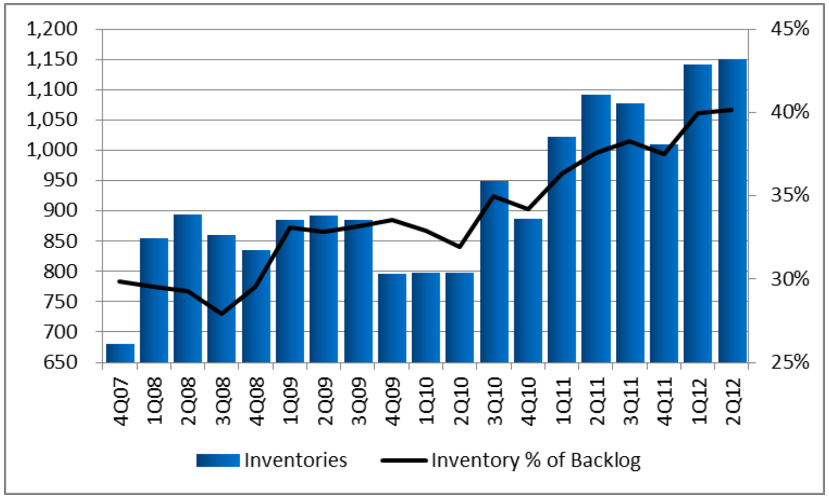
Q2 2012 Financial Highlights

- Reported EPS* of $1.98, including $0.11 of currency related expenses in Other (Expense) / Income, partially offset by $0.05 of net benefit related to other discrete corporate segment items
  - Compares favorably to Q2 2011 Reported EPS of $1.76 which included $0.18 impact from realignment charges and costs related to a Spanish regulatory penalty, partially offset by $0.07 of net currency benefit
  - Q2 2012 includes $0.20 above the line negative foreign currency translation impact
- Solid bookings of $1.21 billion, up 0.2% versus prior year, up 7.1% on a constant currency basis, driven by growing strength in EPD and IPD
  - End user strategy continued gaining traction resulting in highest quarterly aftermarket bookings of $508 million
  - Strength in general industries, partially offset by decrease in power
  - Increased demand in North America and Asia Pacific, partially offset by decrease in Europe, Middle East/Africa and Latin America
- Reported operating margin of 13.9%, up 150 basis points versus prior year
  - Adjusted operating margin of 13.6% excluding benefit from other discrete corporate segment items
  - Operating margin continued to be impacted by low margin legacy backlog shipped
    - Expect majority of legacy backlog to be shipped by the end of Q3
  - SG&A as a percent of sales declined 140 bps on strong leverage and cost management, excluding the net benefit of discrete items
- Backlog at $2.86 billion, up 6.4% over 2011 year-end, up 7.5% on a constant currency basis
  - Expected margins in backlog continued to improve with increased visibility, firming markets and continued bid selectivity discipline across all platforms

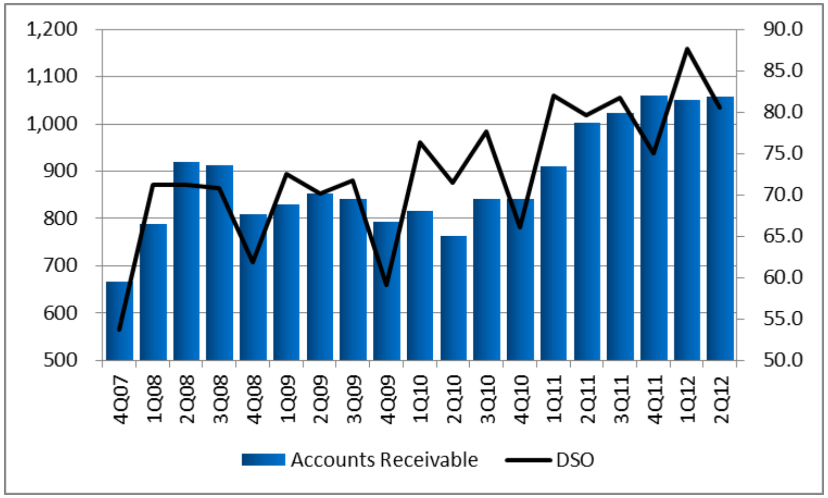
*Calculated using Q2 2012 fully diluted shares of 54.3 million

Strong Focus on Working Capital Improvement

Inventory
($ million)



Accounts Receivable
($ million)



