SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1998 Commission File Number 1-13179

FLOWSERVE CORPORATION
(Exact name of Registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

31-0267900
(I.R.S. Employer Identification Number)

222 W. Las Colinas Blvd., Suite 1500, Irving, Texas	75039
(Address of principal executive offices)	(Zip Code)
(Registrant's telephone number, including area code)	(972) 443-6500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Shares of Common Stock, $1.25 par value, outstanding as of September 30, 1998	38,416,868

PART I: Financial Information

FLOWSERVE CORPORATION
Consolidated Statements of Income
(Unaudited)

(Amounts in thousands, except per share data)	For the quarter ended September 30 1998	1997
Net sales	$ 264,776	$ 281,805
Cost of sales	165,196	174,395
Gross profit	99,580	107,410
Selling and administrative expense	63,077	71,460
Research, engineering and development expense	6,431	6,520
Merger transaction expense	--	10,200
Merger integration expense	4,154	--
Operating income	25,918	19,230
Interest expense	3,141	2,697
Other income	(173)	(435)
Earnings before income taxes	22,950	16,968
Provision for income taxes	8,033	9,918
Earnings before cumulative effect of accounting change	14,917	7,050
Cumulative effect of accounting change	(1,220)	--
Net earnings	$ 16,137	$ 7,050
Earnings per share (diluted and basic):		
Before cumulative effect of accounting change	$ 0.37	$ 0.17
Cumulative effect of accounting change	0.03	--
Earnings per share	$ 0.40	$ 0.17

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
Consolidated Statements of Income
(Unaudited)

(Amounts in thousands, except per share data)	Year to date September 30 1998	1997
Net sales	$ 803,821	$ 844,974
Cost of sales	497,051	512,205
Gross profit	306,770	332,769
Selling and administrative expense	194,623	214,369
Research, engineering and development expense	18,870	19,549
Merger transaction expense	--	10,200
Merger integration expense	23,705	--
Operating income	69,572	88,651
Interest expense	9,844	9,612
Other income	(2,545)	(4,034)
Earnings before income taxes	62,273	83,073
Provision for income taxes	21,796	34,343
Earnings before cumulative effect of accounting change	40,477	48,730
Cumulative effect of accounting change	(1,220)	--
Net earnings	$ 41,697	$ 48,730
Earnings per share (diluted and basic):		
Before cumulative effect of accounting change	$ 1.00	$ 1.19
Cumulative effect of accounting change	0.03	--
Earnings per share	$ 1.03	$ 1.19

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
Consolidated Balance Sheets

(Amounts in thousands)	September 30, 1998 (Unaudited)	December 31 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,809	$ 58,602
Accounts receivable, net	230,912	234,437
Inventories	204,675	184,944
Prepaids and other current assets	35,361	36,681
Total current assets	491,757	514,664
Property, plant and equipment, net	205,060	209,509
Intangible assets, net	87,696	79,748
Other assets	77,715	76,104
Total assets	$ 862,228	$ 880,025

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
Consolidated Balance Sheets

(Amounts in thousands, except per share data)	September 30, 1998 (Unaudited)	December 31 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 66,461	$ 68,241
Notes payable	6,959	5,644
Income taxes	15,111	15,548
Accrued liabilities	108,157	128,802
Long-term debt due within one year	11,207	12,209
Total current liabilities	207,895	230,444
Long-term debt due after one year	189,382	128,936
Postretirement benefits and deferred items	114,974	125,372
Shareholders' equity:		
Serial preferred stock, $1.00 par value, no shares issued	--	--
Common stock, $1.25 par value,	51,856	51,856

41,484 shares issued and 38,417 shares outstanding at September 30, 1998 and 41,484 shares issued and outstanding December 31, 1997		
Capital in excess of par value	70,472	70,895
Retained earnings	351,452	326,681
	473,780	449,432
Treasury stock at cost, 3,067 shares at September 30, 1998 and 881 shares at December 31, 1997, respectively	(82,910)	(23,145)
Accumulated other comprehensive income	(39,980)	(29,746)
Other equity adjustments	(913)	(1,268)
Total shareholders' equity	349,977	395,273
Total liabilities and shareholders' equity	$ 862,228	$ 880,025

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
Consolidated Statements of Shareholders' Equity
(Unaudited)

(Amounts in thousands)	Common stock	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated other comprehensive income	Other equity adjustments	Total share-holders' equity
Balance at December 31, 1996	$ 51,854	$ 72,628	$ 298,563	$ (27,455)	$ (5,744)	$ (1,222)	$ 388,624
Net earnings	--	--	48,730	--	--	--	48,730
Cash dividends ($0.14 per share)	--	--	(17,765)	--	--	--	(17,765)
Foreign currency translation adjustment	--	--	--	--	(19,219)	--	(19,219)
Stock activity under stock plans	2	(1,275)	--	3,632	--	(53)	2,306
Balance at September 30, 1997	$ 51,856	$ 71,353	$ 329,528	$ (23,823)	$ (24,963)	$ (1,275)	$ 402,676
Balance at December 31, 1997	$ 51,856	$ 70,895	$ 326,681	$ (23,145)	$ (29,746)	$ (1,268)	$ 395,273
Net earnings	--	--	41,697	--	--	--	41,697
Cash dividends ($0.14 per share)	--	--	(16,926)	--	--	--	(16,926)
Foreign currency translation adjustment	--	--	--	--	(10,234)	--	(10,234)
Treasury stock repurchases (2,368 shares)	--	--	--	(56,486)	--	--	(56,486)
Stock activity under stock plans	--	(423)	--	4,253	--	355	4,185
Effect of change in accounting for Rabbi Trusts	--	--	--	(7,532)	--	--	(7,532)
Balance at September 30, 1998	$ 51,856	$ 70,472	$ 351,452	$ (82,910)	$ (39,980)	$ (913)	$ 349,977

