FLOWSERVE

Flowserve Q1 2014 Earnings Conference Call

April 24, 2014

Experience In Motion

Special Note

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.

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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.

Q1 2014 Financial Highlights

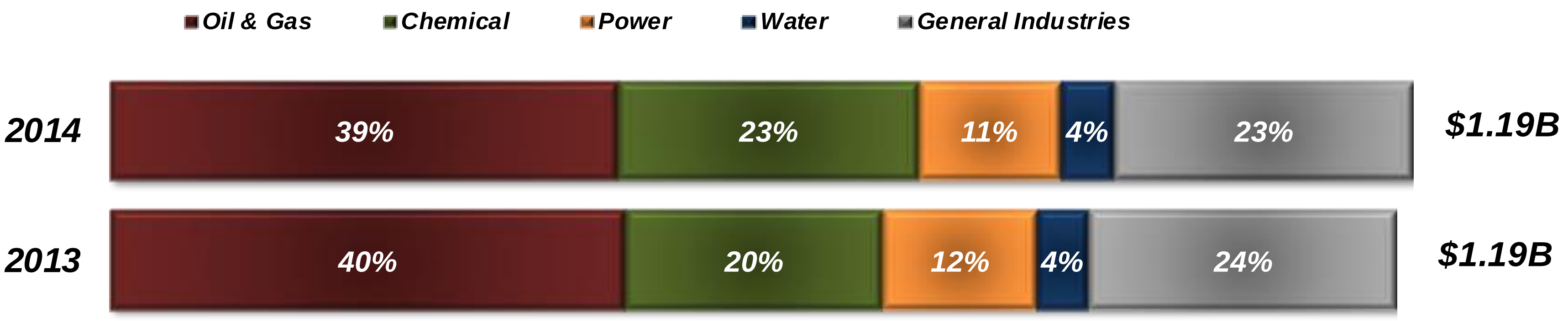
- Reported EPS* of $0.78, up 16.4%, including $0.03 per share of net benefits (discrete items consist of $0.05 net gain on sale of business, partially offset by $0.01 of realignment charges and $0.01 of negative currency impact below-the-line)
  - Compares with 2013 first quarter EPS of $0.67, including $0.03 per share of net benefits (discrete items consist of $0.09 joint venture transaction gain and $0.06 of negative currency impact below-the-line)
- Solid bookings of $1.19 billion, up 0.3% versus prior year, or 2.3% on a constant currency basis
  - Record aftermarket bookings of $517 million, an increase of 8.2%, driven by end-user strategies and investments
  - Increase driven primarily by continued strength in the chemical industry
  - Original equipment bookings consisted mainly of smaller to mid-size projects
- Gross margin improvement across all segments drove 130 basis point increase to 35.3%
- Operating margin of 15.4%, decreased 10 basis points versus prior year
  - Excluding the discrete items impacting operating income in both 2014 and 2013, operating margin increased 120 basis points to 14.3%

* Calculated using Q1 2014 fully diluted shares of 138.9 million

Business Outlook

- Improved operational execution including success of ***One Flowserve*** strategies combined with disciplined cost culture continues to deliver impressive leverage and flow through
  - Initiatives to enhance focus on the customer and drive a performance culture delivered increased operating efficiency and improved our capacity to meet customer requirements, reduced lead times and position us well to capture expected large project activity
- Consistent processes embedded across all segments to ensure disciplined project pursuit, backlog quality and drive profitable growth
- Diverse end-market and geographic exposures continue to dampen risk and volatility as improved project activity is anticipated, particularly in North America
- Continual focus on return on assets drives asset portfolio optimization and return for shareholders
- Backlog increased $131.9 million, or 5.2% versus Q4 2013 to $2.7 billion – supports anticipated 2014 full year targets

Q1 2014 Bookings & Industry Outlook



OIL & GAS

- ✓ *Market conditions support price levels that encourage investment; recent signs of a shift in some upstream capital expenditures*
- ✓ *New refining capacity additions in the Middle East and other emerging markets; preference for cleaner fuels also spuring investment*
- ✓ *Impact of East-West tensions difficult to assess at this time but slower economic growth forecasted for Russia this year*

