

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 23, 2022

FLOWERVE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

New York
(State or Other Jurisdiction
of Incorporation)

001-13179
(Commission File Number)

31-0267900
(IRS Employer
Identification No.)

5215 N. O'Connor Blvd., Suite 700, Irving, Texas
(Address of Principal Executive Offices)

75039
(Zip Code)

(972) 443-6500
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1.25 Par Value	FLS	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On February 23, 2022, Flowserve Corporation, a New York corporation (the “Company”), issued a press release announcing financial results for the fourth quarter and full year ended December 31, 2021. A copy of this press release is attached as Exhibit 99.1 and incorporated herein by reference.

The information in this Item 2.02 of Form 8-K and in Exhibit 99.1 attached hereto is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 7.01 Regulation FD Disclosure.

On February 24, 2022, the Company will make a presentation about its financial and operating results for the fourth quarter of 2021, as noted in the press release described in Item 2.02 above. The Company has posted the presentation on its website at <http://www.flowserve.com> under the “Investors” section.

The information in this Item 7.01 of Form 8-K and in Exhibit 99.1 attached hereto is furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated February 23, 2022.

SIGNATURES

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

FLOWSERVE CORPORATION

Dated: February 23, 2022

By: /s/ AMY B. SCHWETZ

Amy B. Schwetz

Senior Vice President, Chief Financial Officer

Flowserve Corporation Reports Fourth Quarter and Full Year 2021 Results; Issues 2022 Financial Guidance

- **Reported and Adjusted fourth quarter Earnings Per Share (EPS) of 13 cents and 45 cents, respectively**
- **Full year 2021 Reported and Adjusted EPS of 96 cents and \$1.38, respectively**
- **Fourth quarter bookings increased 17.5% year-over-year to \$969 million, driving full year 2021 bookings to \$3.8 billion, up 10.6% year-over-year, on 1.07x book-to-bill**
- **Year-end backlog of \$2.0 billion was up 8.0% versus prior year, setting the foundation for expected revenue and EPS growth in 2022**
- **Full year 2021 free cash flow conversion of 108% of adjusted earnings, marking the second consecutive year above 100%**
- **Launching the Diversify, Decarbonize and Digitize growth strategy**

DALLAS--(BUSINESS WIRE)--February 23, 2022--Flowserve Corporation (NYSE: FLS), a leading provider of flow control products and services for the global infrastructure markets, today announced its financial results for the fourth quarter and full year ended December 31, 2021.

Fourth Quarter 2021 Highlights (all comparisons to the 2020 fourth quarter, unless otherwise noted)

- Reported Earnings Per Share (EPS) of \$0.13 and Adjusted EPS¹ of \$0.45
 - Reported EPS includes a net after-tax adjusted loss of \$42.2 million, comprised primarily of early extinguishment of debt costs, below-the-line foreign exchange impacts and realignment expenses partially offset by certain discrete tax items
- Total bookings were \$969.1 million, up 17.5%, or 18.9% on a constant currency basis
 - Original equipment bookings were \$468.9 million, or 48% of total bookings, up 15.9%, or 17.4% on a constant currency basis
 - Aftermarket bookings were \$500.2 million, or 52% of total bookings, up 19.0%, or 20.2% on a constant currency basis
- Sales were \$919.5 million, down 6.7%, or 5.7% on a constant currency basis
 - Original equipment sales were \$437.6 million, down 13.7%, or 12.7% on a constant currency basis
 - Aftermarket sales were \$481.8 million, up 0.7%, or 1.8% on a constant currency basis
- Reported gross and operating margins were 29.0% and 9.3%, respectively
 - Adjusted gross and operating margins² were 29.2% and 9.3%, respectively
- Backlog at December 31, 2021 was \$2.0 billion, up 8.0% versus December 31, 2020

Full Year 2021 Highlights (all comparisons to full year 2020, unless otherwise noted)

