

FLOWSERVE CORPORATION

(NYSE: FLS)

Keybanc Capital Markets Industrial, Automotive and Transportation Conference

May 30, 2013

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 and other critical processes; 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 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.

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**
 - 66 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

Q1 2013 Financial Highlights

- Reported EPS* of \$2.01 including \$0.28 of net gain related to joint venture transactions, substantially offset by \$0.18 of currency related expenses in Other Expense, net and \$0.06 negative foreign currency translation impact due to the stronger USD
 - Compares to Q1 2012 reported EPS of \$1.69, which included \$0.13 of net gain related to sale of assets and \$0.06 of currency related expenses in Other Expense, net
- Bookings of \$1.2 billion, down 4.4% versus prior year, or 3.5% on a constant currency basis
 - Bookings increased 9.9% on a sequential basis
 - Aftermarket bookings of \$478 million increased 3.4%, or 4.0% on a constant currency basis
 - As expected, no large projects were booked in Q1 but we continued to see progress from FEED to the bidding stage on projects we expect to be released in the latter half of the year
 - Strength in general industries and water markets partially offset softness in the oil and gas, power and chemical markets
- Gross margin of 34.0%, up 60 basis points versus prior year
 - Improvement in EPD and IPD reflects disciplined project pursuit process and operational improvements
- Operating margin of 15.5%, up 220 basis points versus prior year
 - Adjusted operating margin improved 80 basis points to 13.1% excluding the impact of joint venture transactions, asset sales and transaction expenses in 2013 and 2012
 - SG&A as a percent of sales declined 40 bps to 21.2%, excluding the impact of the \$10.4 million gain on sale of assets in Q1 2012 and \$1.7 million of transaction expenses related to joint venture transactions in Q1 2013

*Calculated using Q1 2013 fully diluted shares of 48.5 million

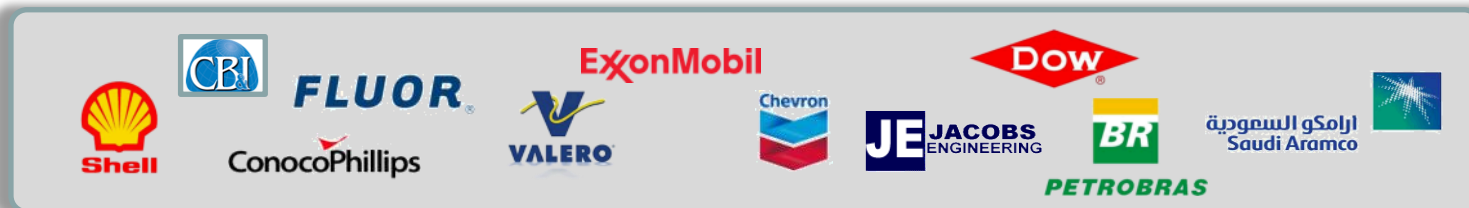
Business Outlook

- Continued progress on driving internal improvement with **One Flowserve** leadership structure and leveraging best practices across our business
 - Internal focus in 2012 delivering operational improvements and margin improvement
 - Improved platform efficiency has us well positioned to meet customer requirements and capture expected increase in large project activity in the second half of 2013
 - Better positioned to leverage bolt-on acquisitions across manufacturing and QRC footprint
- Solid first quarter slightly exceeded our initial expectations and provides momentum to deliver on the remainder of the year
- Diverse end-market and geographic exposures continue to dampen risk and volatility as we anticipate improved project activity to begin in the second half of the year, particularly in North America
- FCD is focused on top-line growth and high levels of operating performance while encouraging operating improvements in EPD and IPD drive future profitable growth

One Flowserve to Global Customers



Common Customers



Common Markets



Global Trends

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

One Flowserve approach delivers full suite of original equipment and aftermarket products and services to meet customer needs

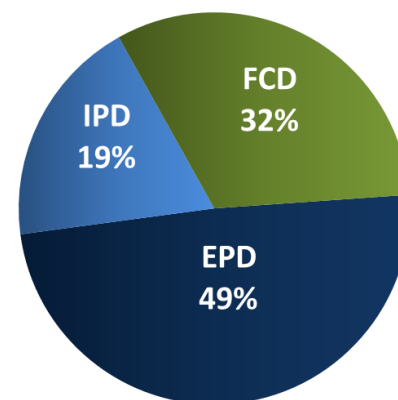
Balanced Platform, Lower Risk, Stable Earnings & Positioned for Growth

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

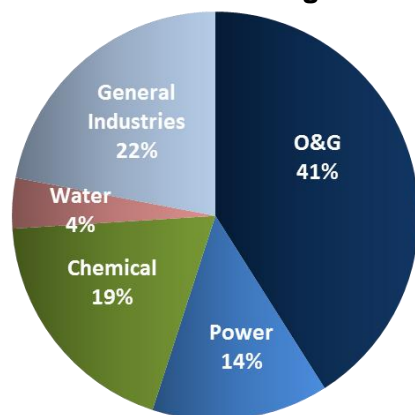
Operating Segments

- 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

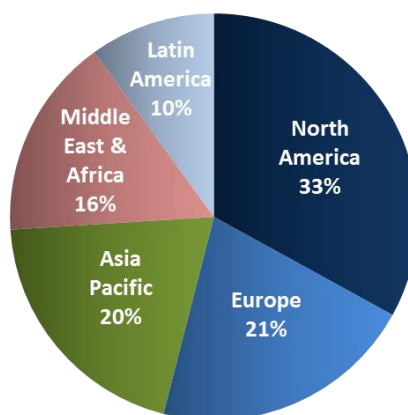
Segment Breakdown
2012 Sales Mix



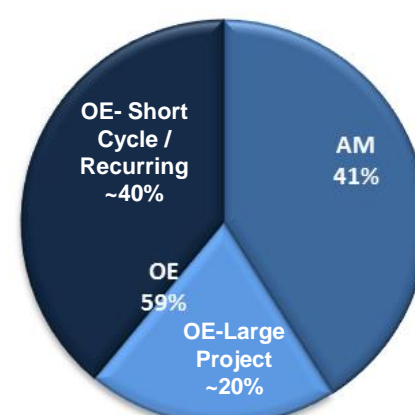
Energy-focused End Markets
2012 Bookings