- Management actively engaged in reducing working capital with sharp operational excellence focus
  - Accounts receivable decreased 7 days in Q2 from 88 days to 81 days
    - Working to drive DSO into mid-60s over the next 12 – 18 months
  - Inventory levels in 2012 have been in line with revenue forecast and increased backlog
    - Successfully decreased past due backlog by 200 basis points since the end of 2011
    - Increased inventory turns to 2.8x in the second quarter, with 18 – 24 months target of 4.0x to 4.5x turns

Management actively driving for improvement in working capital efficiency

Strategically Deploying Capital

Approximately $2.8 billion in capital deployed from 2006 to Q2 2012

Category	2006 - Q2 2012	% of Total	Comments
Share Repurchases/Dividends	$1.249B	44%	Returned capital to equity providers while continuing to invest in profitable growth
Capital Expenditures	$665M	24%	Invested in operational platform growth and efficiency and strategic investments in emerging markets
Acquisitions, net of divestitures	$287M	10%	Disciplined inorganic growth focused on strategic fit to strengthen capabilities
U.S. Pension Contributions	$236M	8%	Fully funded on a Pension Protection Act basis as of 1/1/2011
Debt repayment & Elimination of Factoring	$248M	8%	Strengthened the balance sheet and eliminated factoring
Realignment	$72M	3%	Scaled and optimized operating platform globally
Increase in Cash	$77M	3%	Strengthened cash position while maintaining a balanced approach to cash deployment

Business Outlook

- Management focus and operational discipline key to execution as we continue to capitalize on investments in our end user strategy and improved infrastructure end markets
  - Strengthened focus on operational excellence and cost management through "One Flowserve" initiative already providing benefits
  - Continued to improve the expected margin quality in backlog through pricing discipline and project selectivity across all operating units
  - Advanced low cost sourcing initiatives while driving operational improvements related to cost of quality
  - Working capital management continues to be a top priority for the leadership team
  - Closely monitoring potential impacts from Europe's debt crisis and stronger U.S. dollar
- Driving total shareholder return and optimal capital allocation
  - Increasing balance sheet efficiency with capital structure strategy targeting debt to EBITDA of 1 to 2 times, while maintaining flexibility for organic growth investments and bolt-on acquisitions
  - Expect to complete $1 billion share repurchase program over the next 6-12 months, including $300 million accelerated share repurchase program initiated in second quarter
  - Expect to take advantage of current attractive debt markets following recent upgrade to investment grade from the 3 major rating agencies

2012 Guidance Range

	2012
EPS	$8.00 – $8.80
Revenue Growth [1]	5 – 7%
Current Currency Impact [2]	~ ($1.00) of EPS
Share Repurchase Impact [3]	~ $0.30 of EPS
Capital Expenditures	$125 - 135M
Pension Contributions	$20 – $25M
Longer Term Guidance:	
2-3 Year Operating Margin Improvement Target	150 – 250 bps
2-3 Year SG&A as % Sales Target	18%
Capital Returned to Shareholders [4]	40-50% of Net Earnings

As of July 31st, reaffirmed 2012 full year EPS target range of $8.00 to $8.80

[1] Does not assume impact of potential attractive acquisitions which may arise
[2] Negative currency effects of approximately $1.00 when compared to average 2011 exchange rates due to strengthening dollar
[3] Execution on capital structure strategy with increased share repurchase activity, offset by incremental interest expense to yield a net benefit of approximately $0.30
[4] Financial policy to return 40 - 50% of 2 year average of net earnings to shareholders on a annual basis

