Flowserve 2012 Earnings Conference Call

February 22, 2013

Experience In Motion

Special Note

SAFE HARBOR STATEMENT: This presentation release 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,” “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 release 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; 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, particularly in hyperinflationary countries such as Venezuela; our furnishing of products and services to nuclear power plant facilities; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; a foreign government investigation regarding our participation in the United Nations Oil-for-Food Program; expectations regarding acquisitions and the integration of acquired businesses; our foreign subsidiaries autonomously conducting limited business operations and sales in certain countries identified by the U.S. State Department as state sponsors of terrorism; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; and other factors described from time to time in our filings with the Securities and Exchange Commission.

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

2012 Financial Highlights

- Reported EPS* of $8.51, up 11.4% versus prior year, up 22.7% excluding currency effects
  - Includes $0.30 of foreign currency expenses versus $0.05 of benefits in 2011 in Other (Expense) / Income
  - Includes $0.50 above the line negative foreign currency translation impact
- Solid bookings of $4.71 billion, up 1.1% versus prior year, up 5.5% on a constant currency basis
  - Strength in oil and gas and chemical industries in EPD and IPD and general industries in EPD, partially offset by declines in the power industry in EPD and IPD and the oil and gas and general industries in FCD
  - Original equipment bookings consisted mainly of smaller to mid-size projects with larger projects shifting to mid to late 2013
  - Record aftermarket bookings of $1.9 billion driven by end-user strategies and investments
- Operating margin of 14.2%, up 50 basis points versus prior year
  - Reflects ongoing operational improvement efforts and strong SG&A cost control partially offset by shipments of low margin projects booked in 2010 and early 2011
  - Long cycle bid selectivity improved margins in backlog through 2012 and we expect margin improvement in 2013, particularly related to shipments in the second half of the year
- Solid backlog of $2.65 billion combined with our diverse end market and geographic exposures, supports our long-term goal of converting mid-to-high single digit revenue growth into double digit EPS growth

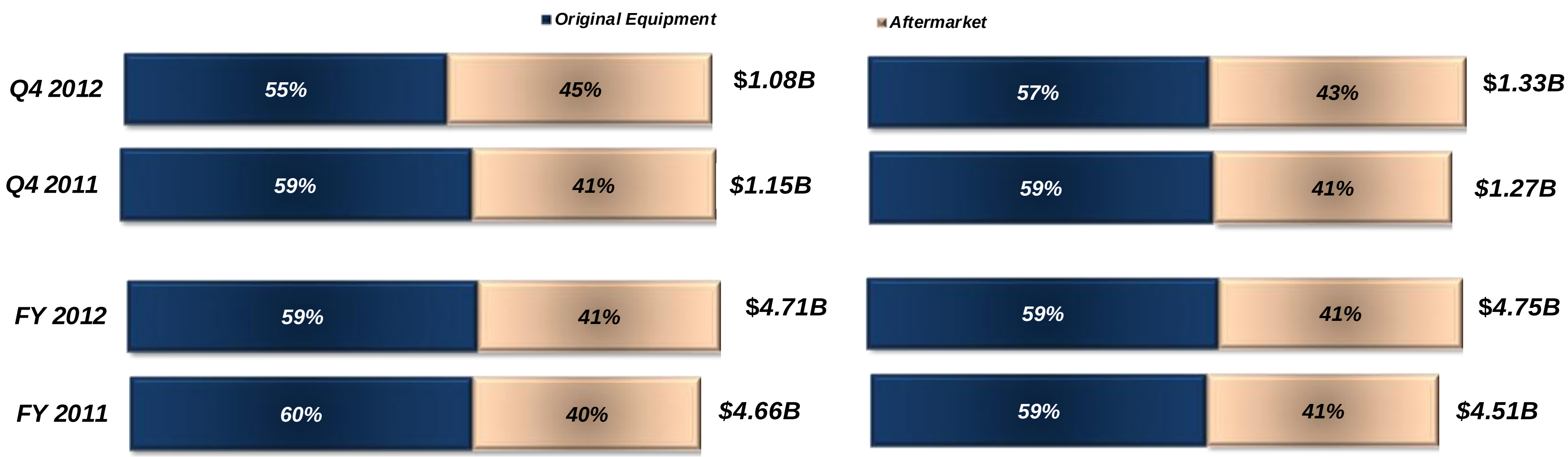
*Calculated using 2012 fully diluted shares of 52.7 million