Geographic Exposure
2012 Sales

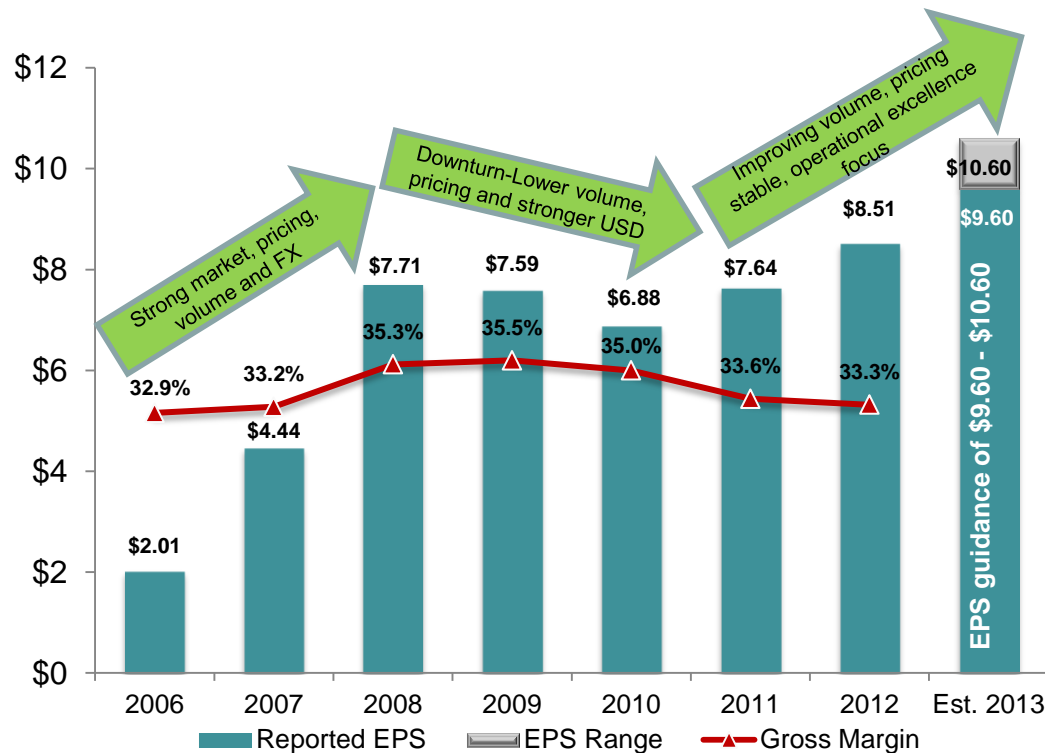


Diverse OE / AM Mix
2012 Sales

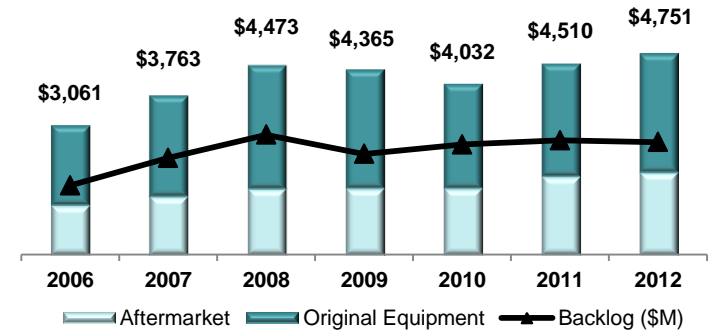


Balanced flow control portfolio of products and aftermarket services provides diversification and reduces earnings risk profile

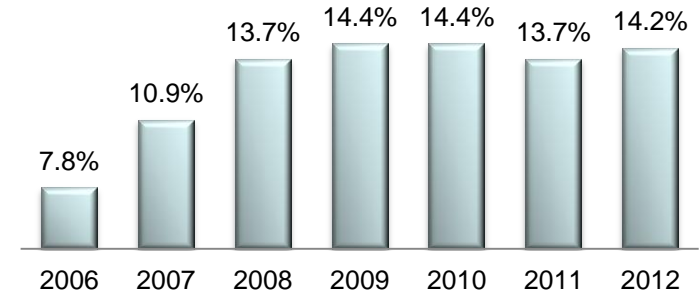
Diverse Exposures and Disciplined Investment Delivers Earnings Stability and Supports Growth



Sales (\$M)



Operating Margin (%)

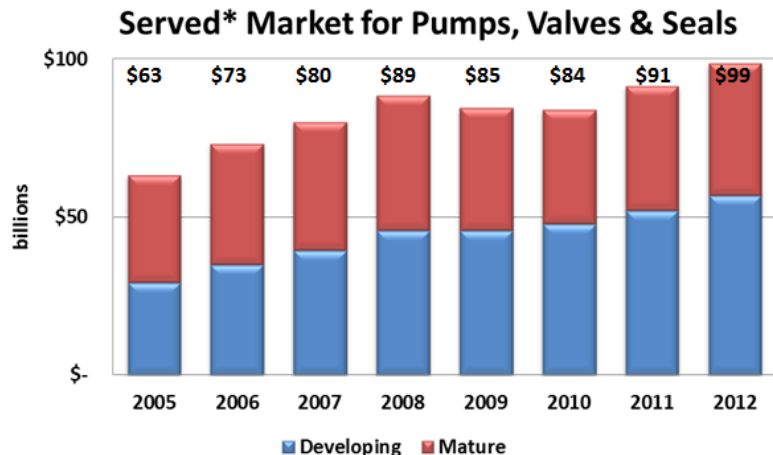


- Diversity provides stable earnings and margins through cycle, despite significant pricing impacts in the large OE business
- Aftermarket spend remains solid through challenging cycles and large project delays
 - Large OE projects are often subject to delays that can impact earnings, but typically represent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

Stability through trough implies margin leverage potential

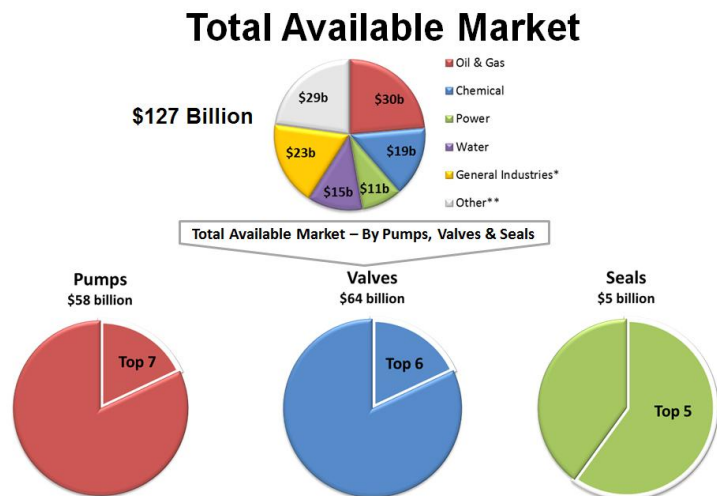
Flowserve's Served Market

- Flowserve serves the market with a broad range of flow control products
- Flowserve's served markets represent approximately 75% of the total available market
- Pump, valve & seal spend is increasingly taking place in developing regions
- Developing markets accounted for about 58% of spend in 2012