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

(Amounts in thousands)	For the nine months ended September 30 1998	1997
Operating activities:		
Net earnings	$ 41,697	$ 48,730
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	26,181	27,970
Loss on the sale of fixed assets	13	30
Cumulative effect of accounting change	(1,220)	--
Change in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	5,185	(5,616)
Inventories	(20,957)	(28,496)
Prepaid expenses and other assets	(1,439)	(13,282)
Accounts payable and accrued liabilities	(24,099)	19,286
Income taxes	564	(1,388)
Postretirement benefits and deferred items	(11,178)	1,748
Other	624	(1,087)
Net cash flows from operating activities	15,371	47,895
Investing activities:		
Capital expenditures, net of disposals	(23,747)	(28,979)
Payment for acquisitions, net of cash acquired	(12,677)	(9,000)
Other	487	171
Net cash flows used by investing activities	(35,937)	(37,808)
Financing activities:		
Net borrowings under lines of credit	1,564	1,010
Payments on long-term debt	(10,543)	(36,476)
Proceeds from long-term debt	67,557	38,833
Treasury share purchases	(56,486)	--
Proceeds from stock activity	(1,787)	2,306
Dividends paid	(16,926)	(20,435)
Other	--	(170)
Net cash flows used by financing activities	(16,621)	(14,932)
Effect of exchange rate changes	(606)	(1,947)
Net change in cash and cash equivalents	(37,793)	(6,792)
Cash and cash equivalents at beginning of year	58,602	38,932
Cash and cash equivalents at end of period	$ 20,809	$ 32,140
Taxes paid	$ 22,232	$ 26,914
Interest paid	$ 7,501	$ 8,344

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
Notes to Consolidated Financial Statements
(unaudited)

1. Overview

Flowserve Corporation (the Company or Flowserve) was created on July 22, 1997, through a merger of equals between BW/IP, Inc. and Durco International Inc. accounted for under "pooling of interests" accounting. Accordingly, all historical information has been restated giving effect to the transaction as if the two companies had been combined at the beginning of all periods presented. In addition, certain other historical information has been reclassified for consistency with the 1998 presentation.

2. Accounting Policies - Basis of Presentation

The accompanying consolidated balance sheet as of September 30, 1998, and the related consolidated statements of income and cash flows for the three months and the nine months ended September 30, 1998 and 1997, are unaudited. In management's opinion, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such financial statements have been made. The accompanying consolidated financial statements and notes in this Form 10-Q are presented as permitted by Regulation S-X and do not contain certain information included in the Company's annual financial statements and notes to the financial statements. Accordingly, the accompanying consolidated financial information should be read in conjunction with the Company's 1997 Annual Report. Interim results are not necessarily indicative of results to be expected for a full year.

3. Inventories

Inventories are stated at the lower of cost or market. Cost is determined for certain inventories by the last-in, first-out (LIFO) method and for other inventories by the first-in, first-out (FIFO) method.

The amount of inventories and the method of determining costs for the quarter ended September 30, 1998 and the year ended December 31, 1997 were as follows:

(Dollars in millions)	September 30 1998	December 31 1997
Raw materials	$ 25.8	$ 18.1
Work in process and finished goods	230.6	216.4
Less: Progress billings	(11.6)	(10.9)
	244.8	223.6
LIFO reserve	40.1	38.6
Net inventory	$ 204.7	$ 185.0
Percent of inventory accounted for by LIFO	44%	43%
Percent of inventory accounted for by FIFO	56%	57%

4. Earnings per share

The Company's potentially dilutive common stock equivalents were immaterial as of September 30, 1998 and all previous periods. Accordingly, diluted earnings per share are equal to basic earnings per share for all periods presented. Earnings per share for the nine months ended September 30, 1998 and 1997 were based on average common shares and common share equivalents outstanding of 40,497 and 40,873, respectively.

5. Impact of Recently Issued Accounting Standards

In 1997, the Financial Accounting Standards Board issued SFAS No. 130 "Reporting Comprehensive Income", SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information", and SFAS No.132 "Employer's Disclosure About Pensions and Other Post Retirement Benefits". All three standards are effective for fiscal years beginning after December 15, 1997. These standards modify or expand current disclosure requirements and, accordingly, are not expected to impact the Company's reported financial position, results of operations, or cash flows.

The Company adopted SFAS No. 130 "Reporting Comprehensive Income." Comprehensive income is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owner sources. Under SFAS 130, the term "comprehensive income" is used to describe the total of net earnings plus other comprehensive income which, for the Company, includes foreign currency translation. SFAS 130 does not impact the calculation of net earnings or earnings per share nor does it impact reported assets, liabilities or total shareholders' equity. It does impact the presentation of the components of shareholders' equity within the balance sheet and the presentation of the components of comprehensive income. During the three months ended

September 30, 1998 and 1997, total comprehensive income (comprised of reported net income less foreign currency translation adjustments) was $11.9 million and $5.8 million, respectively. For the nine months ended September 30, 1998 and 1997, total comprehensive income was $31.5 million and $29.5 million, respectively.

The Company adopted the provisions of EITF No. 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested" at September 30, 1998. This standard established new guidelines for deferred compensation arrangements where amounts earned by an employee are invested in the employer's stock that is placed in a Rabbi Trust. The EITF requires that the Company's stock held in the trust be recorded at historical cost, the corresponding deferred compensation liability recorded at the current fair value of the Company's stock, and the stock held in the Rabbi Trust classified as treasury stock. The difference between the historical cost of the stock and the fair value of the liability at September 30, 1998 has been recorded as a cumulative effect of a change in accounting principle of $1.2 million, net of tax. Prior year financial statements have not been restated to reflect the change in accounting principle. The effect of the change on 1997 year-to-date income before the cumulative effect was a reduction of $0.5 million.