2012 Milestones

- Continued advancing ***One Flowserve*** initiative and internal focus to drive operational improvements
  - Increased leverage of operational best practices across business units
  - Delivered improvements in on-time delivery, working capital management, cost of poor quality and low-cost sourcing initiatives, although work remains
- Operating platform positioned to increase focus on external inorganic growth opportunities
- Delivered solid progress on IPD improvement plan with operating margin expansion of 320 bps
- Increased efficiency of balance sheet returning $846 million to shareholders through share repurchases and dividends while targeting debt to EBITDA of 1 to 2 times
- Continued strategic investments supporting emerging market growth and aftermarket capabilities
  - Added 4 QRCs, mainly in emerging regions
  - Invested in increased manufacturing capacity in Brazil, India and China

2012 Bookings & Sales

BOOKINGS ***SALES***



Bookings

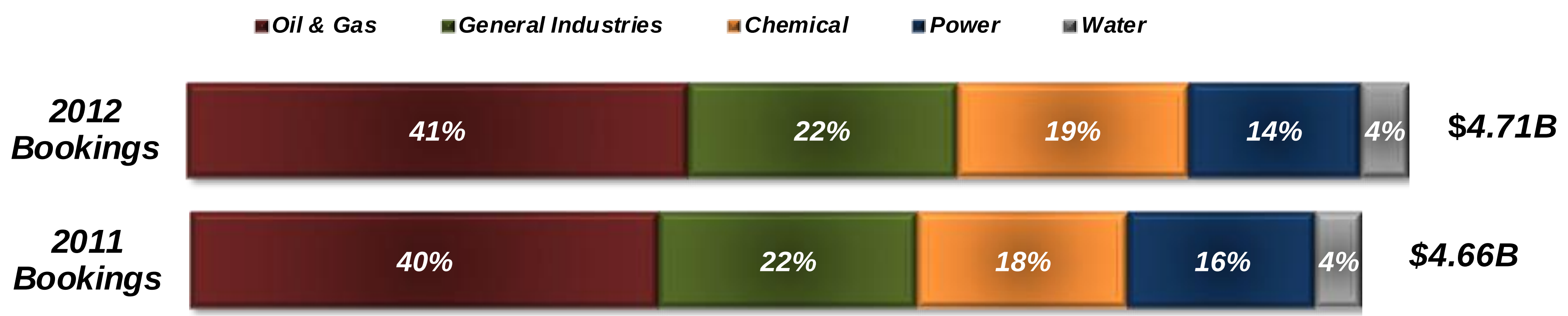
- Record full year and fourth quarter aftermarket bookings in spite of U.S. refinery maintenance deferrals as producers took advantage of strong margins on lower cost feedstocks

Sales

- Strong full year and fourth quarter sales driven by strength in North America, Asia Pacific and the Middle East, partially offset by decrease in Europe

Sources: Flowserve Internal Data

2012 Bookings & Industry Outlook



OIL & GAS

- ✓ *Long-term oil & gas demand outlook continues to support healthy investment programs; upstream attracting largest share of spend*
- ✓ *Refining market most active in Middle East & BRIC countries with new capacity additions and refinery modernizations*
- ✓ *North American oil shale and tar sands boom producing strong pipeline activity and other opportunities*