Source: European Industrial Forecasting

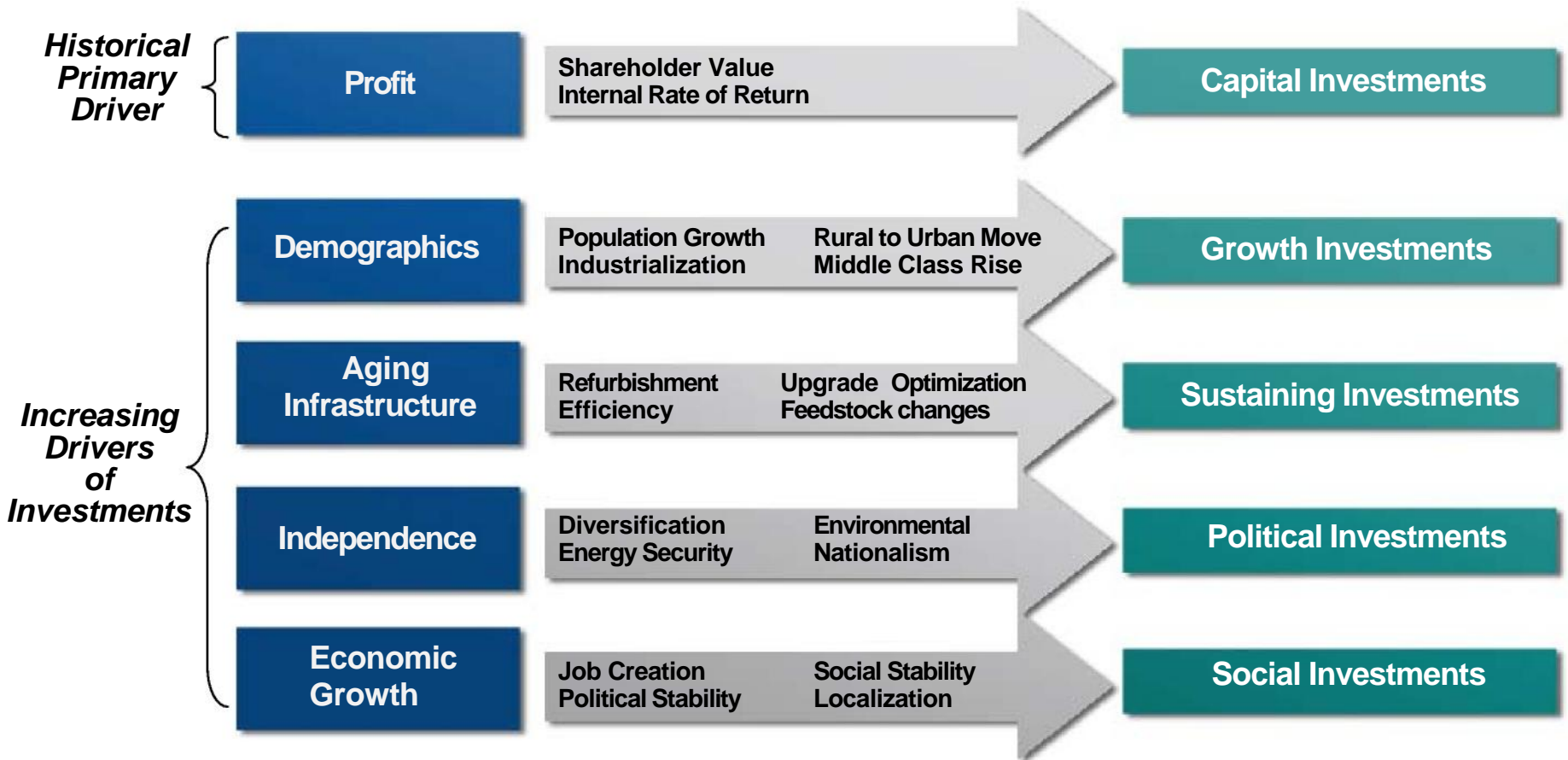
*Includes oil & gas, chemical, power, water & general industries; excludes building & construction, marine & other