POWER

- ✓ *New coal-fired power capacity concentrated in China and India, with gas-fired and renewables in North America, Western Europe and the Middle East*
- ✓ *Favorable long-term nuclear prospects but expected new capacity coming online by 2018 down from prior expectations; new nuclear primarily in developing markets*
- ✓ *Solar thermal is a small, but rapidly growing market; opportunities in Europe, the Middle East and U.S.*

CHEMICAL

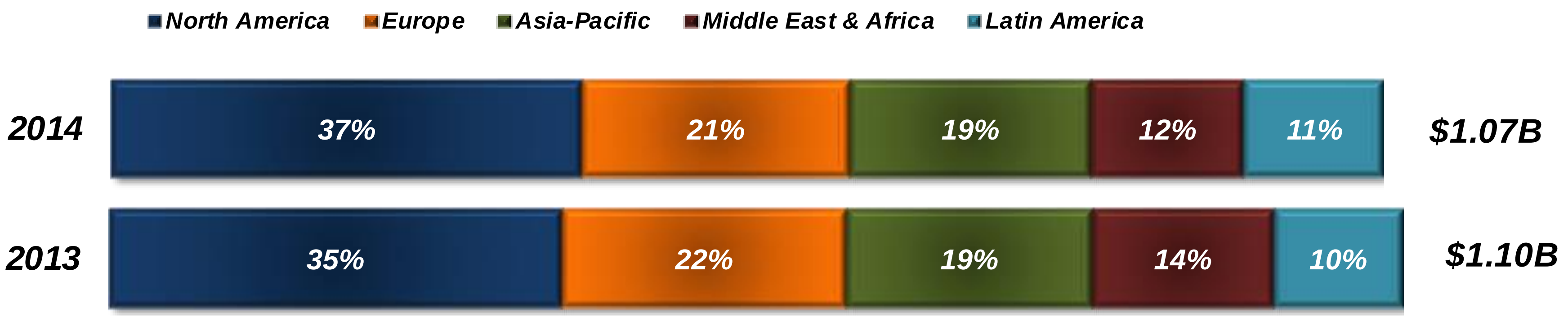
- ✓ *Positive chemical outlook given future demand in emerging markets and improvements in U.S. and European economies*
- ✓ *Most new chemical capacity additions in the Middle East and BRIC countries; North America also an important market due to low-cost feedstock*

GENERAL INDUSTRIES

- ✓ *New mining project spending under pressure; Latin America and Asia Pacific key copper mining markets*
- ✓ *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*

Q1 2014 Sales & Regional Outlook



NORTH AMERICA

- ✓ *Continued focus on North American unconventional resources with opportunities upstream, midstream and downstream*
- ✓ *Petrochemical market gains momentum with additional project announcements, EPC awards and equipment orders*
- ✓ *Economic and environmental factors support renewables and natural gas for conversions and new combined-cycle plants at expense of coal plant closures*

EUROPE

- ✓ *Western Europe turning the corner from recession to recovery, but political volatility in Eastern Europe and Russia*
- ✓ *Refining and chemical in Western Europe squeezed by the Middle East, U.S. and Asia Pacific capacity additions*

MIDDLE EAST

- ✓ *Numerous opportunities in oil and gas upstream and downstream, particularly in the Persian Gulf States*
- ✓ *Ongoing activity in power generation, desalination and water infrastructure to support economic development in the region*

ASIA-PACIFIC

- ✓ *Continued strength in Asia Pacific oil and gas and power market opportunities expected as region's economies advance*
- ✓ *About half of global chemical capacity additions planned for China, India and other Asia Pacific countries over next five years*

LATIN AMERICA

- ✓ *Both Brazil deep water oil and gas and Mexico's proposed energy reforms promising for growth in the region*
- ✓ *Latin America a key mining market, particularly new copper production; mining-related desalination activity on the rise*

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

Q1 2014 Consolidated Bookings & Sales

Bookings

- Bookings in Q1 2014 increased 0.3%, or 2.3% on a constant currency basis, driven primarily by continued strength in the chemical industry – Regional growth was driven by strength in North America, Europe and the Middle East & Africa
  - Record Q1 aftermarket bookings of $517 million increased 8.2% versus prior year

Sales

- Sales in Q1 2014 decreased 2.6%, or 1.3% on a constant currency basis, driven by primarily by lower OE sales in EPD – Regional sales declines driven primarily by lower sales into the Middle East & Africa and Europe