POWER

- ✓ *Slow economic growth has significantly reduced new capacity investments; most new capacity opportunities are in emerging markets or are driven by environmental legislation and renewable subsidies*
- ✓ *Coal-fired power investment concentrated in China & India; gas-fired and renewables in North America, Western Europe & Middle East*
- ✓ *Nuclear power under pressure and in transition, although China issues first new construction permit after nearly two-year suspension*

CHEMICAL

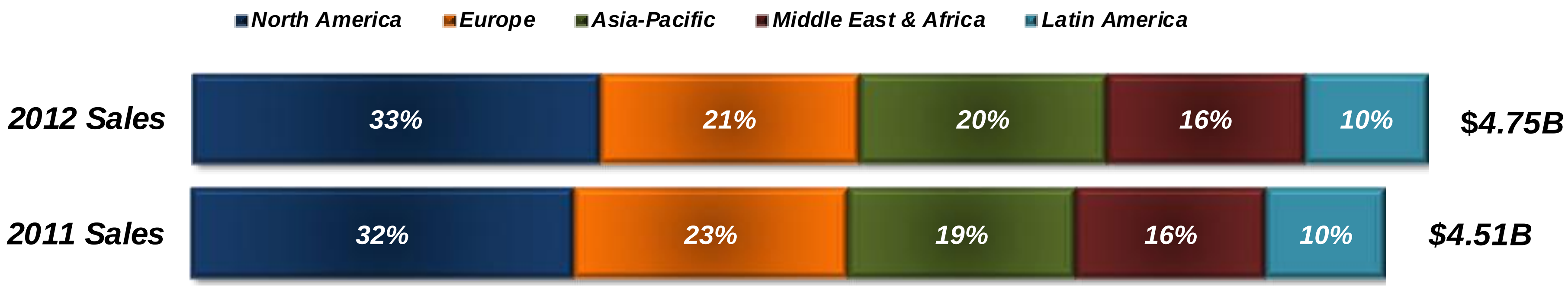
- ✓ *Expansion in chemical industry capacity continues, mainly in emerging markets such as Asia, Middle East, Russia & Latin America*
- ✓ *U.S. project activity accelerating given low-cost shale gas feedstocks; includes debottlenecking and new construction projects*

GENERAL INDUSTRIES

- ✓ *Global mining investment is moderating, but projects still moving forward in key markets*
- ✓ *Favorable long-term mining and mineral processing outlook driven by demand from China and other emerging markets*

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

2012 Sales & Regional Outlook



NORTH AMERICA

- ✓ *Unconventional oil & gas boom resulting in strong pipeline, storage and NGL spend; new LNG export terminals under consideration*
- ✓ *Chemical industry capital spending forecasted to grow more than 6% per annum over the next several years*

EUROPE

- ✓ *Western Europe power market in transition with best opportunities in coming years expected in gas-fired power and renewables*
- ✓ *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 will be located in Middle East over next few years; some mega-projects pushing out*
- ✓ *Middle East projected to have world's highest growth rate in new petrochemical capacity from 2013 through 2016*

ASIA-PACIFIC

- ✓ *China's economy showing recent signs of strengthening which bodes well for continued investment in oil & gas, chemical, power & mining*
- ✓ *LNG outlook moderating in Australia with near- and long-term potential emerging in other market regions*

LATIN AMERICA

- ✓ *Favorable chemical industry investment climate due to consumer and infrastructure demands in Brazil and elsewhere*
- ✓ *Region accounts for more than half of all new copper mining capacity forecasted to come online in the next few years*