The Company is assessing the impact of SFAS No. 131 and SFAS No. 132 on its disclosure requirements.

6. Merger Integration Program

In the fourth quarter of 1997, the Company announced its merger integration program. This $92.4 million program includes investments of approximately $22.2 million for capital expenditures and approximately $70.2 million for integration expenses. Of this $70.2 million, $32.6 million was recognized as a one-time restructuring charge in the fourth quarter of 1997. The balance is being recognized as incurred over the three-year life of the program.

In July 1998, the Company's Board of Directors approved an $18 million expenditure for the first phase of a global business process improvement initiative. This initiative has costs and benefits incremental to the on-going merger integration program. The total incremental cost of the business process improvement initiative is expected to approximate $120 million over a three-year period. Approximately half of the costs associated with this initiative are expected to be capitalized with the balance separately identified as merger integration expense.

The Company incurred $4.2 million for merger integration expenses in the third quarter of 1998 and the Company has incurred $30.7 million for merger integration expense since the inception of the program. Merger integration expense in the third quarter included costs for closing the San Jose, California and Charleroi, Belgium pump plants, continued consolidations in the business units, as well as approximately $1.2 million in costs for the business process improvement initiative. The integration program is expected to result in a net reduction of approximately 300 employees at a cost of $22.4 million. In addition, exit costs associated

with the facilities closings are estimated at $10.2 million. The integration program is expected to be funded through operating cash flows and available credit facilities.

In the third quarter ended September 30, 1998, severance costs of $5.0 million and exit costs of $4.0 million were paid and recorded against the restructure accrual established in 1997. The remainder of the costs are expected to be incurred over the life of the program.

Restructure Accrual (amounts in millions)	SEVERANCE	OTHER EXIT COSTS	TOTAL
Balance at October 27, 1997	$ 22.4	$ 10.2	$ 32.6
Cash expenditures	(3.4)	(.5)	(3.9)
Non-cash expenditures	--	(1.2)	(1.2)
Balance at December 31, 1997	$ 19.0	$ 8.5	$ 27.5
Cash expenditures	(2.3)	(0.4)	(2.7)
Non-cash expenditures	--	--	--
Balance at March 31, 1998	$ 16.7	$ 8.1	$ 24.8
Cash expenditures	(6.6)	(0.8)	(7.4)
Non-cash expenditures	--	(0.7)	(0.7)
Balance at June 30, 1998	$ 10.1	$ 6.6	$ 16.7
Cash expenditures	(5.0)	(0.6)	(5.6)
Non-cash expenditures	--	(3.4)	(3.4)
Balance at September 30, 1998	$ 5.1	$ 2.6	$ 7.7

7. Share Repurchase Program

During the second quarter of 1998, the Company initiated a $100 million share repurchase program and as of September 30, 1998 had spent approximately $56.5 million to repurchase approximately 2.4 million, or 5%, of its outstanding shares. The purchases were funded through operating cash flows and available credit facilities. The timing of future repurchases depends on market conditions, the market price of Flowserve's common stock, and management's assessment of the Company's liquidity and cash flow needs.

8. Acquisitions

In July 1998, the Company completed the acquisition of certain assets and liabilities of the Valtek Engineering Division of Allen Power Engineering, Limited, from Rolls Royce plc. The Valtek Engineering Division was the British licensee for many of Flowserve's control valve products, with exclusive territorial rights for portions of Europe, the Middle

East and Africa since 1971. This business produced sales of approximately $20 million in 1997.

In September 1998, the Company acquired the remaining 49% ownership interest in Durametallic Asia Pte. Ltd., a fluid sealing manufacturer located in Singapore, from its joint-venture partner, the Sanmar Group. Flowserve, which now owns 100% of Durametallic Asia, previously had a 51% interest in this joint venture. The results of this business are expected to have an immaterial impact on the consolidated financial results of the Company.

9. Subsequent Events

On October 22, 1998, the Company announced that Flowserve President and Chief Operating Officer, William M. Jordan, is leaving the Company, effective October 31, 1998. The company expects to record a one-time charge in the fourth quarter, relating to the employment agreement between Mr. Jordan and the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Flowserve Corporation (the Company or Flowserve) was created on July 22, 1997, through a merger of equals between BW/IP, Inc. and Durco International Inc. accounted for under "pooling of interests" accounting. Accordingly, all historical information has been restated giving effect to the transaction as if the two companies had been combined at the beginning of all periods presented. In addition, certain other historical information has been reclassified for consistency with the 1998 presentation.

Flowserve produces engineered pumps for the process industries, precision mechanical seals, manual and automated quarter-turn valves, control valves and valve actuators, and provides a range of related flow management services to a diverse customer base worldwide. Equipment manufactured and serviced by the Company is used in industries that utilize difficult to handle and often corrosive fluids in environments with extreme temperature, pressure, horsepower and speed. Flowserve's businesses are affected by economic conditions in the U.S. and other countries where its products are sold and serviced, and by the relationship of the U.S. dollar to other currencies, and demand and pricing for customers' products. The impact of these conditions is mitigated to some degree by the strength and diversity of Flowserve's product lines and geographic coverage.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 1998

Net sales for the three months ended September 30, 1998 were $264.8 million, compared with net sales of $281.8 million for the same period in 1997. Low oil prices, a downturn in chemical markets, and the Asian economic crisis have negatively impacted sales throughout the year. In addition, several other negative factors impacted third quarter sales. Sales decreased in the Fluid Sealing Division due to softening in chemical customer demand, weaker distributor input, and lower original equipment manufacturer (OEM) activity. Weakness in the Latin America market also appeared for the first time in the third quarter. The remainder of the decrease in sales was due primarily to low petroleum industry spending caused by lower oil prices and continued effects of the Asian economic crisis that has delayed major projects and reduced worldwide chemical market activity. Net sales to international customers, including export sales from the U.S., were approximately 50% for the three months ended September 30, 1998, and approximately 53% for the three months ended September 30, 1997.