Source: Flowserve Internal Data

Q1 2014 Consolidated Financial Results

($ millions)	1st Quarter 2014	2013	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 1,193.9	$ 1,190.0	$ 3.9	0.3%	2.3%
Sales	$ 1,068.1	$ 1,096.6	$ (28.5)	(2.6%)	(1.3%)
Gross Profit	$ 377.1	$ 373.3	$ 3.8	1.0%	
Gross Margin (%)	35.3%	34.0%		130 bps	
SG&A	$ 216.2	$ 234.5	$ (18.3)	(7.8%)	(6.5%)
SG&A (%)	20.2%	21.4%		(120 bps)	
Income from Affiliates	$ 3.4	$ 31.7	$ (28.3)	(89.3%)	
Operating Income	$ 164.3	$ 170.5	$ (6.2)	(3.6%)	(1.9%)
Operating Margin (%)	15.4%	15.5%		(10 bps)	
Other Expense, net**	$ (2.9)	$ (11.0)	$ 8.1	(73.6%)	
Tax Expense	$ 38.0	$ 48.7	$ (10.7)	(22.0%)	
Net Earnings	$ 107.7	$ 97.8	$ 9.9	10.1%	
Diluted EPS	$ 0.78	$ 0.67	$ 0.11	16.4%	

- Diluted EPS calculated using fully diluted shares of 138.9 million and 145.6 million shares in Q1 2014 and Q1 2013, respectively
- Flowserve repurchased 1,436,423 and 2,977,104 shares in Q1 2014 and Q1 2013, respectively (Q1 2013 shares have been adjusted for the stock-split in Q2 2013)

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

** Q1 2014 includes $2.2 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 $10.8 million in Q1 2013

Q1 2014 Cash Flows

($ millions)	Q1 2014	Q1 2013
Net Income	$ 109	$ 99
Depreciation and amortization	27	25
Change in working capital	(207)	(212)
Other	(14)	(20)
Total Operating Activities	**(85)**	**(108)**
Capital expenditures	(32)	(34)
Dispositions, acquisitions and other	47	36
Total Investing Activities	**15**	**2**
Payments on long-term debt	(10)	(5)
Dividends	(19)	(18)
Proceeds from revolving credit facility and other	10	154
Repurchase of common shares	(110)	(156)
Total Financing Activities	**(129)**	**(25)**
Effect of exchange rates	**(1)**	**(4)**
Net Decrease in Cash	**$ (199)**	**$ (135)**

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)	Q1 2014		Q4 2013		Q1 2013	
	$	%	$	%	$	%
Receivables	1,064	21.6%	1,155	23.3%	1,056	22.1%
Inventory	1,121	22.8%	1,061	21.4%	1,156	24.2%
Payables	(470)	(9.5%)	(612)	(12.4%)	(514)	(10.8%)
Primary Working Capital	**1,715**	**34.8%**	**1,604**	**32.4%**	**1,698**	**35.6%**
Advance Cash*	(350)	(7.1%)	(381)	(7.7%)	(411)	(8.6%)
Total	**1,365**	**27.7%**	**1,223**	**24.7%**	**1,287**	**27.0%**
Backlog	**2,689**		**2,557**		**2,704**	

Accounts Receivable DSO at 90 days in Q1 2014 increased 3 days versus prior year

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

Inventory

Inventory turns were 2.5 times, flat versus prior year

- *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
  - Continue policy of annually returning 40 – 50% of running 2-year average net earnings to shareholders
- Estimate capital expenditures to be $130 – $140 million
- 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

Revenue Growth

- Expect 3 – 6% growth, excluding impact of potential acquisition or divestiture activity that may arise

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% - 17% reflects earnings power on expected revenue growth of 3% - 6% and continued progress on our operating margin improvement goal
- Similar to prior year, 2014 earnings will be second half weighted