- Reported Earnings Per Share (EPS) of \$0.96 and Adjusted EPS¹ of \$1.38
 - Reported EPS includes a net after-tax adjusted loss of \$55.3 million, comprised primarily of early extinguishment of debt costs, below-the-line foreign exchange impacts and realignment expenses partially offset by certain discrete tax items
- Total bookings were \$3.77 billion, up 10.6%, or 8.8% on a constant currency basis
 - Original equipment bookings were \$1.80 billion, or 48% of total bookings, up 10.9%, or 8.9% on a constant currency basis
 - Aftermarket bookings were \$1.98 billion, or 52% of total bookings, up 10.4%, or 8.7% on a constant currency basis
- Sales were \$3.54 billion, down 5.0%, or 6.8% on a constant currency basis
 - Original equipment sales were \$1.70 billion, down 10.3%, or 12.3% on a constant currency basis
 - Aftermarket sales were \$1.84 billion, up 0.5%, or down 1.1% on a constant currency basis
- Reported gross and operating margins were 29.6% and 7.6%, respectively
 - Adjusted gross and operating margins² were 30.1% and 8.2%, respectively

“In the fourth quarter of 2021, Flowserve delivered our highest level of quarterly bookings since the beginning of the pandemic. We expect this momentum to continue based on the current market environment and believe Flowserve is well-positioned to capture the building growth opportunities that we see across our end markets,” said Scott Rowe, Flowserve’s president and chief executive officer. “While our fourth quarter results and operations were impacted by the Omicron variant, including additional supply chain and logistics disruptions and labor availability headwinds that resulted in incremental revenue deferral and temporary margin deterioration, we ended the year with a solid \$2 billion backlog, supporting our 2022 growth expectations.”

Rowe concluded, “In addition to improved conditions in our traditional end-markets, Flowserve is setting the stage to accelerate new growth opportunities through our new 3D strategy, focused on Diversification, Decarbonization and Digitization. With this focus, we are targeting opportunities in less cyclical markets with higher growth potential, such as water, specialty chemical and general industries, while supporting our customers’ aspirations to decarbonize, lower operating costs and maximize energy efficiency. We are confident that our growth strategy, coupled with our improved cost structure and operating platform, provides Flowserve with a strong foundation to deliver value for all of our stakeholders.”

2022 Guidance³

Flowserve is providing its Reported and Adjusted EPS guidance for 2022, as well as certain other financial metrics, as shown in the table below.

	<u>2022 Target Range</u>
Revenue Growth	Up 7.0% to 9.0%
Reported Earnings Per Share	\$1.65 - \$1.85
Adjusted Earnings Per Share	\$1.70 - \$1.90
Net Interest Expense	\$45 - \$50 million
Adjusted Tax Rate	20% - 22%
Capital Expenditures	\$70 - \$80 million

Flowserve’s 2022 Adjusted EPS target range excludes expected adjusted items including realignment charges of approximately \$10 million, as well as the potential impact of below-the-line foreign currency effects and certain other discrete items which may arise during the course of the year.

Fourth Quarter 2021 Results Conference Call

Flowserve will host its conference call with the financial community on Thursday, February 24th at 11:00 AM Eastern. Scott Rowe, president and chief executive officer, as well as other members of the management team will be presenting. The call can be accessed by shareholders and other interested parties at www.flowserve.com under the “Investor Relations” section.

¹ See Reconciliation of Non-GAAP Measures table for detailed reconciliation of reported results to adjusted measures.

² Adjusted gross and operating margins are calculated by dividing adjusted gross profit and adjusted operating income, respectively, by revenues. Adjusted gross profit and adjusted operating income are derived by excluding the adjusted items. See reconciliation of Non-GAAP Measures table for detailed reconciliation.

³ Adjusted 2022 EPS excludes realignment expenses, the impact from other specific discrete items and below-the-line foreign currency effects and utilizes year-end 2021 FX rates and approximately 131 million fully diluted shares.