Positioned for Profitable Growth and Long Term Shareholder Value Creation

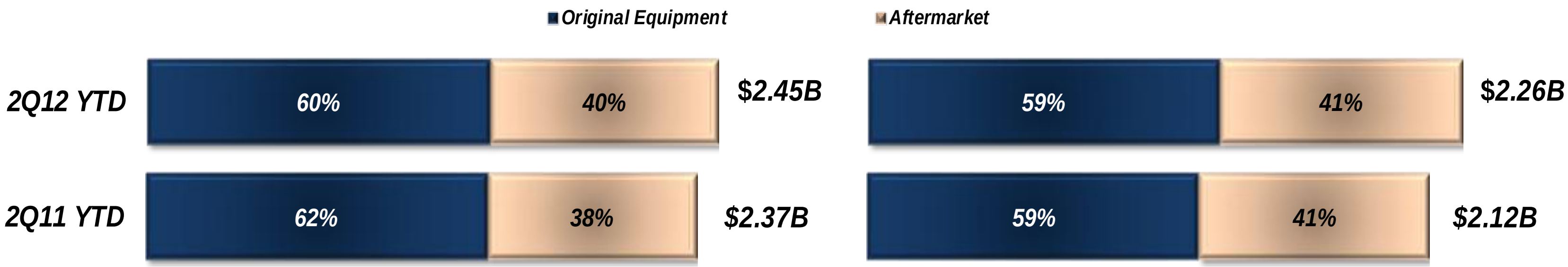
- Executing ***One Flowserve*** initiative driving unified leadership to leverage operational excellence across all operations
- Diverse end markets, geographic, long and short cycle original equipment and aftermarket exposures provide reduced risk and earnings stability through cycles
- Consistent, strong cash flow generation and solid balance sheet provide financial flexibility to support profitable growth and value creation
- Market-leading, differentiated products and global reach enable Flowserve to capitalize on compelling growth opportunities
- Focus on high-margin segments including customized products and aftermarket through innovation and continuous portfolio management
- Disciplined cost management culture has supported margins through downturn and continues to drive operating efficiencies
- Deep commitment to serving customers and generating long-term shareholder value

Questions & Answers

APPENDIX

2012 YTD Consolidated Bookings & Sales

BOOKINGS ***SALES***



Bookings

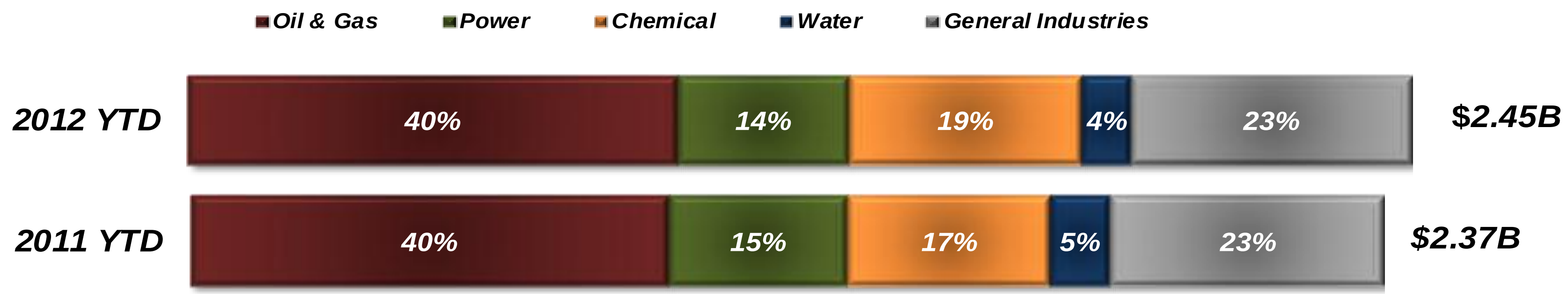
- Bookings in first half 2012 increased 3.4% over prior year, or 8.1% on a constant currency basis, driven by the chemical and oil and gas industries in EPD and IPD, partially offset by a decrease in the power industry in EPD, with solid overall growth in aftermarket orders

Sales

- Sales in first half 2012 strengthened 6.3% over prior year, or 11.5% on a constant currency basis, reflecting strong activity in all regions except Europe

Sources: Flowserve Internal Data

2012 YTD Bookings & Industry Outlook



OIL & GAS

- ✓ Outlay of $10-20B/year required in US over next 20 years to build pipelines, terminals and storage facilities to bring new oil & gas to market
- ✓ Refinery expansions in Middle East, Asia and Latin America threaten smaller, older, less complex facilities in OECD countries
- ✓ Refinery capital and maintenance spend going up with changes made to comply with environmental regulations
- ✓ Industry foresees continued high level of capex in unconventional production, including oil sands (W. Canada), subsea and shale

POWER

- ✓ Economic development and environmental regulations remain primary drivers for investment in the global power sector
- ✓ Interest in renewable energy growing in new areas; solar picking up in Middle East, China and North Africa
- ✓ Nuclear market advances another step forward as China approves Nuclear Safety Plan after nine month review process