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

Long Cycle Infrastructure Investment Drivers



Motivation for infrastructure investments now reflect other critical drivers

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

*24" Main Steam
Isolation Valve*



*WCC Multistage
Barrel Pump*



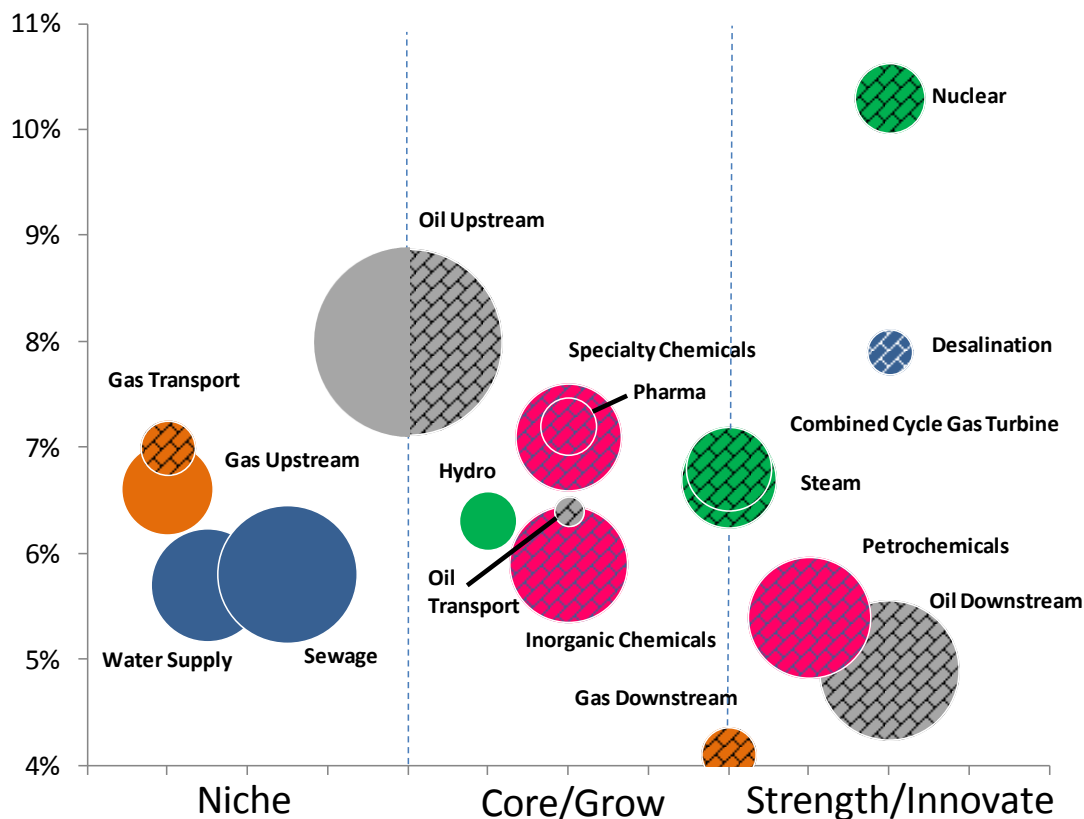
*ISC2 Mechanical
Seal*

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

Flowserve's Portfolio Aligned with Market Growth

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

5-Year CAGR *

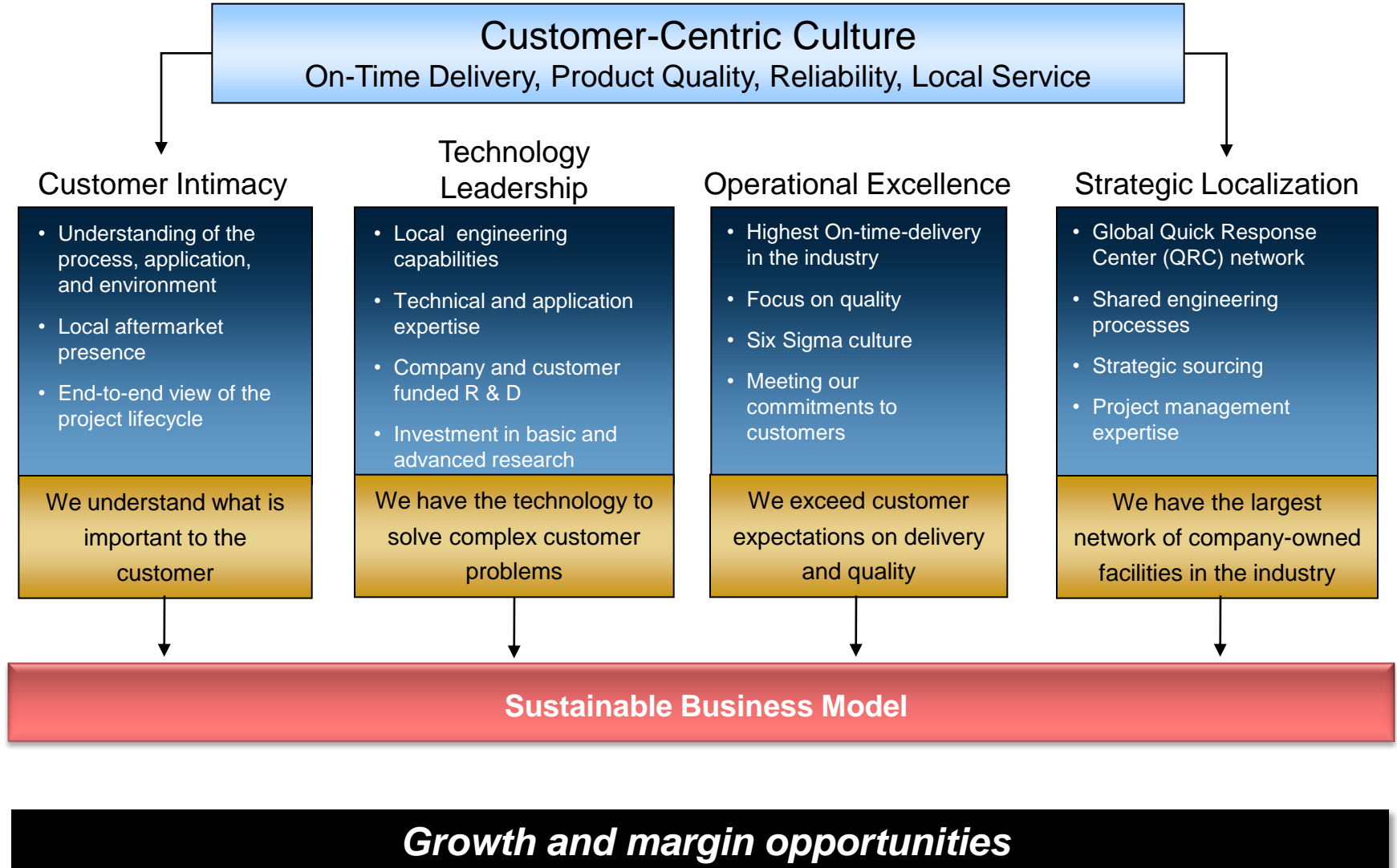


● Represents markets that have permanent installed base which is aligned with FLS end-user strategy. Additionally, FLS has significant existing installed base in these markets.

Flowserve
Portfolio
Position

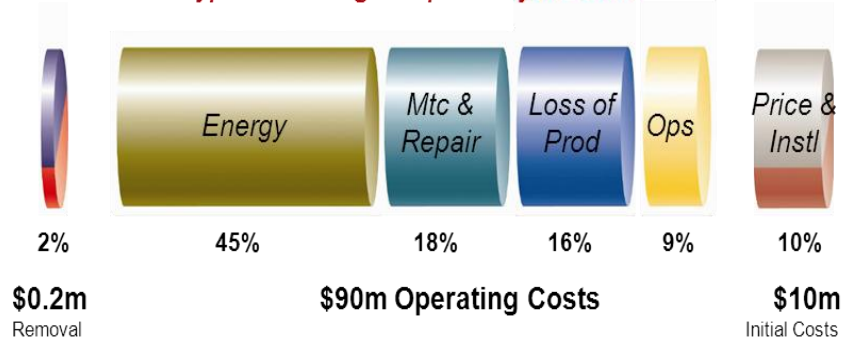
Aftermarket QRC footprint aligned with down stream, fixed installed based

The Flowserve Difference



Customer Intimacy Provides Aftermarket Opportunities

Typical Refining Pump Life Cycle Costs

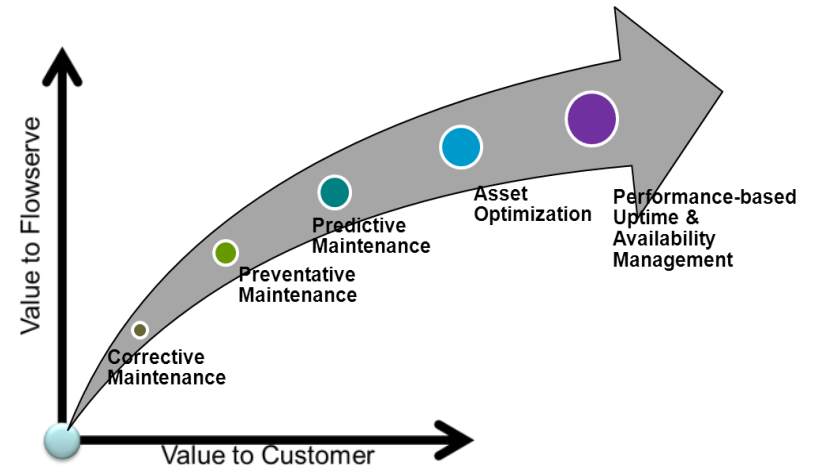
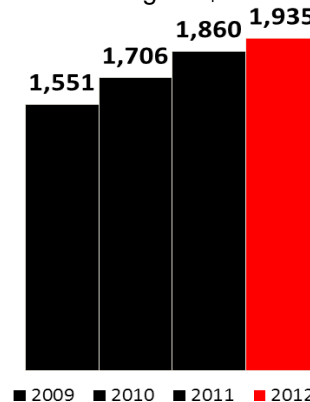


End user customers typically experience approximately 9 times the initial purchase and installation costs over the equipment's operating life