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

FLOWSERVE

Engineered Product Division
Q4 & Full Year 2012 Segment Results

($ millions)	4th Quarter					Full Year				
	2012	2011	Delta ($)	Delta (%)	Constant FX (%)**	2012	2011	Delta ($)	Delta (%)	Constant FX (%)**
Bookings	$ 558.4	$ 590.0	$ (31.6)	(5.4%)	(4.0%)	$ 2,373.1	$ 2,333.5	$ 39.6	1.7%	6.2%
Sales	$ 714.2	$ 666.1	$ 48.1	7.2%	9.0%	$ 2,403.1	$ 2,321.4	$ 81.7	3.5%	8.1%
Gross Profit	$ 239.8	$ 230.1	$ 9.7	4.2%		$ 811.2	$ 803.4	$ 7.8	1.0%	
Gross Margin (%)	33.6%	34.5%		(90 bps)		33.8%	34.6%		(80 bps)	
SG&A	$ 120.7	$ 109.1	$ 11.6	10.6%	11.5%	$ 429.0	$ 421.6	$ 7.4	1.8%	4.8%
SG&A (%)	16.9%	16.4%		50 bps		17.9%	18.2%		(30 bps)	
Income from Affiliates	$ 2.8	$ 3.9	$ (1.1)	(28.2%)		$ 13.9	$ 13.4	$ 0.5	3.7%	
Operating Income	$ 121.8	$ 124.8	$ (3.0)	(2.4%)	(0.8%)	$ 396.1	$ 395.2	$ 0.9	0.2%	5.3%
Operating Margin (%)	17.1%	18.7%		(160 bps)		16.5%	17.0%		(50 bps)	
Adjusted Operating Income*	$ 121.8	$ 124.9	$ (3.1)	(2.5%)		$ 396.1	$ 395.4	$ 0.7	0.2%	
Adjusted Operating Margin (%)*	17.1%	18.8%		(170 bps)		16.5%	17.0%		(50 bps)	

* Adjusted operating income excludes realignment charges of $0.1 million for Q4 2011 and $0.2 million for Full Year 2011

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

Engineered Product Division
Q4 & Full Year 2012 Bookings and Sales

($ millions)		4th Quarter 2012	4th Quarter 2011	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Full Year 2012	Full Year 2011	Full Year Delta (%)	Full Year Constant FX (%)*
Bookings Mix **	OE	184 33%	224 38%	(18%) (500 bps)	(16%)	902 38%	910 39%	(1%) (100 bps)	5%
	AM	374 67%	366 62%	2% 500 bps	3%	1,471 62%	1,423 61%	3% 100 bps	7%
Sales Mix **	OE	279 39%	266 40%	5% (100 bps)	8%	937 39%	929 40%	1% (100 bps)	7%
	AM	436 61%	400 60%	9% 100 bps	10%	1,466 61%	1,393 60%	5% 100 bps	9%

* Constant FX represents the year over year variance assuming 2012 results at 2011 FX rates
** Gross bookings and sales do not include interdivision eliminations

Engineered Product Division Overview

- Bookings increased 1.7%, or 6.2% on a constant currency basis, driven by strength in the chemical, oil and gas and general industries, partially offset by power
  - Bookings growth driven by activity into North America, Asia Pacific and Europe, partially offset by a decrease into the Middle East
  - Solid aftermarket bookings combined with a shift of expected large project activity to the second half of 2013 increased aftermarket mix 100 bps to 62%
- Sales increased 3.5%, or 8.1% on a constant currency basis, due primarily to increased aftermarket activity into North America, the Middle East and Asia Pacific, partially offset by lower sales into Europe and Latin America
- Gross margin decreased 80 basis points due to certain large strategic projects at low margins, partially offset by operational execution improvements and a sales mix shift to higher margin aftermarket sales