– FX impact is calculated by comparing the difference between the actual average FX rates of 2021 and the year-end 2021 spot rates both as applied to our 2022 expectations, divided by the number of shares expected for 2022.

About Flowserve

Flowserve Corp. is one of the world’s leading providers of fluid motion and control products and services. Operating in more than 50 countries, the company produces engineered and industrial pumps, seals and valves as well as a range of related flow management services. More information about Flowserve can be obtained by visiting the company’s Web site at www.flowserve.com.

Safe Harbor Statement: This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Words or phrases such as, "may," "should," "expects," "could," "intends," "plans," "anticipates," "estimates," "believes," "forecasts," "predicts" or other similar expressions are intended to identify forward-looking statements, which include, without limitation, earnings forecasts, statements relating to our business strategy and statements of expectations, beliefs, future plans and strategies and anticipated developments concerning our industry, business, operations and financial performance and condition.

The forward-looking statements included in this news release are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the following: the impact of the global outbreak of COVID-19 on our business and operations; a portion of our bookings may not lead to completed sales, and our ability to convert bookings into revenues at acceptable profit margins; changes in global economic conditions and the potential for unexpected cancellations or delays of customer orders in our reported backlog; our dependence on our customers' ability to make required capital investment and maintenance expenditures; if we are not able to successfully execute and realize the expected financial benefits from our strategic transformation and realignment initiatives, our business could be adversely affected; risks associated with cost overruns on fixed-fee projects and in taking customer orders for large complex custom engineered products; the substantial dependence of our sales on the success of the oil and gas, chemical, power generation and water management industries; the adverse impact of volatile raw materials prices on our products and operating margins; economic, political and other risks associated with our international operations, including military actions, trade embargoes, epidemics or pandemics or changes to tariffs or trade agreements that could affect customer markets, particularly North African, Russian and Middle Eastern markets and global oil and gas producers, and non-compliance with U.S. export/re-export control, foreign corrupt practice laws, economic sanctions and import laws and regulations; increased aging and slower collection of receivables, particularly in Latin America and other emerging markets; our exposure to fluctuations in foreign currency exchange rates, including in hyperinflationary countries such as Venezuela and Argentina; our furnishing of products and services to nuclear power plant facilities and other critical processes; potential adverse consequences resulting from litigation to which we are a party, such as litigation involving asbestos-containing material claims; expectations regarding acquisitions and the integration of acquired businesses; our relative geographical profitability and its impact on our utilization of deferred tax assets, including foreign tax credits; the potential adverse impact of an impairment in the carrying value of goodwill or other intangible assets; our dependence upon fourth-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; access to public and private sources of debt financing; our inability to protect our intellectual property in the U.S., as well as in foreign countries; obligations under our defined benefit pension plans; our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud; the recording of increased deferred tax asset valuation allowances in the future or the impact of tax law changes on such deferred tax assets could affect our operating results; our information technology infrastructure could be subject to service interruptions, data corruption, cyber-based attacks or network security breaches, which could disrupt our business operations and result in the loss of critical and confidential information; ineffective internal controls could impact the accuracy and timely reporting of our business and financial results; and other factors described from time to time in our filings with the Securities and Exchange Commission.

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

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that non-GAAP financial measures which exclude certain non-recurring items present additional useful comparisons between current results and results in prior operating periods, providing investors with a clearer view of the underlying trends of the business. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance. Throughout our materials we refer to non-GAAP measures as “Adjusted.” Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Amounts in thousands, except per share data)