End user customers vary in maintenance philosophies

2009 – 2012 AM CAGR = 7.7%

AM Bookings in \$Millions

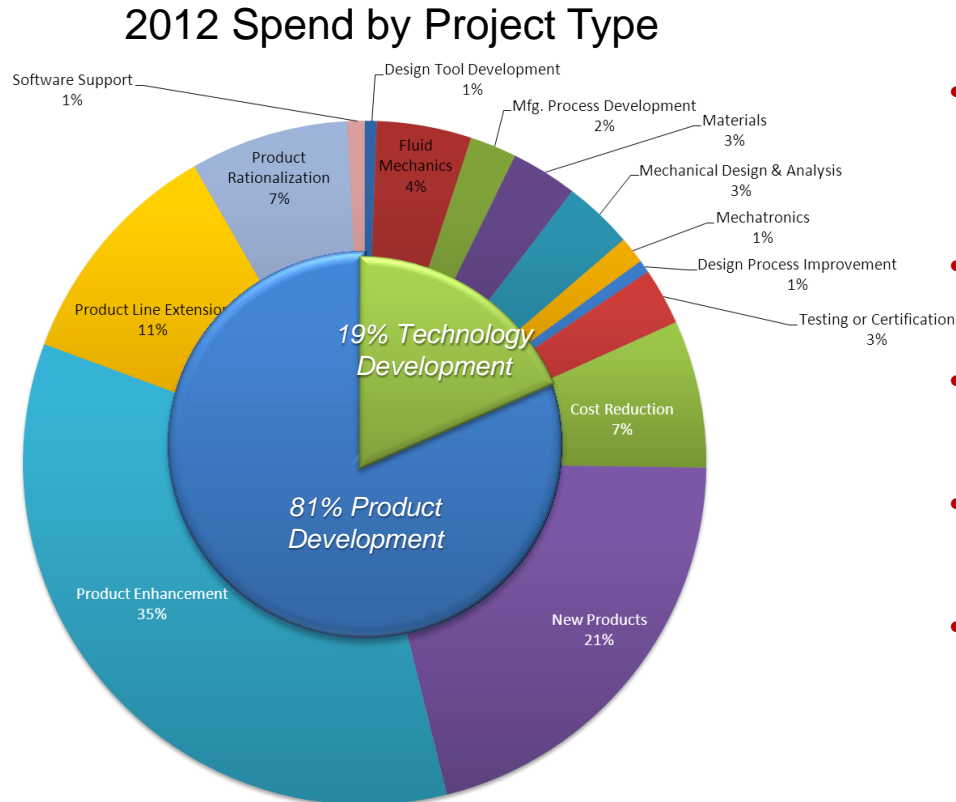


FLS Services & Solutions business drives aftermarket growth

Leveraging large projects, run rate and aftermarket opportunities over the 40 to 50 year life cycle

Technology Leadership

Focus on Research and Development



- 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

Focused on Key Metrics and Processes

Supply Chain



Quality



**obvious
failure
costs**

**hidden
failure
costs**

Focus	KPI
Working Capital	Inventory Turns
	Days Payable Outstanding
Material Cost	Delivered net cost savings YOY
	Low Cost Sourcing
Delivery	Supplier OTD%
	Intercompany OTD
Supplier Quality	Supplier COPQ

Customer Focus Initiative...

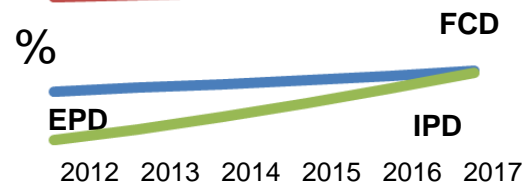
Serve. It's in everything we do.

RESPONSIVE	QUALITY	ON TIME	OWNERSHIP
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FLOWSERVE Experience In Motion



**Low Cost Sourcing
Spend
(% of total spend)**



Strategic initiatives aligned to deliver KPI's

Strategic Localization: Key to Accelerated Growth

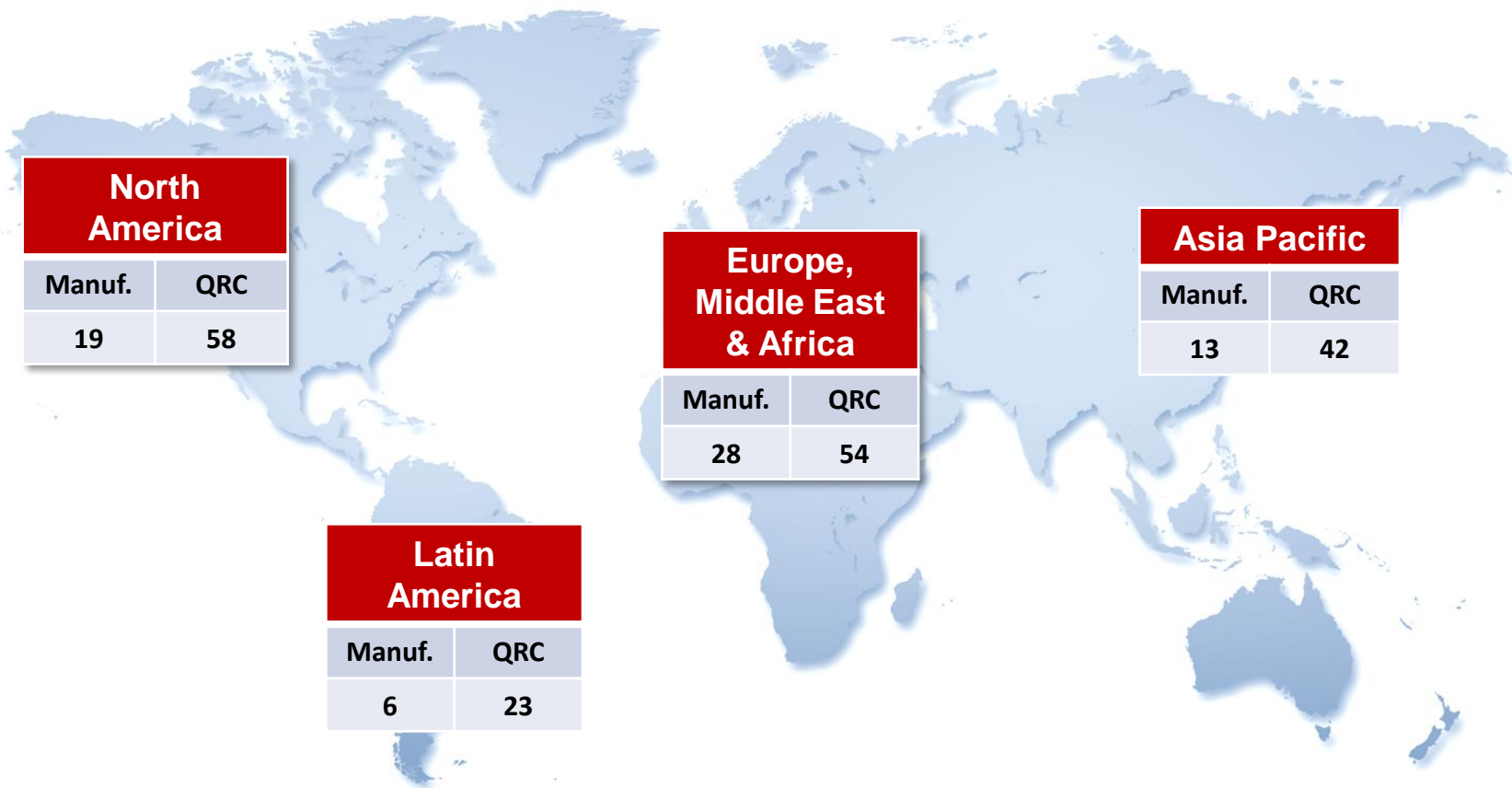
Brazil
Russia
India
China
Middle East



Focus Areas	Enablers	Key Initiatives
Product Localization	LPO/SPO Execution	Suzhou, Coimbatore, Rio, Santa Clara, Al Rushaid
Global Aftermarket	QRC Networks	Expanded and new QRC's (Russia, China, India, Africa)
Manufacturing Footprint	Facility Capital Investment	Coimbatore, Suzhou, Rio manufacturing expansions
Regional Technical Skill Development	Talent Acquisition, Training and Retention	Localized employee training programs
Low Cost Sourcing	Supply Chain Development	China and India Sourcing Programs