Reaffirm 2014 full year EPS target range of $3.65 to $4.00

* 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
Q1 2014 Segment Results

($ millions)	1st Quarter 2014	2013	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 594.3	$ 585.1	$ 9.2	1.6%	6.3%
Sales	$ 505.2	$ 539.7	$ (34.5)	(6.4%)	(3.1%)
Gross Profit	$ 178.5	$ 188.2	$ (9.7)	(5.2%)	
Gross Margin (%)	35.3%	34.9%		40 bps	
SG&A	$ 102.8	$ 106.1	$ (3.3)	(3.1%)	(0.3%)
SG&A (%)	20.3%	19.7%		60 bps	
Income from Affiliates	$ 3.6	$ 2.5	$ 1.1	44.0%	
Operating Income	$ 79.3	$ 84.6	$ (5.3)	(6.3%)	(2.7%)
Operating Margin (%)	15.7%	15.7%		0 bps	

Disciplined cost control and leverage drove gross margin improvement in challenging original equipment sales environment

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

Engineered Product Division
Q1 2014 Bookings and Sales

($ millions)		1st Quarter 2014	2013	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	193	228	(15%)	(9%)
		32%	39%	(700 bps)	
	AM	401	357	12%	17%
		68%	61%	700 bps	
Sales Mix **	OE	170	200	(15%)	(12%)
		34%	37%	(300 bps)	
	AM	336	340	(1%)	2%
		66%	63%	300 bps	

Strong aftermarket orders driven by increased activity in North America

* 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 Q1 Overview

- Bookings increased 1.6%, or 6.3% on a constant currency basis, on strong aftermarket activity
  - Growth driven by continued strength in the chemical industry
  - Regional strength included North America and the Middle East
- Sales decreased 6.4, or 3.1% on a constant currency basis, due primarily to decreased original equipment sales into the Middle East, Latin America and Europe
- Gross margin increased 40 basis points due to operational execution improvements, disciplined selectivity of customer bookings and a sales mix shift to higher margin aftermarket
- Operating margin was flat at 15.7% on solid operating performance, leverage and cost control in a challenging sales environment

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Industrial Product Division
Q1 2014 Segment Results

($ millions)	1st Quarter				
	2014	**2013**	**Delta ($)**	**Delta (%)**	**Constant FX (%)***
Bookings	$ 229.1	$ 207.5	$ 21.6	10.4%	9.5%
Sales	$ 211.8	$ 211.3	$ 0.5	0.2%	(0.7%)
Gross Profit	$ 55.2	$ 53.0	$ 2.2	4.2%	
Gross Margin (%)	26.1%	25.1%		100 bps	
SG&A	$ 31.9	$ 31.6	$ 0.3	0.9%	0.8%
SG&A (%)	15.1%	15.0%		10 bps	
Operating Income	$ 23.3	$ 21.4	$ 1.9	8.9%	4.5%
Operating Margin (%)	11.0%	10.1%		90 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
Q1 2014 Bookings and Sales

($ millions)		1st Quarter 2014	1st Quarter 2013	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	155 68%	135 65%	15% 300 bps	14%
	AM	74 32%	73 35%	1% (300 bps)	(1%)
Sales Mix **	OE	145 68%	144 68%	1% 0 bps	(1%)
	AM	67 32%	68 32%	(1%) 0 bps	(2%)

Strong original equipment bookings reflects improved operating performance and focus on the customer

* 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 Q1 Overview

- Bookings increased 10.4%, or 9.5% on a constant currency basis, on strong original equipment activity
  - Growth driven by activity across all end markets, with the exception of power
  - All regions experienced growth, with the exception of the Middle East
- Sales were essentially flat versus prior year, with increased sales into Latin America and Asia Pacific, offset by North America and Africa
- Gross margin increased 100 basis points to 26.1%, primarily attributable to lower manufacturing costs resulting from execution of operational improvements and disciplined selectivity of customer bookings
- Operating margin increased 90 bps to 11.0% due to gross margin improvement and disciplined SG&A cost management

Flow Control Division
Q1 2014 Segment Results

($ millions)	1st Quarter				
	2014	2013	Delta ($)	Delta (%)	Constant FX (%)*
Bookings	$ 413.7	$ 430.6	$ (16.9)	(3.9%)	(4.4%)
Sales	$ 382.9	$ 384.0	$ (1.1)	(0.3%)	(1.1%)
Gross Profit	$ 144.4	$ 133.9	$ 10.5	7.8%	
Gross Margin (%)	37.7%	34.9%		280 bps	
SG&A (1)	$ 61.1	$ 75.9	$ (14.8)	(19.5%)	(20.8%)
SG&A (%)	16.0%	19.8%		(380 bps)	
Income from Affiliates (2)	$ 0.2	$ 29.2	$ (29.0)	(99.3%)	
Operating Income	$ 83.1	$ 87.2	$ (4.1)	(4.7%)	(4.6%)
Operating Margin (%)	21.7%	22.7%		(100 bps)	

