



2007 ANNUAL REPORT



*A Heritage of
Leadership*

Experience In Motion

Financial Highlights

For the Years Ended December 31, **2007** 2006 2005 2004 2003

Operating Data (Amounts in thousands*)

Sales	\$ 3,762,694	\$ 3,061,063	\$ 2,695,277	\$ 2,522,489	\$ 2,248,852
Gross Profit	1,247,722	1,007,302	870,561	763,158	684,126
Selling, General and Administrative Expense	(856,501)	(782,503)	(684,271)	(605,145)	(514,229)
Operating Income	409,916	239,619	198,823	166,079	154,761
Cash Flows from Operating Activities	417,365	163,186	127,445	267,501	181,304
Earnings Per Share**	4.46	2.00	0.91	0.52	0.93
Bookings	4,318,734	3,616,993	3,022,280	2,657,404	2,423,728

Financial Ratios

Return on Average Net Assets	13.8%	8.1%	5.6%	5.1%	4.6%
Net Debt to Net Capital Ratio	12.5%	32.6%	40.0%	41.9%	51.8%
Ending Backlog	2,276,631	1,630,025	994,076	836,380	818,200

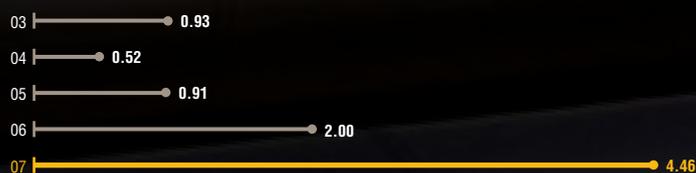
Sales

Amounts in millions



Earning Per Share**

In US Dollars



Gross Profit

Amounts in millions



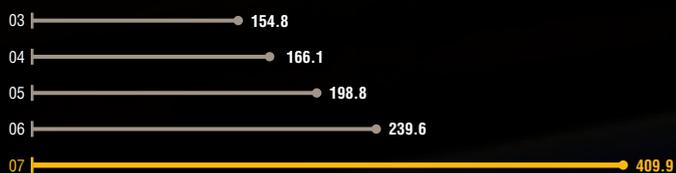
Bookings

Amounts in millions



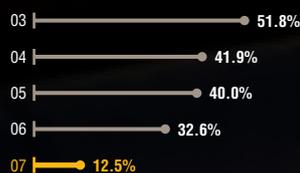
Operating Income

Amounts in millions



Net Debt to Net Capital Ratio

Percentage



*Except Earnings Per Share and Financial Ratios

**From Continuing Operations (Diluted);

All monetary figures in this report are calculated in US Dollars.

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To Our Shareholders:

Our theme this year, A Heritage of Leadership, speaks to our history and of our future.

While 2007 marked Flowserve's 10th year as a global leader in the engineering and manufacturing of pumps, valves and seals, our success is a tribute to a heritage of leadership that is nearly as old as the industry itself. For more than 200 years, the enduring brands that now thrive under the unified Flowserve banner have been a part of the industry standard for excellence around the world. This legacy of leadership drove our success in 2007 — a year in which the company set new performance records across our key operating measurements including earnings per share, cash flow from operations, operating income, sales, bookings and backlog.

These record results and returns for our shareholders are due to our employees around the globe who work diligently on a daily basis to execute our strategies and continue the leadership legacy that is core to our reputation and success as a leader in our industry.

In addition to executing against our core strategies, we also created an identity statement for the company in 2007 — a manifesto built on the strength of our heritage that defines the foundation for our core operating strategies in the future. It describes Flowserve as a multinational industrial products company, targeting major capital projects, focused on integrating our competencies on a global scale and leveraging our aftermarket services. Our core strength is providing comprehensive fluid motion and control products, services and solutions that make us highly valuable to the customers we serve in industries such as oil and gas, power, chemical and water resources.

Critical to this customer value are our expanded aftermarket and LifeCycle Advantage™ services, which strengthen existing customer relationships as we deliver improved asset and energy management, plant process flow control and reduced total cost of equipment ownership.

Our commitment to leadership and our customers also drove us in 2007 to expand our global footprint by opening major new facilities in India, China and the Middle East and several smaller operations in both emerging and mature markets. We now operate more than 150 Quick Response Centers (QRCs) across the globe to be positioned closer to our customers to better serve their needs. While at the same time, we optimized our portfolio, adding capacity where it aligned with our strategies and divesting non-core assets where practical. Going forward, we will continue to look for strategic acquisitions in order to strengthen our portfolio and advance the company's leadership position and shareholder value.

Internally, we developed new technology that leveraged our expertise across the pump, valve and seal divisions. But more than just creating technological innovations for individual products, we also expanded the way our products integrate with other equipment and systems, ultimately supporting the opportunities we have with existing customers and laying the groundwork for future new business.

In 2007, we made remarkable progress in both process excellence and organizational capability — another reflection of how our heritage is driving quality throughout the organization. On-time delivery rates were better than 90 percent in our major markets. Our continuous improvement process (CIP) initiatives resulted in additional reductions in product costs, cycle time and warranty costs, while our products continued to win awards for quality worldwide. Around the world, we are graduating more green and black belts in the continuous improvement process, ensuring that all facets of the company operate more safely and efficiently.