Building local capabilities is foundational to our global plan

Strategically Located FLS Footprint



Structured for Growth
66 Manufacturing / 177 QRC Sites Globally

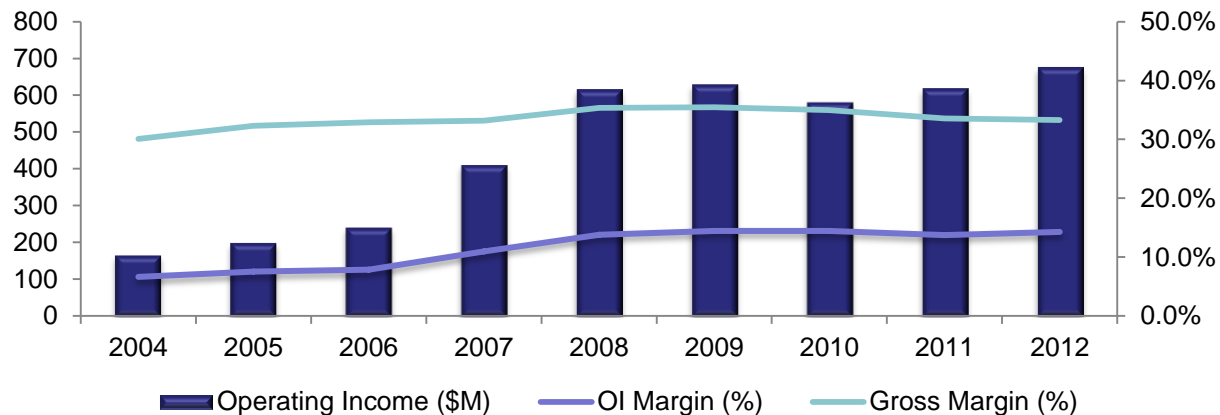
**Excludes non-consolidated JV operations*

Strong Annual Financial Performance

Sales



Operating Results

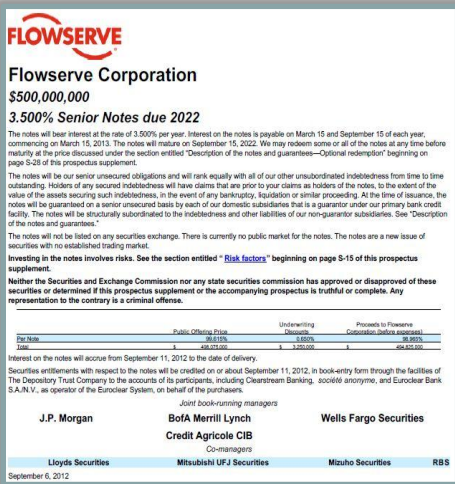
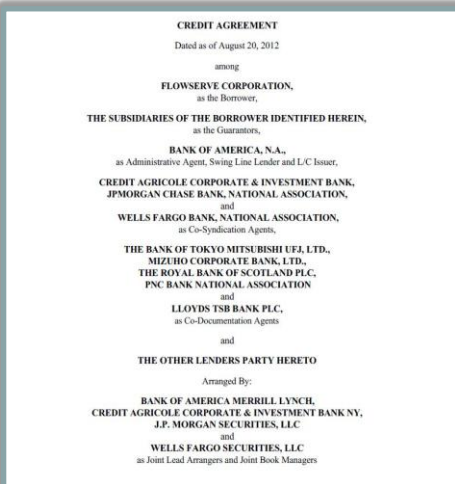


Strategic Approach to Deploying Capital

- 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

Category	2006-2012	% of Total
Share Repurchases & Dividends	\$1.62B	48%
Capital Expenditures	\$744M	22%
Acquisitions, net of divestitures	\$278M	8%
Debt Payment & Elimination of Factoring	\$252M	7%
U.S. Pension Contributions	\$237M	7%
Realignment	\$77M	2%
Increase in Cash	\$208M	6%

Progress on Capital Structure

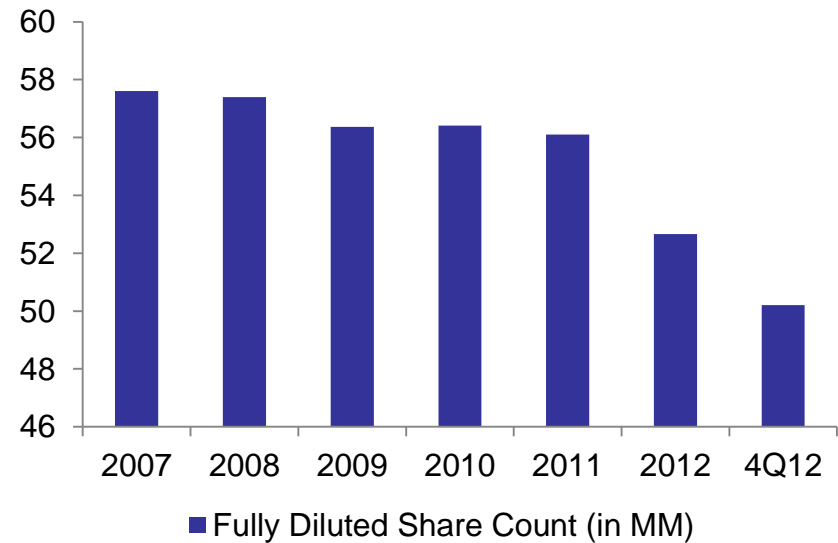
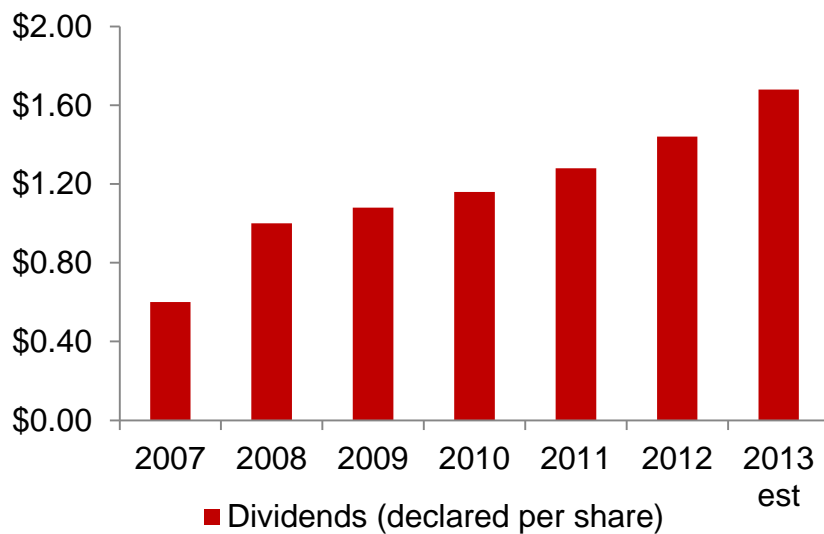