The gross profit margin was 37.6% for the three months ended September 30, 1998, compared with 38.1% for the same period in 1997. The decrease in the gross profit margin was due to lower sales of higher profit parts, under absorption resulting from lower sales volume and continued pricing pressure, principally in the valve business. Selling and administrative expenses as a percentage of net sales were 23.8% for the three month period ended September 30, 1998, compared with 25.4% for the corresponding 1997 period. The reduction in selling and administrative expenses percentage was due primarily to savings generated by the merger integration program, lower sales commissions, lower accruals for performance incentives and other cost control initiatives.

Tax savings initiatives undertaken as part of the merger integration program reduced the effective tax rate to 35% compared with 37% in 1997.

Earnings before special items (merger related expenses and the cumulative effect of an accounting change) for the third quarter of 1998 were $17.6 million ($0.44 per share) or 2% above the $17.3 million ($0.42 per share) for the same period in 1997. Net earnings, after special items, were $16.1 million ($0.40 per share) for the three months ended September 30, 1998, compared with $7.1 million ($0.17 per share) for the same period in 1997. Net earnings for the third quarter of 1998 included a one-time cumulative effect of an accounting change that resulted in a benefit of $1.2 million, net of tax. This cumulative effect of an accounting change resulted from the required adoption of EITF 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested."

Bookings of $253.8 million in the third quarter of 1998 were below the $279.6 million recorded in the third quarter of 1997. Lower third quarter 1998 bookings were due to customers' economic uncertainty, weaker markets for their products, project financing issues, lower activity in chemical markets and a decrease in Fluid Sealing Business, particularly in Latin America. Backlog at September 30, 1998 was $312.5 million, compared with $291.6 million at December 31, 1997.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 1998

Net sales for the nine months ended September 30, 1998 were $803.8 million, compared with net sales of $845.0 million for the same period in 1997. The sales decline was due to continued effects of the Asian economic crisis that has delayed major projects and reduced worldwide chemical market activity, lower petroleum industry spending related to lower oil prices, a slowdown in the Latin America region, and unfavorable currency translation rates. Net sales to international customers, including export sales from the U.S., were 50% for the nine months ended September 30, 1998 and 51% for the nine months ended September 30, 1997.

The gross profit margin was 38.2% for the nine months ended September 30, 1998, compared with 39.4% for the same period in 1997. The decrease in the gross profit margin was due primarily to lower sales of higher profit parts, under-absorption at certain locations and continued pricing pressure, principally in the valve business. Selling and administrative expenses as a percentage of net sales were 24.2% for the nine month period ended September 30, 1998, compared with 25.4% for the corresponding period of 1997. The reduction in the selling and administrative expenses percentage was due primarily to savings generated by the merger integration program, lower sales commissions and other cost control initiatives across all divisions.

Tax savings initiatives undertaken as part of the merger integration reduced the effective tax rate to 35% compared with 37% in 1997.

Earnings before special items were $55.9 million ($1.38 per share) for the nine months ended September 30, 1998, compared with $58.9 million ($1.44 per share) for the same period in 1997. Net earnings, after special items were $41.7 million ($1.03 per share) for the nine months ended

September 30, 1998, compared with $48.7 million ($1.19 per share) for the same period in 1997. Net earnings for the nine months ended September 30, 1998 included a one-time cumulative effect of an accounting change of $1.2 million net of tax, recorded in the third quarter.

Bookings of $815.5 million for the nine months ended September 30, 1998 were about 6% below the $869.6 million for 1997. The decline in bookings was due to the Asian economic crisis that has delayed several projects and reduced worldwide chemical market activity, a decline in oil prices that has resulted in lower petroleum-related capital spending, and a slowdown in the Latin America region.

MERGER INTEGRATION PROGRAM

In the fourth quarter of 1997, the Company announced its merger integration program. This $92.4 million program includes investments of approximately $22.2 million for capital expenditures and approximately $70.2 million for integration expense. Of the $70.2 million, 32.6 million was recognized as a one-time restructuring charge in the fourth quarter of 1997. The balance is being recognized as incurred over the three-year life of the program.

In July 1998, the Company's Board of Directors approved an $18 million expenditure for the first phase of a global business process improvement initiative. This initiative has costs and benefits incremental to the on-going merger integration program. This initiative includes the standardization of the Company's processes and the implementation of a global information system to facilitate common practices. The total incremental cost of the business process improvement initiative is expected to approximate $120 million over a three-year period. Approximately half of the costs associated with this initiative are expected to be capitalized with the balance separately identified as merger integration expense.

The Company incurred $4.2 million for merger integration expenses in the third quarter 1998 and the Company has incurred $30.7 million for merger integration expense since the inception of the program. Merger integration expense in the third quarter included costs for closing the San Jose, California and Charleroi, Belgium pump plants, continued consolidations in the business units, as well as approximately $1.2 million in costs for the business process improvement initiative. The integration program is expected to result in a net reduction of approximately 300 employees at a cost of $22.4 million. In addition, exit costs associated with the facilities closings are estimated at $10.2 million. The integration program is expected to be funded through operating cash flows and available credit facilities.

In the third quarter ended September 30, 1998, severance costs of $5.0 million and exit costs of $4.0 million were paid and recorded against the restructure accrual established in 1997. The remainder of the costs are expected to be incurred over the life of the program.