We have seen significant progress on organizational capability primarily due to the investments in developing our leadership talent bench. This focus continues to provide management strength within the organization to support future growth.

While we are proud of what we accomplished in 2007, we continue to execute against our strategies that should allow us to capitalize on opportunities in critical growth markets and deepen our relationship with our customers. We will also continue to leverage the creativity, energy and dedication of our employees as we work together to add new chapters to Flowserve's heritage of leadership.



LEWIS M. KLING
President and
Chief Executive Officer



KEVIN E. SHEEHAN
Chairman of the Board

Driving Growth

Defining the Company

Flowserve is a multinational industrial products company that ...

- Targets major capital projects in the oil & gas, power, chemical, water, and general industries that meet our financial and operational criteria.
- Leverages our aftermarket services to reduce our customers' total cost of ownership.
- Capitalizes on our global footprint of local expertise.
- Utilizes our integrated competencies on a global scale.

Key Strategies

- Organic Growth
- Strategic Acquisitions
- Globalization
- Portfolio Management
- Process Excellence
- Technology/Innovation
- Organizational Capability

**Sustainable
Profitable
Growth**



Mark A. Blinn

Senior Vice President; Chief Financial Officer and Latin America Operations

Achieving New Levels in our Business Fundamentals

"The outstanding performance in our sales, operating income, bookings, cash flow as well as operational metrics all contribute towards delivering exceptional value to shareholders."

Thomas E. Ferguson

Senior Vice President; President, Flowserve Pump Division

Continuing our Heritage of Technology Leadership

"The continued emphasis on technology innovation and leadership will ultimately perpetuate our reputation as the company that sets the standard for our industry."



Outstanding Business Fundamentals

Flowserve's ongoing commitment to operational excellence and stronger organizational capability has helped drive record performance in cash flow, operating income, sales and bookings. Fully diluted earnings per share rose more than 120 percent, to \$4.46, while SG&A decreased as a percentage of sales by 2.8 percent, to 22.8 percent.

Continuing Our Heritage of Technology Leadership

Drawing on more than its 200 years of experience, Flowserve technology leadership continues to improve products and system performance. Using our "smart" technologies, Flowserve is able to help customers monitor, diagnose, maintain and repair their equipment while minimizing downtime and failures. Internal IT best practices earned Flowserve recognition as one of the top 100 most innovative companies in the world.

Expanding Our Global Footprint

As its customers and markets expand, Flowserve will continue to dedicate the resources and capabilities to provide support wherever they may be. Building upon an already broad global footprint, in 2007 the company opened major manufacturing centers in India and China to serve those countries' growing infrastructure needs, and multiple Quick Response Centers (QRCs), around the world.

Beyond the Fundamentals

Marking its 10th year in 2007, Flowserve continued to mature as an organization, more fully integrating its competencies, technologies and systems. This strength and depth allowed it to take more productive risks — thereby driving new initiatives successfully, which contributed to its outstanding performance. Flowserve made significant progress on new joint ventures, pioneered new technologies and expanded into new markets, establishing a solid footing for future growth.



Andrew J. Beall

Senior Vice President; President, Flow Solutions Division

Expanding our Global Footprint

"Building Quick Response Centers (QRCs) close to our customer operations as they expand has allowed us to continue to not only grow business, but our relationship as a trusted partner."

Thomas L. Pajonas

Senior Vice President; President, Flow Control Division

Beyond the Fundamentals

"The organization has a new level of stability and strength that has allowed us to take strategic, productive risks with a great deal of success."



Flowserve is a world leader in providing equipment and services to the oil and gas industry. The company's reputation was built by pioneering many advances in petroleum-related pump and seal technology over the past 150 years. Today, oil and gas represents approximately 41 percent of Flowserve's business. Brisk investment in oil exploration and production, fueled by record petroleum prices for the oil market, contributed to a strong increase in bookings in 2007.

The company's reputation and leadership helped it secure the first of several orders, totaling \$40 million, for a large oil sands project in Canada from one of the world's largest oil companies. In many instances Flowserve has specialized products that are unique in that they can withstand the extreme conditions that occur during the refining process.

With a well established network of service and support facilities throughout the Middle East, Flowserve won major pump, valve and seal orders for the Pearl Gas-to-Liquids Plant in Qatar. Flowserve is one of the few companies in the world that can provide the scale and volume of equipment needed for projects of this magnitude, along with the repair and replacement aftermarket service capabilities needed for customers.

Flowserve broke ground on what will be one of the Middle East's largest repair, manufacturing, test and hydraulic training facilities. The complex is designed to service and repair all products regardless of their manufacturer and will have one of the largest and most capable hydraulic test loops in the region.

With global energy consumption and demand projected to increase for the foreseeable future, Flowserve is well-positioned to leverage long-term customer relationships and its superior technology and expertise to compete successfully for complex recovery projects and new refining business. Our new manufacturing facilities in India and China also position Flowserve to capitalize on future upstream and downstream projects in these regions where demand will drive continuous and significant investment from our customers in production infrastructure.