Impressive gross margin improvement reflects continued strong of operating performance and cost control

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

(1) 2014 includes $12.6 million impact of net gain from sale of the Naval business

(2) 2013 includes $28.3 million impact of joint venture transactions

Flow Control Division
Q1 2014 Bookings and Sales

($ millions)		1st Quarter 2014	2013	Delta (%)	Constant FX (%)*
Bookings Mix **	OE	349 84%	366 85%	(4%) (100 bps)	(5%)
	AM	64 16%	65 15%	(1%) 100 bps	(2%)
Sales Mix **	OE	315 83%	319 83%	(1%) 0 bps	(2%)
	AM	68 17%	65 17%	4% 0 bps	3%

"One Flowserve" driving improved FCD aftermarket capabilities – Leveraging EPD/IPD aftermarket experience

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

Flow Control Division Q1 Overview

- Bookings decreased 3.9%, or 4.4% on a constant currency basis, primarily attributable to the oil and gas and chemical industries, partially offset by strength in general industries
  - Decreased bookings into Asia Pacific, Latin America and North America were partially offset by activity in Europe and the Middle East
- Sales decreased 0.3%, or 1.1% on a constant currency basis
  - Decreased sales into Asia Pacific were partially offset by increased sales into Latin America
- Gross margin increased 280 basis points to 37.7%, primarily due to a shift in product mix and continued traction on low cost sourcing and cost control initiatives
- Operating margin decreased 100 basis points to 21.7%
  - Excluding the impact of the $12.6 million net gain ($13.4 million gain less transaction costs of $0.8 million) on the sale of the Naval business in 2014 and $26.6 million net gain ($28.3 million gain less transaction costs of $1.7 million) on joint venture transactions in 2013, operating margin increased 260 bps to 18.4%

Non-GAAP Reconciliation
Q1 2014 Consolidated Financial Results

($ millions)	1st Quarter 2014 Reported	1st Quarter 2014 Adj (1)	1st Quarter 2014 Adjusted	1st Quarter 2013 Reported	1st Quarter 2013 Adj (2)	1st Quarter 2013 Adjusted
Sales	$1,068.1		$1,068.1	$1,096.6		$1,096.6
Cost of Sales	$ 691.0	$ (1.0)	$ 690.0	$ 723.3		$ 723.3
Gross Profit	$ 377.1	$ 1.0	$ 378.1	$ 373.3		$ 373.3
Gross Margin (%)	35.3%		35.4%	34.0%		34.0%
SG&A	$ 216.2	$ 12.6	$ 228.8	$ 234.5	$ (1.7)	$ 232.8
SG&A (%)	20.2%		21.4%	21.4%		21.2%
Income from Affiliates	$ 3.4		$ 3.4	$ 31.7	$ (28.3)	$ 3.4
Operating Income	$ 164.3	$ (11.6)	$ 152.7	$ 170.5	$ (26.6)	$ 143.9
Operating Margin (%)	15.4%		14.3%	15.5%		13.1%
Other Expense, net	$ (2.9)	$ 2.2	$ (0.7)	$ (11.0)	$ 10.8	$ (0.2)
Net Earnings	$ 107.7	$ (4.2)	$ 103.5	$ 97.8	$ (5.3)	$ 92.5
Diluted EPS	$ 0.78		$ 0.75	$ 0.67		$ 0.64

(1) Cost of sales, gross profit and gross profit margin adjusted for $1.0 million realignment expense in cost of sales
SG&A expense and SG&A as a percent of sales adjusted for $12.6 million net gain on sale of Naval business
Other expense, net adjusted for losses arising from transactions in currencies other than our sites' functional currencies and impact of foreign exchange contracts

(2) SG&A expense and SG&A as a percent of sales adjusted for $1.7 million costs related to joint venture transactions
Income from Affiliates adjusted for $28.3 million gain on joint venture transactions
Other expense, net adjusted for losses arising from transactions in currencies other than our sites' functional currencies, impact of foreign exchange contracts and impact of Venezuelan currency devaluation