Industrial Product Division
Q4 & Full Year 2012 Segment Results

	4th Quarter					Full Year				
($ millions)	2012	2011	Delta ($)	Delta (%)	Constant FX (%)**	2012	2011	Delta ($)	Delta (%)	Constant FX (%)**
Bookings	$ 206.7	$ 230.9	$ (24.2)	(10.5%)	(9.6%)	$ 964.3	$ 905.4	$ 58.9	6.5%	10.4%
Sales	$ 265.5	$ 261.7	$ 3.8	1.5%	2.2%	$ 953.9	$ 878.2	$ 75.7	8.6%	12.1%
Gross Profit	$ 65.8	$ 57.2	$ 8.6	15.0%		$ 230.3	$ 197.5	$ 32.8	16.6%	
Gross Margin (%)	24.8%	21.9%		290 bps		24.1%	22.5%		160 bps	
SG&A	$ 34.0	$ 33.5	$ 0.5	1.5%	1.5%	$ 130.8	$ 134.6	$ (3.8)	(2.8%)	0.1%
SG&A (%)	12.8%	12.8%		0 bps		13.7%	15.3%		(160 bps)	
Income from Affiliates	$ -	$ -	$ -	-		$ -	$ -	$ -	-	
Operating Income	$ 31.7	$ 23.7	$ 8.0	33.8%	33.8%	$ 99.5	$ 62.9	$ 36.6	58.2%	64.5%
Operating Margin (%)	11.9%	9.1%		280 bps		10.4%	7.2%		320 bps	
Adjusted Operating Income*	$ 32.5	$ 25.5	$ 7.0	27.5%		$ 100.2	$ 74.9	$ 25.3	33.8%	
Adjusted Operating Margin (%)*	12.2%	9.7%		250 bps		10.5%	8.5%		200 bps	

* Adjusted operating income excludes realignment and IPD recovery charges of $0.8 million and $1.8 million for Q4 2012 and Q4 2011, respectively and $0.7 million and $12.0 million for Full Year 2012 and Full Year 2011, respectively

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

Industrial Product Division
Q4 & Full Year 2012 Bookings and Sales

($ millions)		4th Quarter 2012	4th Quarter 2011	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Full Year 2012	Full Year 2011	Full Year Delta (%)	Full Year Constant FX (%)*
Bookings Mix **	OE	136	159	(14%)	(14%)	685	616	11%	16%
		66%	69%	(300 bps)		71%	68%	300 bps	
	AM	70	72	(3%)	(2%)	280	290	(3%)	0%
		34%	31%	300 bps		29%	32%	(300 bps)	
Sales Mix **	OE	183	183	0%	1%	658	588	12%	16%
		69%	70%	(100 bps)		69%	67%	200 bps	
	AM	82	79	4%	4%	296	290	2%	5%
		31%	30%	100 bps		31%	33%	(200 bps)	

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** Gross bookings and sales do not include interdivision eliminations

Industrial Product Division Overview

- Bookings increased 6.5%, or 10.4% on a constant currency basis, driven by activity in the oil and gas and chemical industries, partially offset by a decrease in the power industry
  - Growth driven by bookings activity into Latin America and North America, partially offset by decreased bookings into Europe and Asia Pacific
- Sales increased 8.6%, or 12.1% on a constant currency basis, driven by increased original equipment sales into the Americas, the Middle East and Asia Pacific, partially offset by lower sales into Europe
- Gross margin increased 160 basis points, primarily due to $7.1 million of IPD recovery plan realignment charges incurred in 2011 that did not recur in 2012, lower costs resulting from operational improvements and continued realization of realignment savings, partially offset by a sales mix shift to lower margin original equipment sales
- Operating margin improved 320 bps to 10.4% as the IPD recovery plan continues on track
  - Targeting IPD operating margin of 14-15% by 2015