- Upgraded to "investment grade" by all major rating agencies
- Completed new \$1.25 billion, 5-year credit facility
- Issued \$500 million of 10-year, 3.5% senior notes
- Returned nearly \$850 million to shareholders during the year, including \$300 million ASR program
- Year-end leverage of 1.2x EBITDA; 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



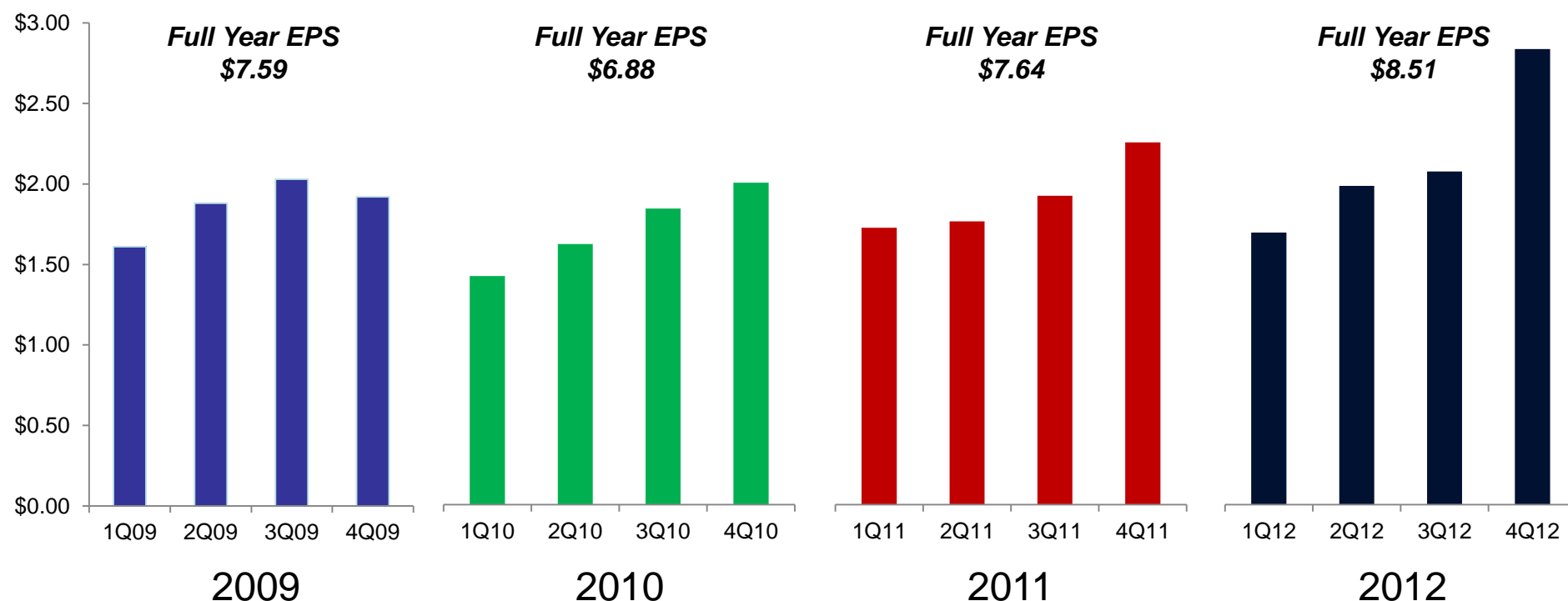
Consistent Returns to Shareholders

- 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



EPS Seasonally Second-Half Weighted

(Quarterly Earnings Per Share - diluted)



2013 Guidance Range

2013 EPS ¹	\$9.60 – \$10.60
Revenue Growth ²	4 – 6%
Tax Rate	~30%
Capital Expenditures	\$120 – \$130M
Pension Contributions	\$25 – \$30M
Capital Returned to Shareholders ³	\$425 – \$475M
<i>Longer Term Guidance:</i>	
1-2 Year Operating Margin Improvement (from 2012 levels)	100 – 200 bps
SG&A as a Percent of Sales	18%

¹ Reaffirmed as of April 25, 2013. Includes \$0.28 net gain on joint venture transactions and \$0.24 of negative currency impacts in Q1 2013 not anticipated in original guidance. Similar to recent years, 2013 earnings will be second half weighted. Additionally, first half earnings will be effected 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

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

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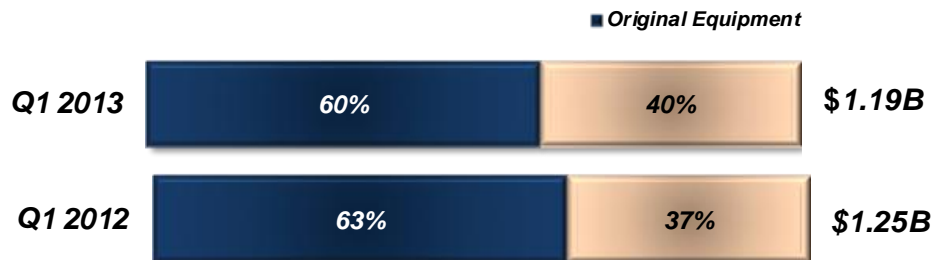
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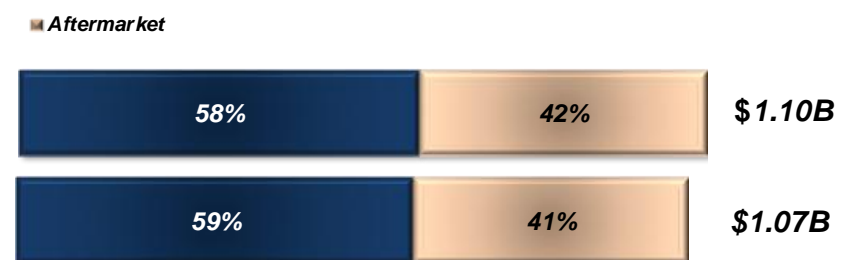
APPENDIX

Q1 2013 – Consolidated Bookings & Sales

BOOKINGS



SALES



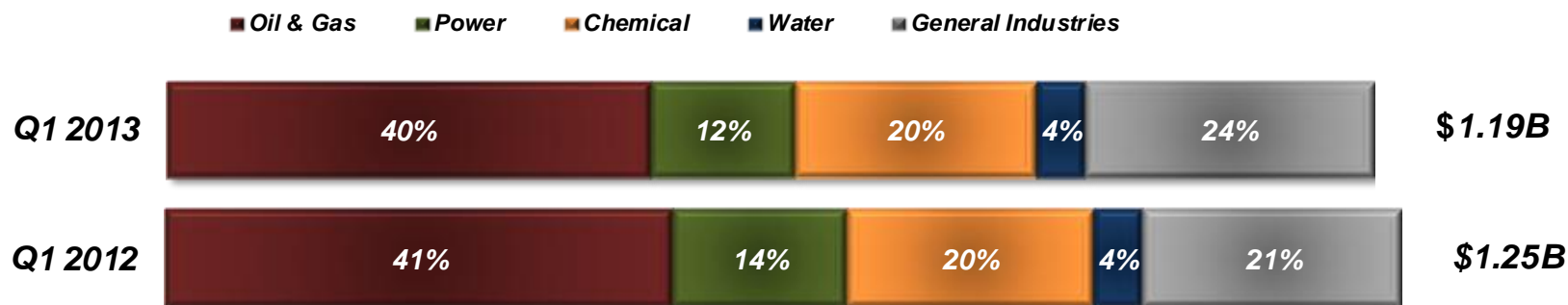
Bookings

- Bookings in Q1 2013 decreased 4.4%, 3.5% on a constant currency basis, driven by the oil and gas industry in EPD and IPD, partially offset by an increase in the oil and gas industry in FCD and general industries in EPD and FCD
 - Regionally, bookings growth into North America and Latin America more than offset by decreases into Europe, Asia Pacific and the Middle East & Africa