The Company believes the merger integration program, excluding the business process improvement initiative, will produce $45 to $55 million annually in operating income at the end of three years. This income is expected to be produced by eliminating cost redundancies, capturing procurement savings, and realizing earnings increases from sales synergies. The Company realized pre-tax integration savings of approximately $3.0 million, in the first quarter, $3.8 million in the second quarter, and $6.0 million in the third quarter. The Company believes the business process improvement initiative will generate an additional $40 million in savings and reductions in working capital of about $100 million in the first full year following completion.

(The foregoing discussion contains forward-looking information. See cautionary statement at the end of the Management's Discussion and Analysis section.)

CAPITAL RESOURCES AND LIQUIDITY

During the third quarter, the Company was able to finance short and long-range business objectives through operating cash flows and its credit facilities. At September 30, 1998, total debt was 37.2% of the Company's capital structure, compared with 27.1% at December 31, 1997. Based on annualized 1998 results, the interest coverage ratio of the Company's indebtedness was 7.5 times interest at September 30, 1998, compared with 7.8 times interest for the twelve months ended December 31, 1997.

Operating cash flows for the first nine months of 1998 were below those in the comparable 1997 period principally due to the merger integration program as well as lower operating profits.

The return on average net assets based on annualized results for September 30, 1998, before special items, was 12.7%, compared with 13.7% for December 31, 1997. Including the impact of special items, the annualized return on average net assets was 9.6% for September 30, 1998, compared with 9.0% for December 31, 1997. The annualized return on average shareholders' equity, before special items, was 19.6% at September 30, 1998, compared with 20.4% for December 31, 1997. Annualized return on average shareholders' equity, including special items, was 14.6% for September 30, 1998 versus 13.0% for December 31, 1997.

During the second quarter of 1998, the Company initiated a $100 million share repurchase program and as of September 30, 1998 had spent approximately $56.5 million to repurchase approximately 2.4 million, or 5%, of its outstanding shares. Operating cash flows and available credit facilities were utilized to fund the repurchases. The timing of future repurchases depends on market conditions, the market price of Flowserve's common stock, and management's assessment of the Company's liquidity and cash flow needs.

YEAR 2000 COSTS

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer systems that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has assessed how it may be impacted by the Year 2000 issue and has formulated and commenced implementation of a comprehensive plan to address all known aspects of the issue.

The Plan

The Company's plan encompasses its information systems, production and facilities equipment that utilize date/time oriented software or computer chips, products, vendors and customers. The plan will be carried out in four phases: 1) assessment and development of a plan; 2) remediation; 3) testing; and 4) implementation.

The Company's plan includes use of internal staff resources as well as external consultants. The Company has also engaged independent experts to evaluate its Year 2000 plan, including its identification, assessment, remediation and testing efforts.

With regard to information systems, production and facilities equipment and products, the Company is 99% complete with the assessment and plan development phase and is approximately 70%, 50% and 30% complete, respectively with its total planned efforts including remediation, testing and implementation. The Company expects that its remediation efforts in these areas will be substantially completed by July 1999.

The Company also is working with its vendors and customers to ensure Year 2000 compliance throughout the supply chain. The Company has prepared a questionnaire that is used to survey and follow-up with its vendors about compliance. In addition, the Company has prepared a standard letter outlining the importance of and commitment to resolving the Year 2000 issue in a timely manner and this letter is used to respond to inquiries from customers. Although this review is continuing, the Company is not currently aware of any vendor or customer circumstances that may have a material adverse impact on the Company. The Company will be looking for alternative suppliers where circumstances warrant. The Company can provide no assurance that Year 2000 compliance plans will be successfully completed by suppliers and customers in a timely manner.

Cost

The Company's estimate of the total cost for Year 2000 compliance is approximately $7.5 million, of which approximately $1.0 million has been incurred through September 30, 1998. Virtually all of the funds spent to date related to the cost to repair or replace software and related hardware. The Company's cost estimates include the amount specifically related to remedying Year 2000 issues, as well as costs for improved systems that are Year 2000 compliant and would have been acquired in the ordinary course of business but whose acquisition has been accelerated to facilitate compliance by the Year 2000.

Incremental spending has not been, and is not expected to be, material because most Year 2000 compliance costs include items that are part of the standard procurement and maintenance of the Company's information systems and production and facilities equipment. Other non-Year 2000 efforts have not been materially delayed or impacted by the Company's Year 2000 initiatives.

Risks

The Company believes its expectation that the Year 2000 issue will not pose significant operational problems for the Company is reasonable. However, if all Year 2000 issues are not properly identified, or assessment, remediation and testing of identified problems are not implemented in a timely manner, there can be no assurance that the Year 2000 issue will not have a material adverse impact on the Company's results of operations or adversely affect the Company's relationships with customers, vendors, or others. Additionally, there can be no assurance that the Year 2000 issues of other entities will not have a material adverse impact on the Company's systems or results of operations.

Contingency Plan

The Company has begun, but not yet completed, a comprehensive analysis of the operational problems and costs (including loss of revenues) that would be reasonably likely to result from the failure by the Company and certain third parties to complete efforts necessary to achieve Year 2000 compliance on a timely basis. A contingency plan has not been developed for dealing with the most reasonably likely worst case scenario as such scenario has not yet been clearly identified. The Company plans to complete such analysis and contingency planning by April 1999.

(The foregoing discussion contains forward-looking information. See cautionary statement at the end of the Management's Discussion and Analysis section.)