Flow Control Division
Q4 & Full Year 2012 Segment Results

($ millions)	4th Quarter 2012	4th Quarter 2011	4th Quarter Delta ($)	4th Quarter Delta (%)	4th Quarter Constant FX (%)**	Full Year 2012	Full Year 2011	Full Year Delta ($)	Full Year Delta (%)	Full Year Constant FX (%)**
Bookings	$ 354.2	$ 377.6	$ (23.4)	(6.2%)	(4.9%)	$ 1,526.8	$ 1,603.0	$ (76.2)	(4.8%)	(0.8%)
Sales	$ 396.9	$ 380.3	$ 16.6	4.4%	5.7%	$ 1,557.1	$ 1,473.3	$ 83.8	5.7%	10.2%
Gross Profit	$ 142.3	$ 132.7	$ 9.6	7.2%		$ 541.4	$ 511.5	$ 29.9	5.8%	
Gross Margin (%)	35.9%	34.9%		100 bps		34.8%	34.7%		10 bps	
SG&A	$ 74.2	$ 72.6	$ 1.6	2.2%	3.6%	$ 291.1	$ 283.9	$ 7.2	2.5%	6.4%
SG&A (%)	18.7%	19.1%		(40 bps)		18.7%	19.3%		(60 bps)	
Income from Affiliates	$ 0.9	$ 1.9	$ (1.0)	(52.6%)		$ 3.1	$ 5.7	$ (2.6)	(45.6%)	
Operating Income	$ 69.0	$ 62.1	$ 6.9	11.1%	12.7%	$ 253.4	$ 233.3	$ 20.1	8.6%	13.8%
Operating Margin (%)	17.4%	16.3%		110 bps		16.3%	15.8%		50 bps	
Adjusted Operating Income*	$ 67.4	$ 61.8	$ 5.6	9.1%		$ 251.9	$ 233.4	$ 18.5	7.9%	
Adjusted Operating Margin (%)*	17.0%	16.3%		70 bps		16.2%	15.8%		40 bps	

* Adjusted operating income excludes realignment charges, net of adjustments, of ($1.6) million and ($0.3) million for Q4 2012 and Q4 2011, respectively and ($1.5) million and $0.1 million Full Year 2012 and Full Year 2011, respectively

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

Flow Control Division
Q4 & Full Year 2012 Bookings and Sales

($ millions)		4th Quarter 2012	4th Quarter 2011	4th Quarter Delta (%)	4th Quarter Constant FX (%)*	Full Year 2012	Full Year 2011	Full Year Delta (%)	Full Year Constant FX (%)*
Bookings Mix **	OE	290 82%	325 86%	(10%) (400 bps)	(9%)	1,283 84%	1,379 86%	(7%) (200 bps)	(3%)
	AM	64 18%	53 14%	21% 400 bps	21%	244 16%	224 14%	9% 200 bps	11%
Sales Mix **	OE	325 82%	323 85%	1% (300 bps)	2%	1,324 85%	1,252 85%	6% 0 bps	11%
	AM	71 18%	57 15%	25% 300 bps	25%	234 15%	221 15%	6% 0 bps	8%

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** Gross bookings and sales do not include interdivision eliminations

Flow Control Division Overview

- Bookings decreased 4.8%, or 0.8% on a constant currency basis, versus a strong 2011 compare
  - Decrease primarily attributable to the oil and gas and general industries
  - Decreased bookings into Europe and Latin America were partially offset by increased bookings into the Middle East
- Sales increased 5.7%, or 10.2% on a constant currency basis, primarily on strong original equipment sales in the oil and gas and chemical industries
  - Sales strength into Asia Pacific and North America was partially offset by decreased sales into Europe
- Operating margin increased 50 basis points to 16.3% on solid operating leverage and strong cost control
  - SG&A as a percent of sales dropped 60 bps to 18.7%

