SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-13179

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

NEW YORK	31-0267900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
222 W. LAS COLINAS BOULEVARD SUITE 1500 IRVING, TEXAS	75039
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (972) 443-6500

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $1.25 PAR VALUE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the common stock held by non-affiliates of the registrant as of February 15, 2001 was approximately $814.4 million.

The number of shares outstanding of the registrant's common stock as of February 15, 2001: 37,886,809 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement dated March 16, 2001 are incorporated by reference into Part III of this Form 10-K.

Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2000 are incorporated by reference into Parts I, II and IV of this Form 10-K.

PART I

ITEM 1. BUSINESS

Flowserve Corporation ("Flowserve") was incorporated in the State of New York on May 1, 1912. Except where otherwise indicated and unless the context otherwise requires, the terms "Flowserve," "Company," "we," "us," "our" and "our company" refer collectively to Flowserve Corporation and its subsidiaries.

On July 22, 1997, Flowserve (formerly known as Durco International Inc. and The Duriron Company, Inc.) merged with BW/IP, Inc. creating one of the world's leading providers of industrial flow management services. In January 2000, Flowserve expanded its service and repair capabilities for process-industry customers through its acquisition of Innovative Valve Technologies, Inc. ("Invatec"). In August 2000, Flowserve acquired Ingersoll-Dresser Pump Company ("IDP"), an industry leader as one of the world's leading pump designers, engineers and specialists, from Ingersoll-Rand Company.

We are among the largest manufacturers and aftermarket service providers of comprehensive flow control systems throughout the world. Our Company develops and manufactures precision-engineered flow control equipment for critical service applications where high reliability is required. The flow control system components we produce include pumps, valves and mechanical seals. The Company's products and services are used in several industries, including petroleum, chemical, power generation and water treatment.

We conduct our operations through three segments that encompass our primary product types: (1) Pump Division, (2) Flow Solutions Division and (3) Flow Control Division. Our Pump Division supplies engineered pumps. Our Flow Control Division supplies valves and related products. Through our Flow Solutions Division, we provide mechanical seals and aftermarket services. Through each of our segments, we provide aftermarket replacement parts.

PUMP DIVISION

Through our Pump Division, we design, manufacture and distribute engineered pumps and pump systems, replacement parts and related equipment principally to industrial markets. Pump's products and services are primarily used by companies that operate in the petroleum, chemical processing, power generating, water treatment and general industrial markets. Following the facilities rationalization expected to be completed in 2001 in connection with the acquisition of IDP, we will manufacture our pump systems and components at eight plants in the United States, one in Canada, three in Latin America, ten in Europe and the Middle East and one in Asia. We also manufacture a small portion of our pumps through several foreign joint ventures. We market our Pump products, which are primarily sold to end users and engineering and construction companies, through our worldwide sales force, regional service and repair centers, independent distributors and sales representatives.

PUMP PRODUCTS

We manufacture more than 350 different pump models, of which approximately 60-70% are highly engineered and designed for customized applications. These high horsepower engineered pumps are manufactured with a wide range of metal alloys and in a variety of configurations including pumps that utilize seals (sealed) and pumps that do not (sealless).

The following is a summary list of Pump's general product types and globally recognized brands:

PRODUCT TYPES

- Chemical Process ANSI and ISO
- Petroleum Process API 610
- Horizontal Between Bearing Single-stage
- Horizontal Between Bearing Multi-stage
- Vertical
- Submersible Motor
- Specialty
- Nuclear
- Positive Displacement
- Gear
- Three and Twin Screw

BRAND NAMES

- ACEC
- Aldrich
- Byron Jackson(R)
- Cameron
- Durco(R)
- Flowserve(R)
- Jeumont-Schneider
- Pacific
- Pleuger
- PolyChem
- Scienco
- SiezBath
- Simpson
- Stork
- United Centrifugal(R)
- Western Land
- Wilson-Snyder(R)
- Worthington(R)

PUMP NEW PRODUCT DEVELOPMENTS

Our investments in new product research and development have consistently led to producing longer lasting and more efficient pumps. The majority of our new products and enhancements are driven by our customers' needs to achieve higher throughput at lower costs. As a result, we continually work with our customers to develop better pump products to improve their operations.