PRODUCT BRANDS OF DISTINCTION

**Aldrich • Argus • Byron Jackson • BW/IP • IDP
Nordstrom • Pacific • Pleuger • Serck Audco • United
Valtek • Vogt • Worthington**



Flowserve equipment is often specified for capturing natural gas leaving the wellhead and converting it to liquefied natural gas (LNG). This process conserves resources and improves ease of transport.



Offshore exploration for oil is expected to grow significantly. Flowserve's engineering expertise and portfolio of pumps, valves and seals are known for performing on such high-pressure, complex recovery projects.

Aging refineries in mature markets coupled with increasing global demand for fuel will continue to drive growth in production facilities. Flowserve expects to continue to win major projects around the world.



Deborah K. Bethune
Vice President of Tax

Meeting our Commitments and Mitigating Risk
"Our strength in managing our tax environment allows us to fully meet our commitments while mitigating potential risk."

Mark D. Dailey
Senior Vice President of Human Resources
and Chief Compliance Officer

Strengthening the Leadership Talent Bench
"Our success in developing leadership talent from within the organization is a critical element in supporting the future needs of the company."





Flowserve supplies technology advanced, corrosion resistant equipment as well as a range of aftermarket services to the world's leading chemical manufacturers.



Backed by 90 years of experience and service to the chemical industry, Flowserve equipment is regarded as a world leader in the processing of industrial organic and inorganic chemicals, soaps and cleaners, pharmaceuticals, biofuels and other chemicals.



Flowserve's LifeCycle Advantage™ program is helping a major global chemical company reduce total cost of ownership for both routine and emergency requirements. Flowserve monitors and improves equipment performance and reliability, inventory standardization and training.

Flowserve continues to be well positioned in the chemical industry, supplying industry leading products that can withstand extreme temperatures, highly-caustic chemicals and intense pressures. The chemical market represents approximately 18 percent of Flowserve's business primarily in the processing of organic and inorganic chemicals, consumer goods such as soaps, cleaners and other household products, and pharmaceuticals.

The company's specialty products and materials expertise helped drive significant growth in 2007 with project wins in all regions. Flowserve was specified as the "plant standard" supplier for a broad range of products in 11 synthetic textiles facilities for a major global integrated fibers and polymers producer. Flowserve also serves the biotechnology market with flow-management solutions and is heavily engaged with global customers in the production of biofuels.

New capacity in Asia and the Middle East and productivity improvements in mature markets contributed to revenue growth in 2007 which was the largest of any industry market. A new multi-million dollar, 100,000 square-foot facility opened in India in early 2007 nearly doubling Flowserve's production capacity in the region and will support not only the chemical industry, but also the petroleum and power industries.

With project activity and construction remaining strong, particularly in Asia, Flowserve expects brisk business both from project firms specifying products for new chemical plants as well as end-user customers. The continued demand for polymer-based materials, petrochemical products and biochemicals, particularly in emerging regions, also will drive growth opportunities for Flowserve.

PRODUCT BRANDS OF DISTINCTION

- Atomac • BW/IP • Durametallc • Durco • Noble Alloy**
- Valtek • Vogt • Worcester • Worthington Simpson**

Richard J. Guiltinan
Vice President and Chief Accounting Officer

Continuing to Globalize and Standardize Accounting
"Our priority is providing strong financial expertise to support our rapidly growing business while driving new levels of standardization in underlying processes."



Driven by a rapidly growing market in China, Flowserve continues to fortify its leadership position in the power market, supplying pumps, valves and seals across applications that range from conventional power plants to integrated gasification systems to nuclear power generation.

While the power market currently represents 12 percent of the company's business, new opportunities such as a joint venture partnership with Changsha Pump Works and a memorandum of understanding with the China National Nuclear Corporation and SUFA Technology Industry Co., Ltd., continue to fuel growth and future opportunities. In addition to its current contracts with other Chinese power projects like Datang International Power Generation Co., Ltd., in Beijing, and the Shenhua Group for its direct coal liquefaction plant, Flowserve also was awarded a \$25 million contract to supply products for two new nuclear plants in Hongyanhe and Ningde.

In India, another country facing exploding power demands, Flowserve is well-positioned to expand its business by helping its customers meet growing infrastructure demands.

Flowserve's business in mature markets such as North America and Europe also remains strong. The company's expertise, long-standing customer relationships and qualifications such as the stringent N-Stamp certification for nuclear applications have led to significant growth, including a large order for the Olkiluoto 3 Nuclear Plant in Finland, the first Generation 3+ Evolutionary Power Reactor in the world.

With the demand for power growing in many regions of the world particularly in Asia, and continued investment in nuclear power facilities, geothermal technology and integrated gasification combined cycle plants (IGCC), Flowserve expects continued strong growth in this market for the next decade.

PRODUCT BRANDS OF DISTINCTION

Anchor-Darling • Byron Jackson • Edward • Gestra • IDP
Limatorque • Pacific • Valtek • Worthington



Flowserve has been a steady and reliable supplier to the nuclear power industry for 30 years. Today, its pumps, valves and seals perform critical functions in more than 50 percent of the world's nuclear power plants.

Flowserve is a leading supplier of N-stamp products, those meeting the ASME Nuclear Code. With as many as 32 license applications for new US-based nuclear plants likely in the next two years and others around the world, Flowserve is uniquely positioned to continue winning nuclear business.