FLOWSERVE

Q4 & Full Year 2012
Consolidated Financial Results

($ millions)	4th Quarter 2012	4th Quarter 2011	4th Quarter Delta ($)	4th Quarter Delta (%)	4th Quarter Constant FX (%)**	Full Year 2012	Full Year 2011	Full Year Delta ($)	Full Year Delta (%)	Full Year Constant FX (%)**
Bookings	$ 1,082.5	$ 1,147.3	$ (64.8)	(5.6%)	(4.3%)	$ 4,713.5	$ 4,661.9	$ 51.6	1.1%	5.5%
Sales	$ 1,328.2	$ 1,265.4	$ 62.8	5.0%	6.5%	$ 4,751.3	$ 4,510.2	$ 241.1	5.3%	9.9%
Gross Profit	$ 447.6	$ 420.0	$ 27.6	6.6%		$ 1,581.0	$ 1,513.6	$ 67.4	4.5%	
Gross Margin (%)	33.7%	33.2%		50 bps		33.3%	33.6%		(30 bps)	
SG&A	$ 248.5	$ 232.5	$ 16.0	6.9%	7.7%	$ 922.1	$ 914.1	$ 8.0	0.9%	3.9%
SG&A (%)	18.7%	18.4%		30 bps		19.4%	20.3%		(90 bps)	
Income from Affiliates	$ 3.7	$ 5.8	$ (2.1)	(36.2%)		$ 17.0	$ 19.1	$ (2.1)	(11.0%)	
Operating Income	$ 202.8	$ 193.4	$ 9.4	4.9%	6.4%	$ 675.8	$ 618.7	$ 57.1	9.2%	15.0%
Operating Margin (%)	15.3%	15.3%		0 bps		14.2%	13.7%		50 bps	
Adjusted Operating Income*	$ 202.1	$ 195.0	$ 7.1	3.6%		$ 675.1	$ 630.7	$ 44.4	7.0%	
Adjusted Operating Margin (%)*	15.2%	15.4%		(20 bps)		14.2%	14.0%		20 bps	
Other Income / (Expense), net	$ 0.5	$ (4.2)	$ 4.7	111.9%		$ (21.6)	$ 3.7	$ (25.3)	(683.8%)	
Tax Expense	$ 47.9	$ 54.6	$ (6.7)	(12.3%)		$ 160.8	$ 158.5	$ 2.3	1.5%	
Net Earnings	$ 141.6	$ 125.1	$ 16.5	13.2%		$ 448.3	$ 428.6	$ 19.7	4.6%	
Diluted EPS	$ 2.83	$ 2.25	$ 0.58	25.8%		$ 8.51	$ 7.64	$ 0.87	11.4%	
Adjusted EPS*	$ 2.82	$ 2.27	$ 0.55	24.2%		$ 8.49	$ 7.80	$ 0.69	8.8%	

- Flowserve repurchased 6.2 million shares and 1.5 million shares in 2012 and 2011, respectively

* Adjusted operating income and adjusted EPS exclude realignment charges, net of adjustments, of ($0.7) million and $1.6 million for Q4 2012 and Q4 2011, respectively and ($0.7) million and $12.0 million for Full Year 2012 and Full Year 2011, respectively

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Quarterly & Full Year 2012 Cash Flows

($ millions)	Q1	Q2	Q3	Q4	Full Year	
	2012	2012	2012	2012	2012	2011
Net Income	$ 94	$ 108	$ 107	$ 142	$ 451	$ 429
Depreciation and amortization	28	27	26	26	107	108
Change in working capital	(214)	31	(70)	249	(4)	(356)
Other	(16)	2	0	(23)	(37)	37
Total Operating Activities	**(108)**	**168**	**63**	**394**	**517**	**218**
Capital expenditures	(29)	(28)	(27)	(52)	(136)	(108)
Acquisitions & Other	2	0	1	7	10	(86)
Total Investing Activities	**(27)**	**(28)**	**(26)**	**(45)**	**(126)**	**(194)**
Proceeds of debt	1	304	893	181	1,379	2
Payments on debt	(6)	(6)	(763)	(180)	(955)	(25)
Dividends	(17)	(20)	(18)	(18)	(74)	(70)
Repurchase of common shares	(22)	(411)	(101)	(238)	(772)	(150)
Other	11	0	(9)	(9)	(7)	4
Total Financing Activities	**(34)**	**(133)**	**2**	**(264)**	**(429)**	**(239)**
Effect of exchange rates	**4**	**(5)**	**4**	**2**	**5**	**(5)**
Net (Decrease) / Increase in Cash	**$ (165)**	**$ 3**	**$ 42**	**$ 87**	**$ (33)**	**$ (220)**