SAFE HARBOR STATEMENT

This document contains various forward-looking statements and includes assumptions about Flowserve's future market conditions, operations, and results. These statements are based on current expectations and are subject to significant risks and uncertainties. They are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Among the principal important risk factors that could cause actual results to differ materially from the forward-looking statements made in this document are: further changes in the already competitive environment for the Company's products or competitors' responses to Flowserve's strategies; political risks or trade embargoes affecting important country markets; the health of the petroleum, chemical and power industries; economic turmoil in areas outside the United States, including the Asia Pacific region and Latin America; continued economic growth within the United States; unanticipated difficulties or costs or reduction in benefits associated with the implementation of the Company's global business process improvement initiative including software; the impact of the "Year 2000" computer issue; and the recognition of significant expenses associated with adjustments to realign the combined Company's facilities and other capabilities with its strategies and business conditions.

Readers should not place undue reliance on forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that my subsequently arise. Readers should also carefully

review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

Net earnings for future periods are uncertain and dependent on general worldwide economic conditions in the Company's major markets and their strong impact on the level of incoming business activity.

PART II. OTHER INFORMATION

Item 2.

During 1998 the Company issued 6,150 shares of restricted common stock, pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933. Shares were issued for the benefit of directors and employees of the Company subject to restrictions on transfer and vesting.

Item 6. Exhibits and Reports on Form 8-K

(a) The following Exhibits are attached hereto

10.3 Amendment No. 2 to the Flowserve Corporation Incentive Compensation Plan

10.34 Amendment No. 2 to the amended and restated Director Deferral Plan

10.38 Amendment #1 to Employment Agreement between the Company and William M. Jordan

27.1 Financial Data Schedule

All other Exhibits are incorporated by reference.

(b) None

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLOWSERVE CORPORATION
(Registrant)

/s/Renee Hornbaker

Renee Hornbaker
Vice President and
Chief Financial Officer

Date: November 14, 1998
- -----------------------

INDEX TO EXHIBITS*

EXHIBIT NO.	DESCRIPTION
3.1	1988 Restated Certificate of Incorporation of The Duriron Company, Inc. was filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1988.
3.2	1989 Amendment to Certificate of Incorporation was filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.
3.3	By-Laws of The Duriron Company, Inc. (as restated) were filed with the Commission as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.
3.4	1996 Certificate of Amendment of Certificate of Incorporation was filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
3.5	Amendment No. 1 to Restated Bylaws was filed as Exhibit 3.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
3.6	April 1997 Certificate of Amendment of Certificate of Incorporation was filed as part of Annex VI to the Joint Proxy Statement/Prospectus which is part of the Registration Statement on Form S-4, dated June 19, 1997.
3.7	July 1997 Certificate of Amendment of Certificate of Incorporation was filed as Exhibit 3.6 to the Company's Quarterly Report on Form 10-Q, for the Quarter ended June 30, 1997.
4.1	Lease agreement and indenture, dated as of January 1, 1995 and bond purchase agreement dated January 27, 1995, in connection with an 8% Taxable Industrial Development Revenue Bond, City of Albuquerque, New Mexico (relates to a class of indebtedness that does not exceed 10% of the total assets of the Company. The Company will furnish a copy of the document to the Commission upon request.)
4.2	Rights Agreement dated as of August 1, 1986, between the Company and BankOne, N.A., as Rights Agent, which includes as Exhibit B thereto the Form of Rights Certificate which was filed as Exhibit 1 to the Company's Registration Statement on Form 8-A on August 13, 1986.
4.3	Amendment dated as of August 1, 1996, to Rights Agreement was filed as Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.

4.4	Amendment No. 2 dated as of June 1, 1998, to the Rights Agreement dated as of August 13, 1986, and amended as of August 1, 1996, was filed as Exhibit 1 to the Registrant's Form 8-A/A dated June 11, 1998.
4.5	Interest Rate and Currency Exchange Agreement between the Company and Barclays Bank PLC dated November 17, 1992 in the amount of $25,000,000 was filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for year ended December 31, 1992.
4.6	Credit Agreement dated as of November 26, 1997, among Flowserve Corporation, Bank of America National Trust and Savings Association as Agent and Letter of Credit Issuing Bank and the other Financial Institutions Party thereto was filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
4.7	Material Subsidiary Guarantee, dated as of November 26, 1997, by BW/IP International, Inc. in favor of and for the benefit of Bank of America National Trust and Savings Association, as Agent was filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

4.8 Rate Swap Agreement in the amount of $25,000,000 between the Company and National City Bank dated November 14, 1996 was filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

4.9 Rate Swap Agreement in the amount of $25,000,000 between the Company and Key Bank National Association dated October 28, 1996 was filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

4.10 Guaranty, dated August 1, 1997 between Flowserve Corporation and ABN-AMRO Bank N.V. was filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

4.11 Credit Agreement, dated as of September 10, 1993, between BW/IP International B.V. and ABN/AMRO was filed as Exhibit 10.dd to BW/IP, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1993.

4.12 Note Agreement, dated as of November 15, 1996, between BW/IP International, Inc. and the Note Purchasers named therein, with respect to $30,000,000 principal amount of 7.14% Senior Notes, Series A, due November 15, 2006, and $20,000,000 principal amount of 7.17% Senior Notes, Series B, due March 31, 2007, was filed as Exhibit 4.1 to BW/IP's Registration Statement on Form S-8 (Registration No. 333-21637) as filed February 12, 1997.

4.13 Note Agreement, dated as of April 15, 1992, between BW/IP International, Inc. and the Note Purchasers named therein, with respect to $50,000,000 principal amount of 7.92% Senior Notes due May 15, 1999, filed as Exhibit 4.a to BW/IP's Quarterly Report on Form 10-Q for the quarter ended June 30, 1992.