The delivery of power for residential and commercial use is a key component of global infrastructure. With a leadership position in providing equipment to the power industry, Flowserve is well positioned to continue winning business for traditional power projects as well as emerging technologies such as integrated gasification combined cycle (IGCC) projects.

Paul W. Fehlman
Vice President and Treasurer

Managing an Optimal Balance Sheet

"Managing a strong balance sheet and cash flow allows us to enhance shareholder returns, reinvest in the company and continue to optimize our portfolio of assets."





Flowserve is one of the few companies able to serve large-scale projects such as the Florida Everglades restoration — one of the world's largest environmental projects. Twenty-five pumps in six pumping stations moved a total of 14 billion gallons of water a day into a filter marsh to improve the water quality.

While it represents only 6 percent of Flowserve's business, the company's water business grew by more than 21 percent in 2007 — growth driven by increased demand for infrastructure necessary to move large volumes of water, treat and deliver potable water, control flooding and restore the environment. These applications require highly reliable and efficient equipment that can operate under varying and challenging conditions.

Flowserve has been responsible for many of the major advancements in water-handling technology and systems. Because of this, the company continues to grow its opportunities around the world in order to help current and new customers meet the water demands of exploding populations in emerging markets, upgrade deteriorating infrastructure in mature ones and access new sources of water as the demand for fresh water increases around the world.

The movement and handling of water is an essential part of the overall infrastructure growth around the world. Altogether, global infrastructure build-out, including oil and gas, power and water, is projected to cost \$41 trillion over the next 25 years, with water resources representing a core part of that investment. This development will increase the need for large volume water transportation, water treatment, and other water resources which will continue to create a significant demand for Flowserve products and services.

PRODUCT BRANDS OF DISTINCTION

Byron Jackson • IDP • Limitorque • Nordstrom • Pleuger
Valtek • Worcester • Worthington



Worldwide demand for clean water is fueling growth in desalination efforts. Flowserve has supplied the industry for over a half century in both thermal and membrane desalination processes. Flowserve systems are known for high corrosion resistance, energy efficiency and performance.



Flowserve equipment is hard at work in the Netherlands in the unending management of flood control.

Ronald F. Shuff
Senior Vice President and Secretary and General Counsel

Global Compliance

"Our management team has a strong commitment to effective compliance with the laws of the more than 70 countries in which we do business."



Flowserve products and technologies also are used in a range of applications in other industries. Taken together, these industries — mining, pulp and paper, heating and cooling, and food and beverage processing — represent approximately 23 percent of Flowserve's business.

Flowserve's line of specialty products designed for the pulp and paper industry have contributed to strong growth, including a large contract win for the Horizonte project currently under construction in western Brazil.

In mining and ore processing, an expanded slurry management product portfolio and aftermarket services have fueled growth in this industry. Significant wins include a major new contract in Chile and a significant order for the world's largest aluminum mine in Brazil. Flowserve also expanded its Quick Response Center (QRC) presence in the region to support the growth in aftermarket services — a move mirrored in South Africa where Flowserve is also seeing new orders and growth in mining.

In food and beverage processing, Flowserve works with some of the world's most recognized consumer brands. For one major global snack food company, a pilot temperature control project that saved the customer more than \$5 million in energy costs in one year will yield an expanded contract to deploy Flowserve products and services in more than 50 plants around the world.

Flowserve's outlook for the general industries market is positive overall. Global demand is projected to continue to outstrip supply for critical minerals, ore and precious metals which should result in growth opportunities for the company. Replacement of aging infrastructure in areas such as central Europe also will drive growth, particularly in the district heating and cooling market. Additional growth opportunities will be driven by government programs such as investments in biotechnology projects where Flowserve also is well-positioned to win business.

PRODUCT BRANDS OF DISTINCTION

**Durco • Interseal • Limitorque • NAF • NAVAL • Scienco
Sier Bath • TKL • Valtek • Worcester • Worthington**



Mining, whether for metals such as copper, gold, nickel or aluminum, or other minerals such as bauxite and bitumen, requires some of the most abrasive processes in industry. This prompts significant aftermarket business as Flowserve helps customers service, repair and replace equipment.

The NAF valve brand, established in Sweden in 1899, is the known leader in intelligent flow control systems in pulp and paper processing. Flowserve is well positioned to win business around the world in this area.

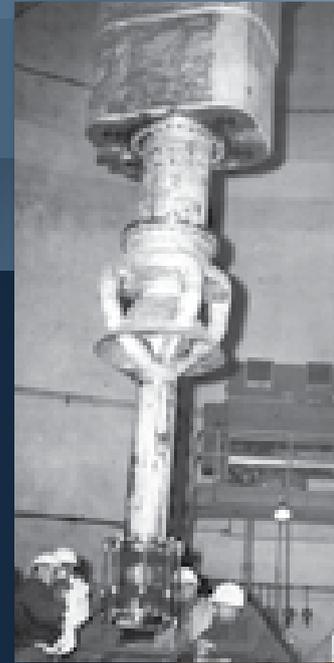


Flowserve delivers efficient flow-management solutions for some of the world's most recognized consumer goods, including drinking water, carbonated and other beverages and snack foods.