Strong 4th quarter and full year operating cash flow supported increased capital structure efficiency and return of $846 million to shareholders, while continuing to invest to grow the business

Selected Uses of Cash

($ millions)	2006	2007	2008	2009	2010	2011	2012
Capital Expenditures	73.5	89.0	126.9	108.4	102.0	108.0	135.5
Share Repos/Dividends	63.2	70.5	216.4	100.2	109.6	219.6	845.7
U.S. Pension Funding	36.3	16.1	50.8	83.1	33.4	8.9	7.9
Debt Repayment*	105.3	2.8	5.7	5.7	44.0	25.0	17.5
A/R Factoring / Securitization	(23.0)	5.2	63.9	-	-	-	-
Net Acquisitions / (Divestitures)	4.3	(11.1)	(7.3)	30.2	188.4	86.2	(12.9)
Realignment	6.6	-	-	22.4	31.8	11.1	4.7
Total	**266.2**	**172.5**	**456.4**	**350.0**	**509.2**	**458.8**	**998.4**
Year-End Cash Balance	**67.0**	**373.2**	**472.1**	**654.3**	**557.6**	**337.4**	**304.3**

Disciplined cash deployment strategy used to grow the business, return cash to shareholders, strengthen the balance sheet and improve our operational platform

* Includes scheduled, mandatory and optional debt repayments

Primary Working Capital

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

	Q4 2012		Q3 2012		Q4 2011	
($ millions)	**$**	**%**	**$**	**%**	**$**	**%**
Receivables	1,104	23.2%	1,106	23.6%	1,060	23.5%
Inventory, net	1,087	22.9%	1,156	24.7%	1,008	22.4%
Payables	(617)	(13.0%)	(516)	(11.0%)	(597)	(13.2%)
Primary Working Capital	**1,574**	**33.1%**	**1,746**	**37.3%**	**1,471**	**32.7%**
Advance Cash*	(435)	(9.2%)	(413)	(8.8%)	(379)	(8.4%)
Total	**1,139**	**23.9%**	**1,333**	**28.5%**	**1,092**	**24.3%**
Backlog	**2,649**		**2,881**		**2,690**	

Accounts Receivable

Accounts Receivable DSO at 75 days in Q4 improved 10 days from Q3 and is flat versus prior year

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

Inventory

Inventory turns improved to 3.2x in Q4 from 2.7x in Q3 and were consistent with prior year

- *Successfully reduced past due backlog as a percentage of total backlog 160 bps*
- *Driving towards inventory turns goal of 4.0x to 4.5x*

* Advance cash commitments from customers to fund working capital

2013 Outlook

Cash Use Priorities in 2013

- Execute on new $750 million share repurchase program – expect to repurchase roughly $300 million in the first half of 2013
  - Return to policy of annually returning 40 – 50% of running 2-year average net earnings to shareholders
  - Increased quarterly dividend 16.7% from $0.36/share to $0.42/share, effective Q2 2013, or from $0.12/share to $0.14/share following proposed 3-for-1 share split
- Estimate capital expenditures to be $120 million - $130 million
- Estimate U.S. pension fund contributions to be approximately $20 million
- Scheduled debt principal reduction of $25 million
- Other strategic opportunities, after disciplined analysis

Revenue Growth

- Expect mid-single digits growth, excluding impact of potential attractive acquisitions 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

2013 EPS Guidance

- Implied 2013 EPS growth of 13% - 25% reflects earnings power on expected revenue growth of mid single digits
- Similar to prior year, 2013 earnings will be second half weighted, first quarter 2013 compare will be further impacted by $10.4 million gain on sale of asset in Q1 2012 that will not recur and approximately $3 million in charges related to the recent Venezuelan currency devaluation, including no immediate tax benefit

Reaffirm 2013 full year EPS target range of $9.60 to $10.60 or $3.20 to 3.53 following proposed 3-for-1 share split

* 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