

**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): **July 30, 2020**

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 2300, 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 |
| 1.25% Senior Notes due 2022 | FLS22A | 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 July 30, 2020, Flowserve Corporation, a New York corporation (the “Company”), issued a press release announcing financial results for its second quarter ended June 30, 2020. 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 July 31, 2020, the Company will make a presentation about its financial and operating results for the second quarter of 2020, 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 “Investor Relations” section.

The information in this Item 7.01 of Form 8-K 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 July 30, 2020. |

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: July 30, 2020

By: /s/ AMY B. SCHWETZ
Amy B. Schwetz
Senior Vice President, Chief Financial Officer

FlowsERVE Corporation Reports Second Quarter 2020 Results

- **Strong Adjusted EPS performance, up 152% sequentially and flat with prior year**
- **Sequential and year-over-year adjusted operating margin expansion through solid execution and cost actions**
- **Executing ahead of plan on \$100 million of annual cost reduction actions**
- **Continued progress on FlowsERVE 2.0 transformation efforts and COVID-19 response measures**
- **Expect second half 2020 Adjusted EPS performance to exceed first half levels**

DALLAS--(BUSINESS WIRE)--July 30, 2020--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 second quarter ended June 30, 2020.

Second Quarter 2020 Highlights (all comparisons to the 2019 second quarter, unless otherwise noted)

- Reported Earnings Per Share (EPS) of \$0.07 and Adjusted EPS^[1] of \$0.53, up 152% sequentially and a penny below prior year
 - Reported EPS includes after-tax adjusted items of approximately \$60.2 million, including realignment, transformation and below-the-line foreign exchange impacts
 - Total bookings were \$808.3 million, down 26.9%, or 25.1% on a constant currency basis
 - Original equipment bookings were \$365.6 million, or 45% of total bookings, down 38.7%, or 37.3% on a constant currency basis
 - Aftermarket bookings were \$442.7 million, or 55% of total bookings, down 12.9%, or 10.7% on a constant currency basis
 - Sales were \$925.0 million, down 6.6%, or 4.2% on a constant currency basis
 - Original equipment sales were \$462.8 million, down 6.1%, or 3.3% on a constant currency basis
 - Aftermarket sales were \$462.2 million, down 7.1%, or 5.0% on a constant currency basis
 - Reported gross and operating margins were 28.9% and 4.6%, respectively
 - Adjusted gross and operating margins^[2] were 32.1% and 11.6%, respectively
 - Backlog at June 30, 2020 was \$2.1 billion, down 5.3% sequentially
-

“We delivered a resilient financial performance this quarter, including strong sequential adjusted EPS and margin growth, in the face of a global pandemic and the volatility in energy-related markets,” said Scott Rowe, Flowserve’s president and chief executive officer. “Our results are a testament to the hard work and commitment of our associates around the world, and I am especially grateful to our essential front-line workers, who continued to progress our work and serve our customers despite the situation. During the quarter, we efficiently restored productivity at our COVID-impacted sites and delivered the critical support, products and services that our customers expect from us.”

“The Flowserve 2.0 transformation journey to create a more efficient and flexible operating model, as well as improve the health of the organization, positioned us to quickly assess the downturn and accelerate decisive cost actions in the second quarter,” added Rowe. “We believe these actions will enable us to achieve, or exceed, the full year cost savings target of \$100 million while continuing to provide a high-level of service for our customers. As we advance additional transformation initiatives, we expect to emerge from the current environment a stronger, more competitive and differentiated enterprise.”

Outlook

Rowe concluded, “Looking forward, we expect to build on the momentum of the second quarter as we execute on our \$2.1 billion backlog. While we continue to expect to see challenges in the back half of the year due to energy market volatility and the COVID-19 pandemic, we remain confident that the company is well-positioned to drive long-term value for our customers, associates and shareholders.”