Kyle B. Ahlfinger
Vice President and Chief Marketing Officer

Managing a Pipeline of New Products and Services
"Strengthening our product management capabilities is driving new growth programs, rationalization of our portfolio, new product technology and improving our overall competitiveness in the marketplace."



Celebrating
10
Honoring More Than
200
*Years of Progress
 and Innovation*



Left to right: Richard J. Guiltinan, Deborah K. Bethune, Zac Nagle, Jerry L. Rockstroh, Andrew J. Beall, Lewis M. Kling, Ronald F. Shuff, Linda P. Jojo, Paul W. Fehlman, Kyle B. Ahlfinger, Mark A. Blinn, Lars E. Rosene, Thomas L. Pajonas

Management team members not present: Thomas E. Ferguson, Mark D. Dailey



Formed in 1997 by the merger of BW/IP Inc. and Durco International, Flowserve Corporation is an amalgam of more than 50 highly-regarded companies and product brands that represent the evolution of our industry. While 2007 marked Flowserve's 10th anniversary, it also served as a tribute to a heritage that played a key role in the Industrial Revolution and set standards in the fluid motion and control business.

As the company looks to the future, it will continue to draw on the combined expertise of its people, product brands, and heritage to offer highly advanced and comprehensive fluid motion and control products, systems and solutions for customers.

Major Project Wins



Linda P. Jojo
Senior Vice President and Chief Information Officer

Streamlining our IT Platform

"Progress on streamlining our systems and processes has enabled the organization to gain new levels of efficiencies that, in turn, improves our quality of customer support."

CANADA

Canada Oil Sands Project



UNITED STATES

Biotechnology Plant Construction



UNITED STATES

Oil Refinery Expansion



MEXICO

Oil Refinery

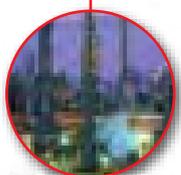
BRAZIL

Aluminum Mining Project



NEW ZEALAND

Oil Refinery



BRAZIL

Horizonte Pulp Facility

In 2007, Flowserve won important contracts around the world, spanning all divisions and major industry markets such as oil and gas, chemical, power, water resources as well as general industries. The company has grown its position as a trusted partner to large multi-nationals as well as in-region organizations winning orders for emerging region infrastructure projects, oil refinery expansions, LNG projects, chemical plant construction, nuclear and other power plant projects, biotechnology, desalination, mining and pulp and paper. The new business is distributed across emerging regions as well in mature markets. Flowserve's reputation as a seasoned expert continues to be a basis for growing business with the existing customer base as well as attracting new customers.

Flowserve's global footprint provides a diversified, competitive advantage that uniquely positions the company to capitalize on the opportunities that lie ahead.

Jerry L. Rockstroh

Senior Vice President of Supply Chain and Continuous Improvement

Strategic Sourcing

"Focusing our supply chain into key strategic partners contributes to a higher level of quality, delivery, and cost competitiveness we can bring to customers."



Technology Leadership

Pump, Valve and Seal R&D Collaboration



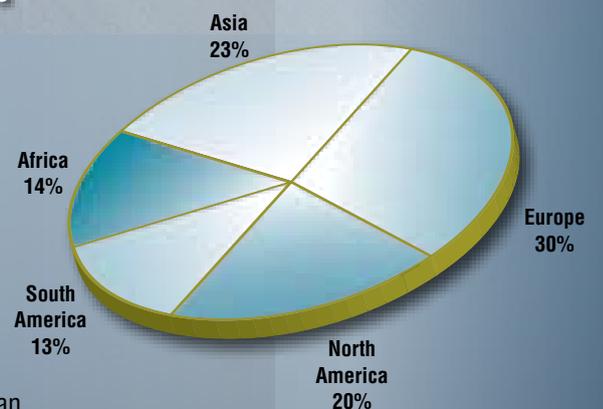
Subsea technology is becoming increasingly important in the oil and gas industry. By adding pumps to the seabed, closer to the oil, operators can extract more oil out of aging fields, tap smaller reservoirs and help facilitate production from reserves that are not able to produce with current technology.

With support from one of our largest oil and gas customers, Flowserve is developing subsea pumping systems incorporating Flowserve seals within the pumps. The systems, currently in the development and testing phase, are rated for the high pressures necessary for production of deeper offshore fields.

Identified Exploration Targets 2007–2009 Drilled, Pending and Undrilled Prospects

Country	2007–2009
Africa	160
Asia	275
Europe	355
North America	230
South America	150
Total	1170*

Subsea exploration activity and spending will increase in every region of the world with more than 1170 deepwater wells anticipated through 2009.



*All numbers are close approximations based on data from Quest Offshore Resources

Bookings

Amounts in millions



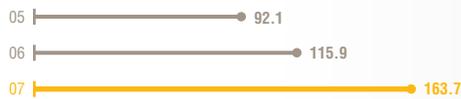
Sales

Amounts in millions



Operating Income

Amounts in millions



Flowserve won an order to provide control valve products for a large natural gas company in the middle east based on an engineered solution that meets the demanding control and noise requirements.