	Three Months Ended December 31,	
	2021	2020
Sales	\$ 919,456	\$ 985,308
Cost of sales	(652,362)	(689,913)
Gross profit	267,094	295,395
Selling, general and administrative expense	(187,111)	(202,722)
Net earnings from affiliates	5,147	2,627
Operating income	85,130	95,300
Interest expense	(11,770)	(16,779)
Loss on extinguishment of debt	(38,003)	-
Interest income	871	604
Other income (expense), net	(15,425)	(18,742)
Earnings before income taxes	20,803	60,383
Provision for income taxes	(1,335)	(767)
Net earnings, including noncontrolling interests	19,468	59,616
Less: Net earnings attributable to noncontrolling interests	(2,738)	(3,565)
Net earnings attributable to Flowserve Corporation	<u>\$ 16,730</u>	<u>\$ 56,051</u>
Net earnings per share attributable to Flowserve Corporation common shareholders:		
Basic	0.13	0.43
Diluted	0.13	0.43

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended December 31, 2021			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 919,456	\$ -	\$ -	\$ 919,456
Gross profit	267,094	(1,031)	-	268,125
<i>Gross margin</i>	<i>29.0%</i>	<i>-</i>	<i>-</i>	<i>29.2%</i>
Selling, general and administrative expense	(187,111)	808	-	(187,919)
Gain on sale of business	-	-	-	-
Net earnings from affiliates	5,147	-	-	5,147
Operating income	85,130	(223)	-	85,353
<i>Operating income as a percentage of sales</i>	<i>9.3%</i>	<i>-</i>	<i>-</i>	<i>9.3%</i>
Interest and other expense, net	(64,327)	-	(51,355) (3)	(12,972)
Earnings before income taxes	20,803	(223)	(51,355)	72,381
(Provision for) benefit from income taxes	(1,335)	(1,396) (2)	10,788 (4)	(10,727)
<i>Tax Rate</i>	<i>6.4%</i>	<i>-626.0%</i>	<i>21.0%</i>	<i>14.8%</i>
Net earnings attributable to Flowserve Corporation	\$ 16,730	\$ (1,619)	\$ (40,567)	\$ 58,916
Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 0.13	\$ (0.01)	\$ (0.31)	\$ 0.45
Diluted	0.13	(0.01)	(0.31)	0.45
Basic number of shares used for calculation	130,245	130,245	130,245	130,245
Diluted number of shares used for calculation	130,829	130,829	130,829	130,829

(a) Reported in conformity with U.S. GAAP

Notes:

(1) Represents realignment expense incurred as a result of realignment programs.

(2) Includes tax impact of items above.

(3) Represents below-the-line foreign exchange impacts and \$38.7 million of expense as a result of early extinguishment of debt and duplicate interest expense.

(4) Includes tax impact of items above.

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended December 31, 2020				
	As Reported (a)	Realignment (1)	Other Items	As Adjusted	
Sales	\$ 985,308	\$ -	\$ -	\$ 985,308	
Gross profit	295,395	(6,661)	-	302,056	
<i>Gross margin</i>	<i>30.0%</i>	<i>-</i>	<i>-</i>	<i>30.7%</i>	
Selling, general and administrative expense	(202,722)	(3,092)	(6,712) (3)	(192,918)	
Operating income	95,300	(9,753)	(6,712)	111,765	
<i>Operating income as a percentage of sales</i>	<i>9.7%</i>	<i>-</i>	<i>-</i>	<i>11.3%</i>	
Interest and other expense, net	(34,917)	-	(16,037) (4)	(18,880)	
Earnings before income taxes	60,383	(9,753)	(22,749)	92,885	
Provision for income taxes	(767)	2,414 (2)	16,324 (5)	(19,505)	
<i>Tax Rate</i>	<i>1.3%</i>	<i>24.8%</i>	<i>71.8%</i>	<i>21.0%</i>	
Net earnings attributable to Flowserve Corporation	\$ 56,051	\$ (7,339)	\$ (6,425)	\$ 69,815	
Net earnings per share attributable to Flowserve Corporation common shareholders:					
Basic	\$ 0.43	\$ (0.06)	\$ (0.05)	\$ 0.54	
Diluted	0.43	(0.06)	(0.04)	0.53	
Basic number of shares used for calculation	130,343	130,343	130,343	130,343	
Diluted number of shares used for calculation	130,995	130,995	130,995	130,995	

(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs.
- (2) Includes tax impact of items above.
- (3) Represents Flowserve 2.0 transformation efforts.
- (4) Represents below-the-line foreign exchange impacts.
- (5) Includes tax impact of items above and \$13.2 million benefit related to legal entity simplification and restructuring.