As announced on April 6, 2020, Flowserve withdrew its full year 2020 guidance in light of the significant market uncertainty as a result of the COVID-19 pandemic, and its related affects. The company did announce today that it expects second half 2020 reported and adjusted EPS to exceed the amount generated during the first half of the year, assuming no government-mandated or illness-driven shut downs of significant operating locations.

Second Quarter 2020 Results Conference Call

Flowserve will host its conference call with the financial community on Friday, July 31st 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.

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 third-party suppliers whose failure to perform timely could adversely affect our business operations; the highly competitive nature of the markets in which we operate; environmental compliance costs and liabilities; potential work stoppages and other labor matters; 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.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Amounts in thousands, except per share data)

| | Three Months Ended June 30, | |
|---|------------------------------------|-------------|
| | 2020 | 2019 |
| Sales | \$ 924,965 | \$ 990,084 |
| Cost of sales | (657,805) | (672,051) |
| Gross profit | 267,160 | 318,033 |
| Selling, general and administrative expense | (227,358) | (223,676) |
| Net earnings from affiliates | 3,086 | 3,661 |
| Operating income | 42,888 | 98,018 |
| Interest expense | (12,900) | (14,013) |
| Interest income | 1,149 | 2,218 |
| Other income (expense), net | (14,941) | (3,336) |
| Earnings before income taxes | 16,196 | 82,887 |
| Provision for income taxes | (5,409) | (22,413) |
| Net earnings, including noncontrolling interests | 10,787 | 60,474 |
| Less: Net earnings attributable to noncontrolling interests | (2,142) | (2,302) |
| Net earnings attributable to Flowserve Corporation | \$ 8,645 | \$ 58,172 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | |
| Basic | \$ 0.07 | \$ 0.44 |
| Diluted | 0.07 | 0.44 |

**RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)**

| (Amounts in thousands, except per share data) | Three Months Ended June 30, 2020 | | | |
|---|---|------------------------|--------------------|--------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 924,965 | \$ - | \$ - | \$ 924,965 |
| Gross profit | 267,160 | (29,853) | - | 297,013 |
| <i>Gross margin</i> | 28.9% | - | - | 32.1% |
| Selling, general and administrative expense | (227,358) | (28,630) | (5,618)(3) | (193,110) |
| Operating income | 42,888 | (58,483) | (5,618) | 106,989 |
| <i>Operating income as a percentage of sales</i> | 4.6% | - | - | 11.6% |
| Interest and other expense, net | (26,692) | - | (14,072)(4) | (12,620) |
| Earnings before income taxes | 16,196 | (58,483) | (19,690) | 94,369 |
| Provision for income taxes | (5,409) | 10,736(2) | 7,189(5) | (23,334) |
| <i>Tax Rate</i> | 33.4% | 18.4% | 36.5% | 24.7% |
| Net earnings attributable to Flowserve Corporation | \$ 8,645 | \$ (47,747) | \$ (12,501) | \$ 68,893 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.07 | \$ (0.37) | \$ (0.10) | \$ 0.53 |
| Diluted | 0.07 | (0.37) | (0.10) | 0.53 |
| Basic number of shares used for calculation | 130,170 | 130,170 | 130,170 | 130,170 |
| Diluted number of shares used for calculation | 130,730 | 130,730 | 130,730 | 130,730 |

(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.

**RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)**

| (Amounts in thousands, except per share data) | Three Months Ended June 30, 2019 | | | |
|---|---|------------------------|--------------------|--------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 990,084 | \$ - | \$ - | \$ 990,084 |
| Gross profit | 318,033 | (3,863) | - | 321,896 |
| <i>Gross margin</i> | 32.1% | - | - | 32.5% |
| Selling, general and administrative expense | (223,676) | (2,437) | (7,573)(3) | (213,666) |
| Operating income | 98,018 | (6,300) | (7,573) | 111,891 |
| <i>Operating income as a percentage of sales</i> | 9.9% | - | - | 11.3% |
| Interest and other expense, net | (15,131) | - | (3,079)(4) | (12,052) |
| Earnings before income taxes | 82,887 | (6,300) | (10,652) | 99,839 |
| Provision for income taxes | (22,413) | 980(2) | 2,552(5) | (25,945) |
| <i>Tax Rate</i> | 27.0% | 15.6% | 24.0% | 26.0% |
| Net earnings attributable to Flowserve Corporation | \$ 58,172 | \$ (5,320) | \$ (8,100) | \$ 71,592 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.44 | \$ (0.04) | \$ (0.06) | \$ 0.55 |
| Diluted | 0.44 | (0.04) | (0.06) | 0.54 |
| Basic number of shares used for calculation | 131,147 | 131,147 | 131,147 | 131,147 |
| Diluted number of shares used for calculation | 131,754 | 131,754 | 131,754 | 131,754 |

(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.

SEGMENT INFORMATION
(Unaudited)

| FLOWSERVE PUMP DIVISION (Amounts in millions, except percentages) | Three Months Ended June 30, | |
|---|------------------------------------|-------------|
| | 2020 | 2019 |
| Bookings | \$ 536.5 | \$ 761.9 |
| Sales | 674.1 | 674.6 |
| Gross profit | 198.0 | 222.7 |
| Gross profit margin | 29.4% | 33.0% |
| SG&A | 140.6 | 150.2 |
| Segment operating income | 60.4 | 76.2 |
| Segment operating income as a percentage of sales | 9.0% | 11.3% |

| FLOW CONTROL DIVISION (Amounts in millions, except percentages) | Three Months Ended June 30, | |
|---|------------------------------------|-------------|
| | 2020 | 2019 |
| Bookings | \$ 274.6 | \$ 346.4 |
| Sales | 252.2 | 316.9 |
| Gross profit | 73.6 | 99.4 |
| Gross profit margin | 29.2% | 31.4% |
| SG&A | 50.0 | 53.3 |
| Segment operating income | 23.6 | 46.2 |
| Segment operating income as a percentage of sales | 9.4% | 14.6% |

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Amounts in thousands, except per share data)

| | Six Months Ended June 30, | |
|---|----------------------------------|-------------------|
| | 2020 | 2019 |
| Sales | \$ 1,819,422 | \$ 1,880,135 |
| Cost of sales | (1,286,285) | (1,268,026) |
| Gross profit | 533,137 | 612,109 |
| Selling, general and administrative expense | (470,980) | (428,830) |
| Net earnings from affiliates | 6,283 | 5,970 |
| Operating income | 68,440 | 189,249 |
| Interest expense | (25,863) | (28,044) |
| Interest income | 2,898 | 4,241 |
| Other income (expense), net | 8,521 | (6,476) |
| Earnings before income taxes | 53,996 | 158,970 |
| Provision for income taxes | (41,719) | (38,999) |
| Net earnings, including noncontrolling interests | 12,277 | 119,971 |
| Less: Net earnings attributable to noncontrolling interests | (4,242) | (4,538) |
| Net earnings attributable to Flowserve Corporation | <u>\$ 8,035</u> | <u>\$ 115,433</u> |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | |
| Basic | \$ 0.06 | \$ 0.88 |
| Diluted | 0.06 | 0.88 |

**RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)**

| (Amounts in thousands, except per share data) | Six Months Ended June 30, 2020 | | | |
|---|---------------------------------------|------------------------|--------------------|--------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 1,819,422 | \$ - | \$ - | \$ 1,819,422 |
| Gross profit | 533,137 | (39,313) | - | 572,450 |
| <i>Gross margin</i> | 29.3% | - | - | 31.5% |
| Selling, general and administrative expense | (470,980) | (29,908) | (21,701)(3) | (419,371) |
| Operating income | 68,440 | (69,221) | (21,701) | 159,362 |
| <i>Operating income as a percentage of sales</i> | 3.8% | - | - | 8.8% |
| Interest and other expense, net | (14,444) | - | 11,581(4) | (26,025) |
| Earnings before income taxes | 53,996 | (69,221) | (10,120) | 133,337 |
| Provision for income taxes | (41,719) | 11,698(2) | (20,531)(5) | (32,886) |
| <i>Tax Rate</i> | 77.3% | 16.9% | -202.9% | 24.7% |
| Net earnings attributable to Flowserve Corporation | \$ 8,035 | \$ (57,523) | \$ (30,651) | \$ 96,209 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.06 | \$ (0.44) | \$ (0.23) | \$ 0.74 |
| Diluted | 0.06 | (0.44) | (0.23) | 0.73 |
| Basic number of shares used for calculation | 130,462 | 130,462 | 130,462 | 130,462 |
| Diluted number of shares used for calculation | 131,152 | 131,152 | 131,152 | 131,152 |

(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 \$11.3 million related to Flowserve 2.0 transformation efforts and \$10.4 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 \$2.0 million benefit related to tax reform.

**RECONCILIATION OF NON-GAAP MEASURES
(Unaudited)**

| (Amounts in thousands, except per share data) | Six Months Ended June 30, 2019 | | | |
|---|---------------------------------------|------------------------|--------------------|--------------------|
| | As Reported (a) | Realignment (1) | Other Items | As Adjusted |
| Sales | \$ 1,880,135 | \$ - | \$ - | \$ 1,880,135 |
| Gross profit | 612,109 | (9,363) | - | 621,472 |
| <i>Gross margin</i> | 32.6% | - | - | 33.1% |
| Selling, general and administrative expense | (428,830) | 14,993 | (15,986)(3) | (427,837) |
| Operating income | 189,249 | 5,630 | (15,986) | 199,605 |
| <i>Operating income as a percentage of sales</i> | 10.1% | - | - | 10.6% |
| Interest and other expense, net | (30,279) | - | (5,786)(4) | (24,493) |
| Earnings before income taxes | 158,970 | 5,630 | (21,772) | 175,112 |
| Provision for income taxes | (39,000) | 961(2) | 5,263(5) | (45,224) |
| <i>Tax Rate</i> | 24.5% | -17.1% | 24.2% | 25.8% |
| Net earnings attributable to Flowserve Corporation | \$ 115,433 | \$ 6,591 | \$ (16,509) | \$ 125,351 |
| Net earnings per share attributable to Flowserve Corporation common shareholders: | | | | |
| Basic | \$ 0.88 | \$ 0.05 | \$ (0.13) | \$ 0.96 |
| Diluted | 0.88 | 0.05 | (0.13) | 0.95 |
| Basic number of shares used for calculation | 131,065 | 131,065 | 131,065 | 131,065 |
| Diluted number of shares used for calculation | 131,643 | 131,643 | 131,643 | 131,643 |

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

Notes:

- (1) Represents realignment (expense) income incurred as a result of realignment programs. Income in selling, general and administrative due to gains from the sales of non-strategic manufacturing facilities that are included in our 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.

SEGMENT INFORMATION
(Unaudited)

| FLOWSERVE PUMP DIVISION (Amounts in millions, except percentages) | Six Months Ended June 30, | |
|---|----------------------------------|-------------|
| | 2020 | 2019 |
| Bookings | \$ 1,220.1 | \$ 1,512.0 |
| Sales | 1,309.7 | 1,284.0 |
| Gross profit | 393.7 | 423.3 |
| Gross profit margin | 30.1% | 33.0% |
| SG&A | 299.9 | 272.6 |
| Segment operating income | 100.1 | 156.6 |
| Segment operating income as a percentage of sales | 7.6% | 12.2% |

| FLOW CONTROL DIVISION (Amounts in millions, except percentages) | Six Months Ended June 30, | |
|---|----------------------------------|-------------|
| | 2020 | 2019 |
| Bookings | \$ 570.8 | \$ 659.6 |
| Sales | 512.6 | 599.1 |
| Gross profit | 147.9 | 197.2 |
| Gross profit margin | 28.9% | 32.9% |
| SG&A | 107.6 | 106.6 |
| Segment operating income | 40.3 | 90.6 |
| Segment operating income as a percentage of sales | 7.9% | 15.1% |