10.1 Flowserve Corporation Incentive Compensation Plan (the "Incentive Plan") for Senior Executives, as amended and restated effective January 1, 1994, was filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993. **

10.2 Amendment No. 1 to the Incentive Plan was filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995. **

10.3 Amendment No. 2 to the Incentive Plan (filed herewith). **

10.4 The Duriron Company, Inc. Supplemental Pension Plan for Salaried Employees was filed with the Commission as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987. **

10.5 Flowserve Corporation amended and restated Director Deferral Plan was filed as Attachment A to the Company's definitive 1996 Proxy Statement filed with the Commission on March 10, 1996. **

10.6 Form of Change in Control Agreement between all executive officers and the Company was filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996. **

10.7 The Duriron Company, Inc. First Master Benefit Trust Agreement dated October 1, 1987 was filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.**

10.8 Amendment #1 to the First Master Benefit Trust Agreement dated October 1, 1987 was filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.**

10.9 Amendment #2 to First Master Benefit Trust Agreement was filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.**

10.10 The Duriron Company, Inc. Second Master Benefit Trust Agreement dated

October 1, 1987 was filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.**

10.11 First Amendment to Second Master Benefit Trust Agreement was filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.**

10.12 The Duriron Company, Inc. Long-Term Incentive Plan (the "Long-Term Plan"), as amended and restated effective November 1, 1993 was filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.**

10.13 Amendment No. 1 to the Long-Term Plan was filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.**

10.14 Flowserve Corporation 1989 Stock Option Plan as amended and restated effective January 1, 1997 was filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.**

10.15 Flowserve Corporation Second Amendment to 1989 Stock Option Plan, as previously amended and restated was filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.**

10.16 Flowserve Corporation 1989 Restricted Stock Plan (the "1989 Restricted Stock Plan") as amended and restated effective January 1, 1997 was filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.**

10.17 The Duriron Company, Inc. Retirement Compensation Plan for Directors ("Director Retirement Plan") was filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1988.**

10.18 Amendment No. 1 to Director Retirement Plan was filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.**

10.19 The Company's Benefit Equalization Pension Plan (the "Equalization Plan") was filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.**

10.20 Amendment #1 dated December 15, 1992 to the Equalization Plan was filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.**

10.21 The Company's Equity Incentive Plan as amended and restated effective July 21, 1995 was filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.**

10.22 Supplemental Pension Agreement between the Company and William M. Jordan dated January 18, 1993 was filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.**

10.23 1979 Stock Option Plan, as amended and restated April 23, 1991, and Amendment #1 thereto dated December 15, 1992, was filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.**

10.24 Flowserve Corporation Deferred Compensation Plan for Executives was filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.**

10.25 Executive Life Insurance Plan of Flowserve Corporation was filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.**

10.26 Executive Long-Term Disability Plan of Flowserve Corporation was filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.**

10.27 Employee Protection Plan, as revised effective March 1, 1997 (which provides certain severance benefits to employees upon a change of control of the Company) was filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.**

10.28 Flowserve Corporation 1997 Stock Option Plan was included as Exhibit A to the Company's 1997 Proxy Statement which was filed with the Commission on March 17, 1997.**

10.29 Flowserve Corporation First Amendment to 1997 Stock Option Plan was filed as Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.**

10.30 BW/IP International, Inc. Supplemental Executive Retirement Plan as amended and restated was filed as Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998**

10.31 Flowserve Corporation 1998 Restricted Stock Plan was included as Exhibit A to the Company's 1998 Proxy Statement which was filed with the Commission on April 9, 1998.**

10.32 Form of Employment Agreement between the Company and certain executive officers was filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997. **

10.33 Amendment No. 1 to the amended and restated Director Deferral Plan was filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.**

10.34 Amendment No. 2 to the amended and restated Director Deferral Plan (filed herewith). **

10.35 Amendment # 1 to the 1989 Restricted Stock Plan as amended and restated was filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997. **

10.36 Employment Agreement, effective July 22, 1997, between the Company and Bernard G. Rethore was filed as Exhibit 10.53 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.**

10.37 Employment Agreement, effective July 22, 1997, between the Company and William M. Jordan was filed as Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.**

10.38 Amendment No. 1 to Employment Agreement between the Company and William M. Jordan (filed herewith). **

10.39 Agreement and Plan of Merger dated as of May 6, 1997, among the Company, Bruin Acquisition Corp. and BW/IP, Inc. ("BW/IP") was filed as Annex I to the Joint Proxy Statement/Prospectus which is part of the Registration Statement on Form S-4, dated June 19, 1997.

27.1 Financial Data Schedule submitted to the SEC in electronic format (filed herewith).

"*" For exhibits of the Company incorporated by reference into this Quarterly Report on Form 10-Q from a previous filing with the Commission, the Company's file number with the Commission since July 22, 1997 is "1-13179" and the previous file number was "0-325". All filings of BW/IP, Inc. ("BWIP") incorporated by reference in this Quarterly Report on Form 10-Q cover the periods prior to July 22, 1997.

"**" Management contracts and compensatory plans and arrangements required to be filed as exhibits to this Form 10-Q.

Exhibit 10.3

AMENDMENT NO. 2
TO THE DURIRON COMPANY, INC.
ANNUAL INCENTIVE COMPENSATION PLAN
FOR SENIOR EXECUTIVES
AS RESTATED JANUARY 1, 1994

I.

SECTION II(C) IS HEREBY AMENDED AND RESTATED IN ITS ENTIRETY TO READ AS FOLLOWS:

C. "COMPANY" - Flowserve Corporation, a New York corporation and its successors in interest.

II.

SECTION II(K) IS HEREBY AMENDED AND RESTATED IN ITS ENTIRETY TO READ AS FOLLOWS:

K. "SUBSIDIARY" - Any entity of which more than 50 per cent of the voting control is owned, directly or indirectly, by the Company.

III.