The Flow Control Division (FCD) designs and manufactures a broad range of industrial and control-valve products and engineered services. Its portfolio of valves includes ball, plug, gate, globe-and-check, linear-control, rotary-control and steam, as well as actuators, digital and analog positioners, steam traps and systems. Flowserve valves are specified in highly specialized applications such as noise, cavitation, cryogenic, acid/sours, erosive and corrosive, and zero-emissions service, along with advanced diagnostics for actuation, instrumentation and controls. They are installed extensively in the oil and gas, chemical/petrochemical, power, water, mining, pulp and paper, aerospace, food and beverage, and pharmaceuticals industries.

FCD's long record in the power market, including the nuclear industry, earned it top credentials and new business. Its Cookeville, Tennessee, facility recently received the Nuclear Quality Assurance-1 standard (NQA-1). NQA-1 approval allows the Cookeville facility to supply valves to nuclear-waste-eradication facilities; the company subsequently received a large order from such a facility in the United Kingdom.

In nuclear power generation, Flowserve supplied more than \$9 million worth of gate, globe and check valves for the restart of the Tennessee Valley Authority's Brown's Ferry I plant. Flowserve was also awarded the contract to supply critical main steam isolation and main feedwater isolation valves for the Olkiluoto 3 plant in Finland, the world's first generation 3+ nuclear plant.

Flowserve valves are also frequently specified in the oil and gas industry. Siberia's Vankor Oilfield is utilizing Flowserve's StarPac "smart valve," units that are able to measure and control oil flow, ultimately helping to produce an extra 100 million barrels of oil over the field's 30-year lifespan.

In the United Arab Emirates, Flowserve is providing severe-service Flowserve Valtek control valves for Phase II of Gasco's Asab NGL Recovery plant. In China, a gas purification plant has placed a large order for class 600 and 900 valves, which will be automated with Flowserve Automax pneumatic actuators and controls.

In Brazil, The Horizonte pulp plant is another example of group synergy. Specifying valves under the NAF, Durco and Valtek brands, Flowserve was the only supplier that could submit a proposal for all of the required valves on the project.

With development of a ball valve that meets industry specifications for the Tar Sands market, Flowserve is well positioned to capture significant Canadian business in coming years. Around the globe, the Valve Division expects to win new business in the power, oil and gas, chemical and other industries.



Flowserve products support development of new propulsion systems for advanced space exploration.



Flowserve engineers conduct stringent testing on all products prior to delivery and installation.

The Flowserve Pump Division (FPD) designs and manufactures industrial pumps and pumping systems and provides a range of support services. Its portfolio includes over 150 different pumps, including multistage, vertical, process and multiphase, as well as specialized products and systems. Primary markets are the oil and gas, power, and chemical industries where the Pump Division is a world leader. Water resources is another strong market for the division including infrastructure, desalination and waste-water treatment as well as the growing mineral and ore processing market. Flowserve's pump product brands and systems are renowned for their scale, durability and efficiency in the most challenging environments.

In 2007, FPD significantly increased its investment in intelligent device technologies and completed several customer pilots utilizing our next generation technologies. These technologies, which combine advanced wireless communication, sensing and data convergence technologies with FPD's current Intelligent Pumping System (IPS) platform, will increase Flowserve's capabilities to provide comprehensive asset management and life cycle cost reduction services to our customers.

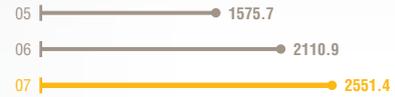
As subsea technology gains prevalence in the oil and gas industry, FPD, in cooperation with one of the world's largest oil and gas companies, is actively developing and testing multiphase pumps for subsea applications. These pumping systems are designed to operate at depths as far as up to two miles below sea level.

Flowserve formed a LifeCycle Advantage™ (LCA) alliance with a global health care, nutrition and high-tech materials company to move beyond conventional "initial cost only" considerations to eliminate administrative burden and minimize downtime and inventory costs. The LCA program leverages Flowserve's product breadth, application expertise and service capability to help customers reduce total cost of ownership and is in place for customers in many locations around the world.

Flowserve broke ground on what will become one of the Middle East's largest pump repair, manufacturing, test and training facility. It also opened two manufacturing facilities in the emerging Indian and Chinese markets to serve the growing demand from customers. In late 2007, Flowserve was selected to provide concrete volute pumps for the first phase of two Chinese nuclear power plant projects. With these wins in nuclear power and its leadership position in other power industry areas, the company expects to continue to secure major projects in Asia, North America and around the globe.

Bookings

Amounts in millions



Sales

Amounts in millions



Operating Income

Amounts in millions



Barrel pump to be used in LNG Pipeline service.



Typical installation of industrial pumps.



Multistage pump with steam turbine driver.

Bookings

Amounts in millions



Sales

Amounts in millions



Operating Income

Amounts in millions



The Flow Solutions Division (FSD) designs and manufactures seals and sealing systems for pumps and compressors in the oil and gas, chemical, and mineral and ore processing industries and other markets. Its portfolio of mechanical seals includes bellows, compressor, mixer, lift-off, dry-running, pusher, steam, standard-cartridge and slurry, as well as auxiliary systems. Flowserve seals are known for their ability to function under high-pressure, high-speed, high-temperature and highly corrosive environments.