Sales

- Sales in Q1 2013 increased 2.0%, 2.9% on a constant currency basis, driven primarily by increased aftermarket sales in FCD
 - Regionally, sales increase driven by North America and Africa

Q1 2013 Bookings & Industry Outlook



OIL & GAS

- ✓ Long-term oil & gas demand outlook continues to support healthy investment programs; upstream attracting largest share of spend
- ✓ New refining capacity additions in the Middle East & BRIC countries; growing preference for cleaner fuels also spurs investment
- ✓ Strong & continued activity in North American unconventional resources drives many midstream and downstream projects

POWER

- ✓ Slow economic growth has significantly reduced new capacity investments; most opportunities in emerging markets or environment-based
- ✓ Coal-fired power investment concentrated in China, India and Russia; gas-fired and renewables in North America, Western Europe & Middle East
- ✓ Nuclear power still in transition and current activity mixed; progress taking place in some parts of Europe and Asia

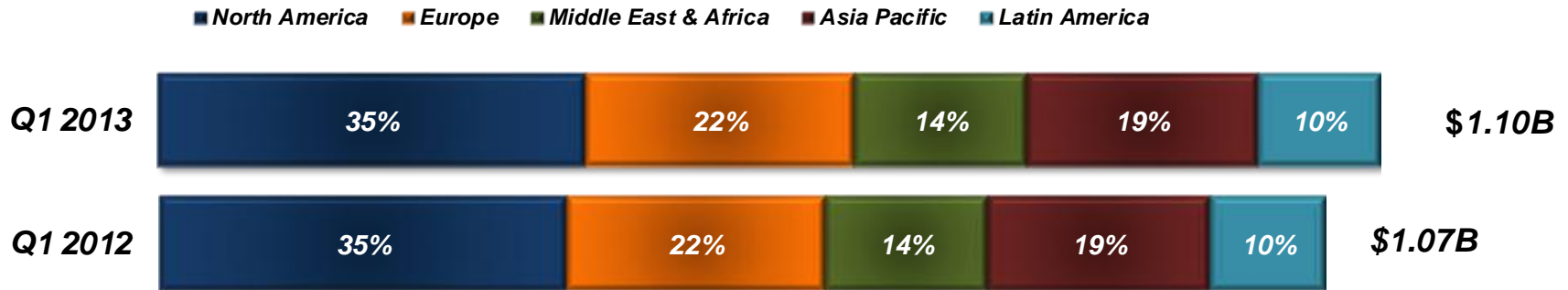
CHEMICAL

- ✓ Positive chemical demand outlook given infrastructure and consumer spending in emerging markets and improvements in the U.S. economy
- ✓ Expansion in chemical industry capacity continues, primarily in Asia Pacific, Middle East & North America

GENERAL INDUSTRIES

- ✓ Miners investing more carefully now, but favorable long-term outlook driven by demand from China and other emerging markets
- ✓ Latin America a key copper mining market; China, Australia and South Africa also important producers of minerals

Q1 2013 Sales & Regional Outlook



NORTH AMERICA

- ✓ Unconventional oil & gas activity resulting in strong pipeline, storage and NGL spend; new LNG export terminals under consideration
- ✓ Aggressive investment in U.S. petrochemicals given low-cost shale gas feed stocks

EUROPE

- ✓ Western Europe power market in transition with best opportunities in coming years expected in gas-fired and renewable power
- ✓ Eastern Europe & Russia account for a large share of the region's investment in refining, pipelines, petrochemicals and nuclear power

MIDDLE EAST

- ✓ About one-third of new global refining capacity forecasted in Middle East & Africa over next few years
- ✓ As part of an economic diversification strategy, the region is building petrochemicals and rebalancing its power generation mix

ASIA-PACIFIC

- ✓ Expect highest level of LNG regasification capacity additions in the world over the next few years
- ✓ Over half of global petrochemical capacity additions planned for China, India and other Asia Pacific countries

LATIN AMERICA

- ✓ Significant capital expenditures planned to further develop the deep water oil and gas resources off the coast of Brazil
- ✓ Region accounts for more than half of all new copper mining capacity forecasted to come online in the next few years

Q1 2013 - Consolidated Financial Results

(\$ millions)	1st Quarter				
	2013	2012	Delta (\$)	Delta (%)	Constant FX (%)*
Bookings	\$ 1,190.0	\$ 1,245.0	\$ (55.0)	(4.4%)	(3.5%)
Sales	\$ 1,096.6	\$ 1,075.0	\$ 21.6	2.0%	2.9%
Gross Profit	\$ 373.3	\$ 359.2	\$ 14.1	3.9%	
Gross Margin (%)	34.0%	33.4%		60 bps	
SG&A	\$ 234.5	\$ 221.9	\$ 12.6	5.7%	5.0%
SG&A (%)	21.4%	20.6%		80 bps	
Income from Affiliates	\$ 31.7	\$ 5.2	\$ 26.5	509.6%	
Operating Income	\$ 170.5	\$ 142.5	\$ 28.0	19.6%	22.6%
Operating Margin (%)	15.5%	13.3%		220 bps	
Other Expense, net**	\$ (11.0)	\$ (4.9)	\$ (6.1)	(124.5%)	
Tax Expense	\$ 48.7	\$ 35.5	\$ 13.2	37.2%	
Net Earnings	\$ 97.8	\$ 93.1	\$ 4.7	5.0%	
Diluted EPS	\$ 2.01	\$ 1.69	\$ 0.32	18.9%	

- Diluted EPS calculated using fully diluted shares of 48.5 million and 55.0 million shares in Q1 2013 and Q1 2012, respectively

- Flowserve repurchased 992,368 and 185,000 shares in Q1 2013 and Q1 2012, respectively

* Constant FX represents the year over year variance assuming 2013 results at 2012 FX rates

** Q1 2013 includes \$10.8 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 \$4.8 million in Q1 2012

Q1 2013 Cash Flows

(\$ millions)	Q1	
	2013	2012
Net Income	\$ 99	\$ 94
Depreciation and amortization	25	28
Change in working capital	(212)	(214)
Other	(20)	(16)
Total Operating Activities	(108)	(108)
Capital expenditures	(34)	(29)
Dispositions, acquisitions and other	36	2
Total Investing Activities	2	(27)
Payments on long-term debt	(5)	(6)
Dividends	(18)	(17)
Proceeds from revolving credit facility and other	154	11
Repurchase of common shares	(156)	(22)
Total Financing Activities	(25)	(34)
Effect of exchange rates	(4)	4
Net Decrease in Cash	\$ (135)	\$ (165)

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