SEGMENT INFORMATION
(Unaudited)

FLOWSERVE PUMP DIVISION

(Amounts in millions, except percentages)

	Three Months Ended December 31,	
	2021	2020
Bookings	\$ 693.5	\$ 566.5
Sales	648.9	695.7
Gross profit	198.3	207.7
Gross profit margin	30.6%	29.9%
SG&A	140.9	126.1
Segment operating income	62.5	84.2
Segment operating income as a percentage of sales	9.6%	12.1%

FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

	Three Months Ended December 31,	
	2021	2020
Bookings	\$ 278.8	\$ 258.4
Sales	272.8	290.7
Gross profit	80.3	92.8
Gross profit margin	29.4%	31.9%
SG&A	50.3	41.4
Segment operating income	30.0	51.4
Segment operating income as a percentage of sales	11.0%	17.7%

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2021	2020	2019
Sales	\$ 3,541,060	\$ 3,728,134	\$ 3,939,697
Cost of sales	(2,491,335)	(2,611,365)	(2,650,354)
Gross profit	1,049,725	1,116,769	1,289,343
Selling, general and administrative expense	(797,076)	(878,245)	(913,203)
Gain on sale of business	1,806	-	-
Net earnings from affiliates	16,304	11,753	10,483
Operating income	270,759	250,277	386,623
Interest expense	(57,617)	(56,185)	(54,980)
Loss on extinguishment of debt	(46,176)	(1,201)	-
Interest income	2,764	4,175	8,409
Other income (expense), net	(36,142)	5,226	(17,619)
Earnings before income taxes	133,588	202,292	322,433
(Provision for) benefit from income taxes	2,594	(61,417)	(75,493)
Net earnings, including noncontrolling interests	136,182	140,875	246,940
Less: Net earnings attributable to noncontrolling interests	(10,233)	(10,455)	(8,112)
Net earnings attributable to Flowserve Corporation	<u>\$ 125,949</u>	<u>\$ 130,420</u>	<u>\$ 238,828</u>
Net earnings per share attributable to Flowserve Corporation common shareholders:			
Basic	\$ 0.97	\$ 1.00	\$ 1.82
Diluted	0.96	1.00	1.81

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

(Amounts in thousands, except per share data)	Year Ended December 31, 2021			
	As Reported (a)	Realignment (1)	Other Items	As Adjusted
Sales	\$ 3,541,060	\$ -	\$ -	\$ 3,541,060
Gross profit	1,049,725	(16,844)	-	1,066,568
<i>Gross margin</i>	29.6%	-	-	30.1%
Selling, general and administrative expense	(797,076)	(5,646)	-	(791,431)
Gain on sale of business	1,806	-	1,806 (3)	-
Net earnings from affiliates	16,304	-	-	16,304
Operating income	270,759	(22,490)	1,806	291,441
<i>Operating income as a percentage of sales</i>	7.6%	-	-	8.2%
Interest and other expense, net	(137,171)	-	(75,188) (4)	(61,982)
Earnings before income taxes	133,588	(22,490)	(73,382)	229,459
(Provision for) benefit from income taxes	2,594	7,070 (2)	33,522 (5)	(37,997)
<i>Tax Rate</i>	-1.9%	31.4%	45.7%	16.6%
Net earnings attributable to Flowserve Corporation	\$ 125,949	\$ (15,420)	\$ (39,860)	\$ 181,229
Net earnings per share attributable to Flowserve Corporation common shareholders:				
Basic	\$ 0.97	\$ (0.12)	\$ (0.30)	\$ 1.39
Diluted	0.96	(0.12)	(0.30)	1.38
Basic number of shares used for calculation	130,305	130,305	130,305	130,305
Diluted number of shares used for calculation	130,857	130,857	130,857	130,857

(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs.
- (2) Includes tax impact of items above and realignment related tax release.
- (3) Represents final settlement gain on sale of business in 2018.
- (4) Represents below-the-line foreign exchange impacts and \$47.7 million of expense as a result of early extinguishment of debt and duplicate interest expense.
- (5) Includes tax impact of items above and \$17.9 million benefit related to legal entity restructuring of foreign holding companies.

RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)

(Amounts in thousands, except per share data)	Year Ended December 31, 2020				
	As Reported (a)	Realignment (1)	Other Items	As Adjusted	
Sales	\$ 3,728,134	\$ -	\$ -	\$ 3,728,134	
Gross profit	1,116,769	(47,297)	-	1,164,066	
<i>Gross margin</i>	<i>30.0%</i>	-	-	<i>31.2%</i>	
Selling, general and administrative expense	(878,245)	(34,773)	(34,269) (3)	(809,203)	
Operating income	250,277	(82,070)	(34,269)	366,616	
<i>Operating income as a percentage of sales</i>	<i>6.7%</i>	-	-	<i>9.8%</i>	
Interest and other expense, net	(47,985)	-	9,626 (4)	(57,611)	
Earnings before income taxes	202,292	(82,070)	(24,643)	309,005	
Provision for income taxes	(61,417)	12,560 (2)	(2,814) (5)	(71,163)	
<i>Tax Rate</i>	<i>30.4%</i>	<i>15.3%</i>	<i>-11.4%</i>	<i>23.0%</i>	
Net earnings attributable to Flowserve Corporation	\$ 130,420	\$ (69,510)	\$ (27,457)	\$ 227,387	
Net earnings per share attributable to Flowserve Corporation common shareholders:					
Basic	\$ 1.00	\$ (0.53)	\$ (0.21)	\$ 1.74	
Diluted	1.00	(0.53)	(0.21)	1.74	
Basic number of shares used for calculation	130,395	130,395	130,395	130,395	
Diluted number of shares used for calculation	131,050	131,050	131,050	131,050	

(a) Reported in conformity with U.S. GAAP

Notes:

- (1) Represents realignment expense incurred as a result of realignment programs.
- (2) Includes tax impact of items above.
- (3) Includes \$22.7 million related to Flowserve 2.0 transformation efforts and \$11.5 million related to discrete asset write-downs.
- (4) Represents below-the-line foreign exchange impacts.
- (5) Includes tax impact of items above, \$25.4 million related to Italian tax valuation allowance and \$15.6 million benefit related to legal entity simplification and restructuring.

SEGMENT INFORMATION
(Unaudited)

FLOWSERVE PUMP DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
SG&A
Gain on sale of business
Segment operating income
Segment operating income as a percentage of sales

Year Ended December 31,					
2021		2020		2019	
\$	2,675.7	\$	2,358.4	\$	3,007.9
	2,470.8		2,675.7		2,706.3
	760.4		811.4		899.3
	30.8%		30.3%		33.2%
	535.6		552.2		566.3
	1.8		-		-
	243.2		271.0		343.5
	9.8%		10.1%		12.7%

FLOW CONTROL DIVISION

(Amounts in millions, except percentages)

Bookings
Sales
Gross profit
Gross profit margin
SG&A
Segment operating income
Segment operating income as a percentage of sales

Year Ended December 31,					
2021		2020		2019	
\$	1,112.8	\$	1,065.8	\$	1,240.9
	1,075.9		1,057.5		1,238.9
	316.7		321.9		405.5
	29.4%		30.4%		32.7%
	197.4		196.3		213.6
	119.7		125.6		191.9
	11.1%		11.9%		15.5%

Fourth Quarter and Full Year 2021 - Segment Results

(dollars in millions, comparison vs. 2020 fourth quarter and full year, unaudited)