CHEMICAL

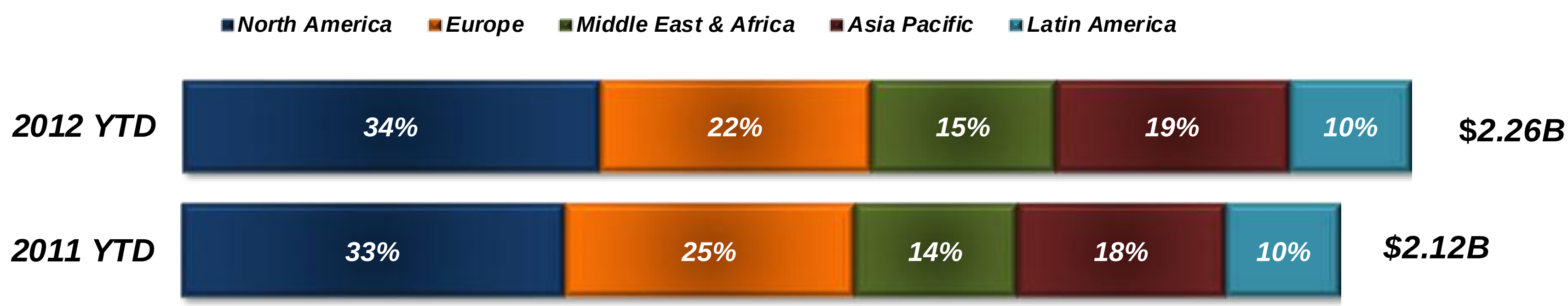
- ✓ Shale gas-driven boom in petrochemical sector continues to gain momentum in US with further project announcements and EPC awards
- ✓ China accounts for biggest share of petrochemical capex over next few years, with US, Middle East and Latin America also very active

MINING

- ✓ Project size continues to grow as companies deal with escalating costs by leveraging economies of scale
- ✓ Sustained growth anticipated in Australia and Latin America mining though changing economic and regulatory factors may moderate investment
- ✓ Major mining companies in South Africa remain reluctant to invest as talks of nationalization of mines continue

Sources: GlobalData, IEA, Platts, World Nuclear Association, ICIS.com, DesalData (GWI), Industrial Info Resources, Flowserve Internal Data

2012 YTD Sales & Regional Outlook



ASIA PACIFIC

- ✓ *Drive for industrialization will continue to position region as global leader in announced investment activity in power and energy sectors*
- ✓ *China moving forward with investment in LNG as means to address long term energy needs and environmental concerns*

MIDDLE EAST

- ✓ *Desire for industrial diversification driving Saudi's mega investment in power, refining/petrochemical and water sectors*
- ✓ *Investing to diversify power generation with addition of new gas-fired and renewable power; Middle East and North Africa investing in solar*

EUROPE

- ✓ *Downward pressure on investment given European debt crisis as well as structural changes in refining and power markets*

NORTH AMERICA

- ✓ *Electric utility industry undergoing structural evolution as environmental regulations remain a primary motivation for investment*
- ✓ *Investment in pipelines, terminals and storage facilities on the rise to move new found oil and gas supplies*

LATIN AMERICA

- ✓ *Recent large oil & gas discoveries off coast of Brazil attracting increased attention to region for additional investment activity*
- ✓ *Long-term mining and mineral project activity in the region driven by demand from China and rest of Asia Pacific*

Regional Sales Data includes estimates and sales to contractors, distributors and end users who may transfer product to different region

Sources: Economist Intelligence Unit, Industrial Info Resources, GlobalData, Platts, ICIS.com, DesalData (GWI), Wall Street Journal, Flowserve Internal Data

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Q2 2012 - Consolidated Financial Results