The term "The Duriron Company, Inc." is changed to "Flowserve Corporation" each place it appears in the document and the term "Duriron" is changed to "Flowserve" each place that it appears in the document.

The remainder of the Plan shall remain in full force and effect as currently stated.

IN WITNESS WHEREOF, Flowserve Corporation has caused this instrument to be executed by its duly authorized officers on this 31st day of December 1997.

FLOWSERVE CORPORATION

Date Signed: December 31, 1997.

By:/s/ Ronald F. Shuff

Name: Ronald F. Shuff
Title: Vice Present, Secretary and General Counsel

EXHIBIT 10.34

AMENDMENT NO. 2
TO THE FLOWSERVE CORPORATION
DIRECTOR DEFERRAL PLAN
(AS AMENDED AND RESTATED)

Section 5(e) is newly added to the Plan, effective January 1, 1999, as stated hereafter:

> "5(e) If a Director elects to defer his or her Compensation in the form of Deferred Shares instead of cash, the cash equivalent value of such Deferred Share election shall be increased by 15% over the available cash deferral election."

The remainder of the Plan shall remain unchanged and in full force and effect.

/s/ Ronald F. Shuff

August 10, 1998

EXHIBIT 10.38

AMENDMENT #1 TO
EMPLOYMENT AGREEMENT (THE "AGREEMENT")
DATED AUGUST 1, 1997
BETWEEN
WILLIAM M. JORDAN ("EXECUTIVE")
AND
FLOWSERVE CORPORATION (THE "COMPANY")

Effective October 20, 1998, the Company and the Executive agree to the following amendment to the Agreement by adding the following paragraphs.

18. Non Competition and Cooperation

Except as otherwise approved by the Company, which shall not be unreasonably withheld or delayed, during the term of the Agreement, the Executive shall not compete in any way with the Company nor any of its beneficially owned or controlled subsidiaries. As clarification, but not limitation of this obligation, the Executive shall not be employed by, retained as a consultant by (except by any subsidiary or division of a company which subsidiary or division is not in competition with the Company), invest in (except for a passive investment totaling less than 10% of the outstanding common stock of a company), direct nor otherwise assist, in any commercial manner, any company, organization, person or group of persons which offer any products or services which compete with those offered by the Company. The obligation shall apply on a global basis. For purposes of this Agreement, competition shall mean manufacturing, designing or distributing products for use in the chemical process industries similar to products of the Company.

Additionally, the Executive will reasonably cooperate with the Company in announcing his resignation as President and COO of the Company. Executive will also then refrain from taking any intentional action designed to be detrimental to the best interests of the Company before the investment community and the Company's customers, suppliers and employees during the balance of the term of the Agreement. The Company will refrain from taking any intentional action detrimental to the best interests of Executive.

19. Employment Duties

The Executive shall continue to be an employee of the Company; however, Executive (i) shall not be required to devote any of his time and attention to the business and affairs of the Company; (ii) may serve as a director of other entities for which he currently serves as a director, notwithstanding paragraph 18 of this Agreement; (iii) shall have only such duties, if any, as shall be mutually agreeable to the Executive and the Board; (iv) subject to paragraph 18 of this Agreement, may perform services and/or serve as an employee, officer or director or engage in any other activity for remuneration or otherwise without the approval of the Company and without any diminution of amounts payable under this Agreement, as amended.

20. Dispute Resolution

Any dispute or controversy arising out of the Agreement, as amended, shall be settled by arbitration in Dallas, Texas, in accordance with the rules of the American Arbitration Association, and judgment may be entered in thereon in any court having jurisdiction in Dallas, Texas.

21. Company Default

This Agreement, as amended, shall not be terminated by the Company. Any wrongful termination of this Agreement by the Company, or any default by the Company under this Agreement, as amended, shall entitle Executive to obtain appropriate damages.

22. Change of Control

In the event of a "change of control" of the Company, as such term is defined in the separate contract (the "CIC Agreement") between the Company and the Executive noted in paragraph 9 of the Agreement, then the following shall occur:

(a) The future base salary due the Executive under this Agreement shall be computed and promptly paid in a lump sum, assuming that such amount would have increased by 3.5% on each following March 1 of the then remaining term of the Agreement;

(b) The future annual incentive payments and long-term incentive payments, due Executive during the balance of the Agreement term, shall also be computed and promptly paid in a lump sum, assuming both that (i) such incentives would have been payable at 100% of target amount and (ii) Executive's salary reference rate would have increased by 3.5% on each following March 1 of the then remaining term of the Agreement;

(c) All other rights and benefits of Executive under this Agreement shall survive such change of control and be binding obligations upon the Company; and

(d) The provisions of Section 9 of the CIC Agreement, which is entitled "GROSS UP OF PAYMENTS DEEMED TO BE EXCESS PARACHUTE PAYMENTS", shall apply to all payments and benefits received by Executive hereunder after such change of control, as if such provisions were specifically stated herein.

In addition, the Company and the Executive agree that the Agreement shall be, and hereby is, further amended by deleting paragraphs 2(d), 2(e), 3, 4, 6(a), 6(b), 6(c), 6(d), 6(e), 6(f), 7(a), 7(b), 7(c), the first clause beginning with "If" and ending with "Reason" of 7(d), and 9 of the Agreement, in the mutual understanding that the Executive's rights to compensation under the Agreement shall survive his death or disability, if applicable and to the extent possible. The Company and the Executive also agree that the CIC Agreement be immediately terminated by mutual consent.

The remainder of the Agreement shall remain unchanged and in full force and effect.

ACKNOWLEDGED AND AGREED:

FLOWSERVE CORPORATION	EXECUTIVE
/S/ Kevin E. Sheehan, Chairman	/S/ William M. Jordan
------------------------------	---------------------
Compensation Committee Board of Directors	

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