	FPD		FCD					
Bookings	\$	693.5	\$	2,675.7	\$	278.8	\$	1,112.8
- vs. prior year		22.4%		13.5%		7.9%		4.4%
- on constant currency		24.2%		11.6%		8.6%		2.5%
Sales	\$	648.9	\$	2,470.8	\$	272.8	\$	1,075.9
- vs. prior year		-6.7%		-7.7%		-6.2%		1.7%
- on constant currency		-5.6%		-9.3%		-5.6%		-0.3%
Gross Profit	\$	198.3	\$	760.4	\$	80.3	\$	316.7
- vs. prior year		-4.5%		-6.3%		-13.5%		-1.6%
Gross Margin (% of sales)		30.6%		30.8%		29.4%		29.4%
- vs. prior year (in basis points)		70 bps		50 bps		(250) bps		(100) bps
Operating Income	\$	62.5	\$	243.2	\$	30.0	\$	119.7
- vs. prior year		-25.8%		-10.3%		-41.6%		-4.7%
- on constant currency		-24.5%		-12.5%		-42.0%		-6.9%
Operating Margin (% of sales)		9.6%		9.8%		11.0%		11.1%
- vs. prior year (in basis points)		(250) bps		(30) bps		(670) bps		(80) bps
Adjusted Operating Income *	\$	63.1	\$	256.7	\$	30.5	\$	122.4
- vs. prior year		-30.7%		-22.1%		-41.5%		-13.7%
- on constant currency		-29.5%		-24.0%		-41.7%		-15.7%
Adj. Oper. Margin (% of sales)*		9.7%		10.4%		11.2%		11.4%
- vs. prior year (in basis points)		(340) bps		(190) bps		(670) bps		(200) bps
Backlog	\$	1,368.9			\$	639.8		

* Adjusted Operating Income and Adjusted Operating Margin exclude realignment charges and other specific discrete items