Second Quarter and Year-to-Date 2020 - Segment Results

(dollars in millions, comparison vs. 2019 second quarter and year-to-date, unaudited)

| | FPD | | FCD | |
|------------------------------------|------------|------------|-----------|-----------|
| | 2nd Qtr | YTD | 2nd Qtr | YTD |
| Bookings | \$ 536.5 | \$ 1,220.1 | \$ 274.6 | \$ 570.8 |
| - vs. prior year | -29.6% | -19.3% | -20.7% | -13.5% |
| - on constant currency | -27.7% | -17.4% | -19.1% | -11.8% |
| Sales | \$ 674.1 | \$ 1,309.7 | \$ 252.2 | \$ 512.6 |
| - vs. prior year | -0.1% | 2.0% | -20.4% | -14.4% |
| - on constant currency | 2.8% | 4.4% | -19.1% | -13.1% |
| Gross Profit | \$ 198.0 | \$ 393.7 | \$ 73.6 | \$ 147.9 |
| - vs. prior year | -11.1% | -7.0% | -26.0% | -25.0% |
| Gross Margin (% of sales) | 29.4% | 30.1% | 29.2% | 28.9% |
| - vs. prior year (in basis points) | (360) bps | (290) bps | (220) bps | (400) bps |
| Operating Income | \$ 60.4 | \$ 100.1 | \$ 23.6 | \$ 40.3 |
| - vs. prior year | -20.7% | -36.1% | -48.9% | -55.5% |
| - on constant currency | -14.8% | -32.6% | -47.9% | -55.2% |
| Operating Margin (% of sales) | 9.0% | 7.6% | 9.4% | 7.9% |
| - vs. prior year (in basis points) | (230) bps | (460) bps | (520) bps | (720) bps |
| Adjusted Operating Income * | \$ 93.5 | \$ 144.1 | \$ 33.6 | \$ 60.0 |
| - vs. prior year | 14.6% | -3.1% | -27.6% | -34.5% |
| - on constant currency | 20.0% | 0.6% | -26.7% | -34.2% |
| Adj. Oper. Margin (% of sales)* | 13.9% | 11.0% | 13.3% | 11.7% |
| - vs. prior year (in basis points) | 180 bps | (60) bps | (130) bps | (360) bps |
| Backlog | \$ 1,418.2 | | \$ 652.5 | |

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

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Amounts in thousands, except par value)