Demonstrating cross-divisional synergy, Flowserve was awarded major primary-source pump and seal contracts for two large Gulf Coast refinery expansions. The business, worth over \$65 million, was booked on the strength of excellent existing relationships with the clients. A crude refinery expansion project in Port Arthur, Texas, will utilize approximately 400 Flowserve pumps, 948 seals and 690 seal systems as well as hydraulic decoking equipment. Another major expansion in Garyville, Louisiana, will employ 450 pump seals, 14 compressor seals and 300 seal systems.

In 2007, FSD opened a new auxiliary systems facility that will allow Flowserve to integrate the supply of seal-support systems for the chemical and oil industries, significantly expanding its value-added offerings.

The division also opened three new Quick Response Centers, and a major flood proved their value. When an overflowing Verdigris River swamped the Coffeyville Refinery in Kansas, FSD went into immediate action, supplying more than 190 seals that helped get the plant back online within an unprecedented five weeks.

In Latin America, Flowserve has forged a close relationship with one of the world's largest energy companies, focusing on aftermarket services for compressor seals and systems. The Seal Division is retrofitting equipment to replace wet gas seals with dry gas seals, improving compressor performance and preventing leakage.

In Brazil, one of the largest aluminum mining companies ordered more than 120 slurry seals and related systems for use with bauxite and white liquor pumps, as well as a number of seals for general utility pumps. The Seal Division continues to leverage its technological knowledge to address leak prevention and seal life as well. Using lasers, Flowserve can alter the topographies of seal faces, depending upon the application. These unique micro-features result in cooler seal faces that resist contamination and wear.

To support its well-established and growing business in the Middle East — particularly in oil and gas — the division is designating Dubai, United Arab Emirates, to become its Middle East support hub. Additionally the Division will continue to execute on plans to expand its footprint to capture new and organic growth in Asia and other emerging areas of the world.



Pump and compressor seal auxiliary systems represent a growing business market.



Compressor seal retrofits increase reliability for process plants and pipelines.



Flow Solutions face topography technology enables better control of liquid and gas leakage which supports lower emissions.

Flowserve Quick Response Centers

Driving Aftermarket Growth

In addition to design, manufacturing and training facilities, Flowserve operates 151 Quick Response Centers strategically located in more than 34 countries around the world. A broad range of services offered by a QRC include hydraulic repairs, upgrades and retrofits, energy management programs, analytical and diagnostic services, maintenance, repair and inspection services, installation and commissioning services, training and inventory management. With many long-term, end user customer relationships, local Flowserve technical experts become an extension of the customer team by providing application troubleshooting and reliability consultation onsite at the customer operation.

With a high degree of customer loyalty, and growth expected to continue in many regions around the world, Quick Response Centers play a key role in Flowserve's focus on expanding its aftermarket business. These growth opportunities include business that will come as a result of new Quick Response Centers planned in the 2008–2010 time period, growth in existing Quick Response Center business and from continued growth of Flowserve's LifeCycle Advantage™ program, which has been built on long-term customer alliances that reduce total cost of ownership for customers.



A Competitive Advantage

Flowserve's Quick Response Center success is driven by a model based on outstanding operational efficiency and competency. This Quick Response Center concept allows Flowserve to plan, build and operate Quick Response Centers with significant speed, consistency and operating efficiency through facility standardizations, centralized access to a set of global, best-in-class engineering knowledge resources and, in some cases, shared inventory. This operational excellence, combined with a consistent standard of technical expertise, allows Flowserve to deliver quality services in a highly responsive manner to local customers.

As our customers experience growth and expand their business, Flowserve plans to continue to dedicate the resources and capability to expand our global footprint. The expansion, primarily driven by the significant global infrastructure opportunities in various regions, will drive new Quick Response Centers in Africa, Europe, Middle East, Latin America and Asia Pacific to meet the needs of our end user customers locally.



Corporate Social Responsibility

MARKETPLACE

- Products designed to meet the highest industry standards for emissions control
- Process optimization
- Product lifecycle longevity

ENVIRONMENT

- Environmental protection
- Energy management
- Chemical usage and controls

FlowsERVE supports its employees, its customers and their communities while playing a critical role in protecting the environment by providing products which meet the highest levels of emissions control.

WORKPLACE

- Comprehensive benefits and recognition programs
- Ethics and compliance focused culture
- Award winning safety programs

COMMUNITY

- Support communities where our employees and customers live and work through philanthropy, volunteer and leadership opportunities



In Shanghai and Beijing, China, FlowsERVE employees collaborated to provide a large donation of clothing to Tibetan children living in the province of Qinghai.



FlowsERVE equipment has also helped customers reduce energy costs. A snack-food processing customer saved more than \$5 million in energy costs as a result of using FlowsERVE equipment to help manage temperature control in the cooking vats.

In 2007 the company achieved over \$4 million in Pollution Prevention/Waste Minimization savings. It was also one of four companies in Castlemaine, Australia, to share a \$50,000 government grant to explore ways to reduce greenhouse gas emissions.



FlowsERVE closed the year with all-time low company incident rates for both Lost Time Accidents and Total Recordable Accidents. In fact, the company saw a 12 percent reduction in the Lost Time Accident Rate from 2006, and a 32 percent reduction in the Total Recordable Accident Rate from the prior year.