	2nd Quarter					Year to Date				
($ millions)	**2012**	**2011**	**Delta ($)**	**Delta (%)**	**Constant FX (%)****	**2012**	**2011**	**Delta ($)**	**Delta (%)**	**Constant FX (%)****
Bookings	$ 1,213.7	$ 1,211.6	$ 2.1	0.2%	7.1%	$ 2,450.8	$ 2,370.9	$ 79.9	3.4%	8.1%
Sales	$ 1,182.2	$ 1,125.8	$ 56.4	5.0%	12.6%	$ 2,257.2	$ 2,123.0	$ 134.2	6.3%	11.5%
Gross Profit	$ 384.6	$ 369.3	$ 15.3	4.1%		$ 743.8	$ 717.0	$ 26.8	3.7%	
Gross Margin (%)	32.5%	32.8%		(30 bps)		33.0%	33.8%		(80 bps)	
SG&A	$ 223.9	$ 233.0	$ (9.1)	(3.9%)	0.8%	$ 445.8	$ 455.6	$ (9.8)	(2.2%)	1.1%
SG&A (%)	18.9%	20.7%		(180 bps)		19.8%	21.5%		(170 bps)	
Income from Affiliates	$ 4.1	$ 3.8	$ 0.3	7.9%		$ 9.3	$ 8.9	$ 0.4	4.5%	
Operating Income	$ 164.8	$ 140.1	$ 24.7	17.6%	28.3%	$ 307.3	$ 270.4	$ 36.9	13.6%	21.0%
Operating Margin (%)	13.9%	12.4%		150 bps		13.6%	12.7%		90 bps	
Adjusted Operating Income*	$ 164.9	$ 148.5	$ 16.4	11.0%		$ 307.9	$ 279.6	$ 28.3	10.1%	
Adjusted Operating Margin (%)*	13.9%	13.2%		70 bps		13.6%	13.2%		40 bps	
Other (Expense) / Income, net ***	$ (8.0)	$ 6.0	$ (14.0)	(233.3%)		$ (13.0)	$ 14.5	$ (27.5)	(189.7%)	
Tax Expense	$ 39.6	$ 38.2	$ 1.4	3.7%		$ 75.1	$ 71.9	$ 3.2	4.5%	
Net Earnings	$ 107.3	$ 98.7	$ 8.6	8.7%		$ 200.4	$ 195.7	$ 4.7	2.4%	
Diluted EPS	$ 1.98	$ 1.76	$ 0.22	12.5%		$ 3.67	$ 3.48	$ 0.19	5.5%	
Adjusted EPS*	$ 1.98	$ 1.87	$ 0.11	5.9%		$ 3.68	$ 3.60	$ 0.08	2.2%	

Repurchased 3,307,003 shares in Q2 2012 in conjunction with the company's previously announced buyback program

* Adjusted operating income and adjusted EPS exclude realignment charges of $0.1 million and $8.4 million for Q2 2012 and Q2 2011, respectively, and $0.6 million and $9.2 million for YTD 2012 and YTD 2011, respectively

** Constant FX represents the year over year variance assuming 2012 results at 2011 FX rates

*** YTD 2012 includes $13.0 million impact of foreign exchange contract losses and losses arising from transactions in currencies other than our sites' functional currencies vs. a gain of $14.1 million YTD 2011

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Q2 2012 Cash Flows

($ millions)	Q1	Q2	YTD	
	2012	2012	2012	2011
Net Income	$ 94	$ 108	$ 202	$ 196
Depreciation and amortization	28	27	55	53
Change in working capital	(214)	31	(183)	(506)
Other	(16)	2	(14)	19
Total Operating Activities	**(108)**	**168**	**60**	**(238)**
Capital expenditures	(29)	(28)	(57)	(49)
Acquisitions & Other	2	0	2	3
Total Investing Activities	**(27)**	**(28)**	**(55)**	**(46)**
Proceeds of debt	1	304	305	4
Payments on long-term debt	(6)	(6)	(13)	(13)
Dividends	(17)	(20)	(37)	(34)
Repurchase of common shares	(22)	(411)	(433)	(26)
Other	11	(0)	11	5
Total Financing Activities	**(34)**	**(133)**	**(167)**	**(63)**
Effect of exchange rates	**4**	**(5)**	**(1)**	**10**
Net Decrease in Cash	**$ (165)**	**$ 3**	**$ (162)**	**$ (336)**

Repurchased 3.307 million shares in Q2 including initial delivery of 2.261 million shares for $240 million under the $300 million accelerated share repurchase program

* $411 million repurchase of shares includes $60 million paid under the accelerated share repurchase program for shares that will be settled at the conclusion of the program

Primary Working Capital

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

	Q2 2012		Q2 2011	
($ millions)	**$**	**%**	**$**	**%**
Receivables	1,058	22.8%	1,001	23.7%
Inventory, net	1,149	24.7%	1,091	25.8%
Payables	(542)	(11.7%)	(479)	(11.3%)
Primary Working Capital	**1,665**	**35.8%**	**1,613**	**38.2%**
Advance Cash*	(408)	(8.8%)	(367)	(8.7%)
Total	**1,257**	**27.0%**	**1,246**	**29.5%**
Backlog	**2,863**		**2,906**	

Accounts Receivable

Accounts Receivable DSO of 81 days in Q2 2012 decreased 7 days sequentially and was relatively flat versus prior year Q2

- *Driving toward a DSO in the mid 60's*

Inventory

Inventory turns improved to 2.8x vs. 2.5x in Q1 2012

- *Successfully reduced targeted Q1 2012 legacy past due backlog*
- *Driving towards inventory turns of 4.0x to 4.5x*

Management Focus on Working Capital Utilization Yielded Benefits

* Advance cash commitments from customers to fund working capital