| | June 30, | December 31, |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 561,705 | \$ 670,980 |
| Accounts receivable, net of allowance for expected credit losses of \$72,084 and \$53,412, respectively | 759,381 | 795,538 |
| Contract assets, net of allowance for expected credit losses of \$3,010 at June 30, 2020 | 309,149 | 272,914 |
| Inventories, net | 684,431 | 660,837 |
| Prepaid expenses and other | 115,889 | 105,101 |
| Total current assets | <u>2,430,555</u> | <u>2,505,370</u> |
| Property, plant and equipment, net of accumulated depreciation of \$1,034,893 and \$1,013,207, respectively | 541,768 | 572,175 |
| Operating lease right-of-use assets, net | 173,212 | 186,218 |
| Goodwill | 1,187,735 | 1,193,010 |
| Deferred taxes | 31,119 | 54,879 |
| Other intangible assets, net | 172,709 | 180,805 |
| Other assets, net of allowance for expected credit losses of \$98,971 and \$101,439, respectively | 218,604 | 227,185 |
| Total assets | <u>\$ 4,755,702</u> | <u>\$ 4,919,642</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 428,856 | \$ 447,582 |
| Accrued liabilities | 401,041 | 401,385 |
| Contract liabilities | 214,135 | 216,541 |
| Debt due within one year | 9,058 | 11,272 |
| Operating lease liabilities | 35,648 | 36,108 |
| Total current liabilities | <u>1,088,738</u> | <u>1,112,888</u> |
| Long-term debt due after one year | 1,367,478 | 1,365,977 |
| Operating lease liabilities | 138,735 | 151,523 |
| Retirement obligations and other liabilities | 470,400 | 473,295 |
| Shareholders' equity: | | |
| Common shares, \$1.25 par value | 220,991 | 220,991 |
| Shares authorized – 305,000 | | |
| Shares issued – 176,793 | | |
| Capital in excess of par value | 499,152 | 501,045 |
| Retained earnings | 3,643,868 | 3,695,862 |
| Treasury shares, at cost – 46,873 and 46,262 shares, respectively | (2,064,302) | (2,051,583) |
| Deferred compensation obligation | 6,036 | 8,334 |
| Accumulated other comprehensive loss | (643,173) | (584,292) |
| Total Flowserve Corporation shareholders' equity | <u>1,662,572</u> | <u>1,790,357</u> |
| Noncontrolling interests | 27,779 | 25,602 |
| Total equity | <u>1,690,351</u> | <u>1,815,959</u> |
| Total liabilities and equity | <u>\$ 4,755,702</u> | <u>\$ 4,919,642</u> |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended June 30, | |
|--|----------------------------------|-------------------|
| | 2020 | 2019 |
| (Amounts in thousands) | | |
| Cash flows – Operating activities: | | |
| Net earnings, including noncontrolling interests | \$ 12,277 | \$ 119,971 |
| Adjustments to reconcile net earnings to net cash provided (used) by operating activities: | | |
| Depreciation | 43,350 | 46,666 |
| Amortization of intangible and other assets | 6,136 | 8,003 |
| Stock-based compensation | 18,475 | 15,354 |
| Foreign currency, asset write downs and other non-cash adjustments | 21,739 | (20,206) |
| Change in assets and liabilities: | | |
| Accounts receivable, net | 858 | (13,445) |
| Inventories, net | (36,575) | (47,610) |
| Contract assets, net | (44,229) | 12,432 |
| Prepaid expenses and other assets, net | (9,341) | 4,949 |
| Accounts payable | (9,139) | (20,660) |
| Contract liabilities | 3,468 | 6,744 |
| Accrued liabilities and income taxes payable | 5,787 | (56,935) |
| Retirement obligations and other | 13,618 | (6,824) |
| Net deferred taxes | (5,193) | 911 |
| Net cash flows provided (used) by operating activities | <u>21,231</u> | <u>49,350</u> |
| Cash flows – Investing activities: | | |
| Capital expenditures | (31,971) | (25,267) |
| Proceeds from disposal of assets and other | 10,810 | 40,302 |
| Net cash flows provided (used) by investing activities | <u>(21,161)</u> | <u>15,035</u> |
| Cash flows – Financing activities: | | |
| Payments on long-term debt | - | (30,000) |
| Proceeds under other financing arrangements | 1,477 | 1,699 |
| Payments under other financing arrangements | (2,497) | (5,124) |
| Repurchases of common shares | (32,112) | - |
| Payments related to tax withholding for stock-based compensation | (3,850) | (3,441) |
| Payments of dividends | (52,054) | (49,772) |
| Other | (2,845) | (190) |
| Net cash flows provided (used) by financing activities | <u>(91,881)</u> | <u>(86,828)</u> |
| Effect of exchange rate changes on cash | <u>(17,464)</u> | <u>(770)</u> |
| Net change in cash and cash equivalents | <u>(109,275)</u> | <u>(23,213)</u> |
| Cash and cash equivalents at beginning of period | 670,980 | 619,683 |
| Cash and cash equivalents at end of period | <u>\$ 561,705</u> | <u>\$ 596,470</u> |

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