Kevin E. Sheehan
Chairman of the Board
Partner, Cambridge Ventures
Finance Committee



Lewis M. Kling
President &
Chief Executive Officer
FlowsERVE Corporation



Christopher A. Bartlett*
Professor of Business
Administration, Emeritus,
Harvard University
Organization & Compensation
Committee



Gayla J. Delly
President,
Benchmark Electronics Inc.
Audit Committee



Roger L. Fix
CEO, Standex International
Corporation
Organization & Compensation
Committee



John R. Friedery
Senior Vice President,
Ball Corporation;
President, Metal Beverage
Packaging, Americas & Asia
Audit Committee



Joe E. Harlan
Executive Vice President,
Electro & Communications
Business, 3M Company
Finance Committee



Diane C. Harris
President,
Hypotense Enterprises, Inc.
Finance Committee



Michael F. Johnston
CEO & Chairman of the Board,
Visteon Corporation
Corporate Governance &
Nominating Committee
Finance Committee (Chair)



Rick J. Mills
President, Components Group,
Cummins Inc.
Audit Committee



Charles M. Rampacek
Former Chairman,
President & CEO,
Probex Corporation
Corporate Governance &
Nominating Committee (Chair)
Organization & Compensation
Committee



James O. Rollans
Former President & CEO,
Fluor Signature Services
Audit Committee (Chair)
Corporate Governance &
Nominating Committee



William C. Rusnack
Former President & CEO,
Premcor Inc.
Corporate Governance &
Nominating Committee
Organization & Compensation
Committee (Chair)

*To retire from FlowsERVE board of directors at the 2008 FlowsERVE Annual Shareholders Meeting.

Flowserve Officers

Lewis M. Kling

President and Chief Executive Officer

Kyle B. Ahlfinger

Vice President and Chief Marketing Officer

Andrew J. Beall

Senior Vice President;
President, Flow Solutions Division

Deborah K. Bethune

Vice President of Tax

Mark A. Blinn

Senior Vice President;
Chief Financial Officer and Latin America
Operations

Mark D. Dailey

Senior Vice President of Human Resources
and Chief Compliance Officer

Paul W. Fehlman

Vice President and Treasurer

Thomas E. Ferguson

Senior Vice President;
President, Flowserve Pump Division

Richard J. Guiltinan

Vice President and Chief Accounting Officer

Linda P. Jojo

Senior Vice President and
Chief Information Officer

Thomas L. Pajonas

Senior Vice President;
President, Flow Control Division

Jerry L. Rockstroh

Senior Vice President of Supply Chain
and Continuous Improvement

Ronald F. Shuff

Senior Vice President and
Secretary and General Counsel

Corporate Information

World Headquarters

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Irving, Texas 75039
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Facsimile: 972-443-6800

Transfer Agent

For stock and legal transfers, changes of
address, lost stock certificates, elimination
of duplicate mailings of shareholder
information or general inquiries about stock
ownership, contact:

National City Bank, Dept. 5352
Shareholder Services Operations
P.O. Box 92301
Cleveland, OH 44101-4301
shareholder.inquiries@nationalcity.com
1-800-622-6757

Stock Exchange Listing

Flowserve Corporation common stock is
Listed on the New York Stock Exchange
(NYSE) and traded under the symbol FLS.
The Company's records show that at
March 24, 2008, 57,466,100 shares of
Flowserve common stock were outstanding.
On March 24, 2008, the Company's records
showed approximately 1,864 shareholders
of record.

CEO and CFO Certifications

The Annual CEO Certification pursuant to the
New York Stock Exchange (NYSE) Listed
Company Manual (Section 303A.12(a)) was
filed with the NYSE on June 14, 2007 with
no qualifications. Additionally, Flowserve also
included as Exhibits 31.1 and 31.2 to its
2007 Annual Report on Form 10-K filed with
the Securities and Exchange Commission, the
Certifications of the CEO and CFO required by
Section 302 of the Sarbanes-Oxley Act of 2002.

**Availability of Forms Filed with the
Securities and Exchange Commission**

Shareholders may obtain, without charge,
copies of the following documents as filed with
the Securities and Exchange Commission:

- Annual Report on Form 10-K
- Quarterly Reports on Form 10-Q
- Current Reports on Form 8-K
- Changes in Beneficial Ownership
- Proxy Statements

Copies may be obtained by accessing the
Company's website or by providing a written
request for such copies or additional
information about Flowserve's operating or
financial performance to:

Investor Relations
Flowserve Corporation
5215 North O'Connor Boulevard, Suite 2300
Irving, Texas 75039
972-443-6500
investorrelations@flowserve.com

To obtain additional information on Flowserve,
please visit the Company's website at
www.flowserve.com

**Firms That Have Provided Equity Research
Coverage on Flowserve Include:**

- Bear Stearns
- BMO Capital Markets
- Friedman Billings Ramsey
- RBC Capital Markets
- Robert W. Baird
- Wachovia Securities

Flowserve, Aldrich, Anchor-Darling, Argus, Atomac, Byron Jackson, BW/IP, Durametallac, Durco, Edward, Gestra, IDP, Interseal, Limitorque, NAF, NAVAL, Noble Alloy, Nordstrom, Pacific, Pleuger, Scienco, Serck Audco, Sier Bath, TKL, United Valtek, Vogt, Worthington, Worcester and Worthington Simpson are all trademarks of Flowserve Corporation.



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Experience In Motion