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except par value)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 658,452	\$ 1,095,274
Accounts receivable, net	739,210	753,462
Contract assets, net	195,598	277,734
Inventories, net	678,287	667,228
Prepaid expenses and other	117,130	110,635
Total current assets	2,388,677	2,904,333
Property, plant and equipment, net	515,927	556,873
Operating lease right-of-use assets, net	193,863	208,125
Goodwill	1,196,479	1,224,886
Deferred taxes	44,049	30,538
Other intangible assets, net	152,463	168,496
Other assets, net	258,310	221,426
Total assets	<u>\$ 4,749,768</u>	<u>\$ 5,314,677</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 410,062	\$ 440,199
Accrued liabilities	445,092	463,222
Contract liabilities	202,965	194,227
Debt due within one year	41,058	8,995
Operating lease liabilities	32,628	34,990
Total current liabilities	1,131,805	1,141,633
Long-term debt due after one year	1,261,770	1,717,911
Operating lease liabilities	166,786	176,246
Retirement obligations and other liabilities	352,062	517,566
Shareholders' equity:		
Common shares, \$1.25 par value	220,991	220,991
Shares authorized – 305,000		
Shares issued – 176,793 and 176,793, respectfully		
Capital in excess of par value	506,386	502,227
Retained earnings	3,691,023	3,670,543
Treasury shares, at cost – 46,794 and 46,768 shares, respectively	(2,057,706)	(2,059,309)
Deferred compensation obligation	7,214	6,164
Accumulated other comprehensive loss	(563,589)	(609,625)
Total Flowserve Corporation shareholders' equity	1,804,319	1,730,991
Noncontrolling interests	33,026	30,330
Total equity	1,837,345	1,761,321
Total liabilities and equity	<u>\$ 4,749,768</u>	<u>\$ 5,314,677</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2021	2020	2018
Cash flows – Operating activities:			
Net earnings, including noncontrolling interests	\$ 136,182	\$ 140,875	\$ 246,940
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Depreciation	85,175	86,175	92,042
Amortization of intangible and other assets	14,647	14,578	13,862
Loss on extinguishment of debt	46,176	1,201	-
Stock-based compensation	29,478	27,252	23,882
Foreign currency, asset write downs and other non-cash adjustments	29,772	4,277	(11,724)
Change in assets and liabilities:			
Accounts receivable, net	(8,675)	45,648	2,883
Inventories, net	(32,124)	15,306	(31,058)
Contract assets, net	74,333	4,258	(45,220)
Prepaid expenses and other assets, net	1,302	34,262	(9,455)
Contract liabilities	14,196	(34,066)	19,699
Accounts payable	(19,505)	(22,571)	24,678
Accrued liabilities and income taxes payable	(13,948)	50,203	12,418
Retirement obligations and other	(15,690)	3,636	(3,357)
Net deferred taxes	(91,200)	(60,497)	(11,493)
Net cash flows provided (used) by operating activities	250,119	310,537	324,097
Cash flows – Investing activities:			
Capital expenditures	(54,936)	(57,405)	(75,716)
Proceeds from disposal of assets	2,663	15,705	42,333
Net affiliate investment activity	(7,204)	-	-
Net cash flows provided (used) by investing activities	(59,477)	(41,700)	(33,383)
Cash flows – Financing activities:			
Payments on senior notes	(1,243,548)	(191,258)	-
Proceeds from issuance of senior notes	498,280	498,280	-
Payments on long-term debt	(7,500)	-	(105,000)
Proceeds from issuance of long-term debt	300,000	-	-
Payment of deferred loan cost	(6,739)	(4,572)	-
Proceeds from short-term financing	-	-	75,000
Payments on short-term financing	-	-	(75,000)
Proceeds under other financing arrangements	1,408	2,285	3,404
Payments under other financing arrangements	(7,213)	(9,792)	(9,856)
Payments related to tax withholding for stock-based compensation	(5,984)	(4,607)	(3,900)
Repurchases of common shares	(17,531)	(32,112)	(15,000)
Payments of dividends	(104,604)	(104,159)	(99,557)
Other	(6,276)	(6,478)	(1,555)
Net cash flows provided (used) by financing activities	(599,707)	147,587	(231,464)
Effect of exchange rate changes on cash	(27,757)	7,870	(7,953)
Net change in cash and cash equivalents	(436,822)	424,294	51,297
Cash and cash equivalents at beginning of year	1,095,274	670,980	619,683
Cash and cash equivalents at end of year	\$ 658,452	\$ 1,095,274	\$ 670,980
Income taxes paid (net of refunds)	\$ 65,621	\$ 75,342	\$ 66,372
Interest paid	72,247	57,041	53,607

CONSOLIDATED QUARTERLY FINANCIAL DATA**(Unaudited)**

(Amounts in millions, except per share data)

Quarter	2021			
	4th	3rd	2nd	1st
Sales	\$ 919.5	\$ 866.1	\$ 898.2	\$ 857.3
Gross profit	267.1	253.5	278.2	250.9
Earnings before income taxes	20.8	41.4	50.5	21.0
Net earnings attributable to Flowserve Corporation	16.7	49.8	45.4	14.1
Earnings per share(1):				
Basic	\$ 0.13	\$ 0.38	\$ 0.35	\$ 0.11
Diluted	\$ 0.13	\$ 0.38	\$ 0.35	\$ 0.11

Quarter	2020			
	4th	3rd	2nd	1st
Sales	\$ 985.3	\$ 924.3	\$ 925.0	\$ 893.5
Gross profit	295.4	285.2	269.7	266.5
Earnings before income taxes	60.4	78.0	12.8	51.2
Net earnings attributable to Flowserve Corporation	56.1	56.1	6.1	12.1
Earnings per share (1):				
Basic	\$ 0.43	\$ 0.43	\$ 0.05	\$ 0.09
Diluted	\$ 0.43	\$ 0.43	\$ 0.05	\$ 0.09

(1) Earnings per share is computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in weighted average quarterly shares outstanding or rounding.

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