PUMP CUSTOMERS

Pump sells its products to more than 1,000 customers including leading engineering and construction firms, original equipment manufacturers (OEM), distributors and end users. Pump's sales are diversified across several industries including the petroleum, power, chemical, water and other industries. Our sales mix of original equipment products and aftermarket replacement parts diversifies our business and mitigates somewhat the impact on us of an economic downturn on our business.

PUMP COMPETITION

The industry is highly fragmented with more than 500 competitors. We compete, however, primarily against a relatively limited number of large companies operating on a global scale. Competition is generally based on price, expertise, delivery times, breadth of product offerings, contractual terms, previous installation history and reputation for quality. Price competition for original equipment tends to be more intense than for aftermarket services.

The pump industry has undergone consolidation in recent years. The three primary causes for the consolidation trend are: (1) the need to lower costs through reduction of excess capacity in the market, (2) the desire among the leading players to solidify their market positions in terms of both product offering and geographic coverage and (3) customers' preference to align with global full service suppliers and simplify their supplier base. Despite the consolidation activity, the market remains highly competitive.

PUMP BACKLOG

The Pump Division's backlog of orders at December 31, 2000 was $536.3 million, compared to $144.0 million at December 31, 1999. This increase is largely the result of the acquisition of IDP. We believe that a high percentage of the current backlog will be shipped by December 31, 2001.

FLOW SOLUTIONS DIVISION

Through our Flow Solutions Division ("FSD"), we design, manufacture and distribute mechanical seals and sealing systems and provide parts, repair and services for flow control equipment used in process industries. Flow control products require mechanical seals to be replaced throughout the products' useful lives. The replacement of mechanical seals is an integral part of aftermarket services. Our mechanical seals are used on a variety of pumps, mixers, compressors, steam turbines and specialty equipment, primarily in the petroleum, chemical, processing, power generation, water treatment industries and general industrial end-markets. We manufacture mechanical seals through two plants in the United States, three in Europe and the Middle East, two in Latin America and three in Asia. Through FSD's global network of service and quick response centers, we provide service, repair and diagnostic services for maintaining flow control systems components.

Our mechanical seal products are primarily marketed through our sales force directly to

end users. A portion of our mechanical seal products is sold directly to OEMs for incorporation into pumps, compressors, mixers or other rotating equipment requiring mechanical seals. Distributors and sales agents are also used in the sale of mechanical seals.

FSD PRODUCTS AND SERVICES

MECHANICAL SEALS. We design, manufacture and distribute approximately 180 different models of mechanical seals and sealing systems, of which approximately 65% are highly engineered and designed for customized applications. We believe our ability to turn around new seal product orders within 72 hours from the customer's request, through design, engineering, manufacturing, testing and delivery, provides us with a competitive advantage. The mechanical seal is critical to the reliable operation of pumps, compressors and mixers for prevention of leakage and emissions of hazardous substances and the reduction of shaft wear caused by non-mechanical seals. We also manufacture a gas-lubricated mechanical seal used in high-speed compressors for gas transmission and oil and gas production markets. We continually update our mechanical seals and sealing systems for new technologies.

The following is a summary list of FSD's general product types and globally recognized brands:

PRODUCT TYPES

- Cartridge

- Dry-Running
- Metal Bellow
- Elastomeric
- Split
- Gas Barrier
- Service and Repair

BRAND NAMES

- BW Seals(R)
- Durametallic(R)
- Five Star Seal(R)
- GASPAC(R)
- Pacific Wietz(TM)
- Pac-Seal(R)

SERVICE. We provide aftermarket services through our global network of 76 service and 52 quick response centers in more than 30 countries. Our service personnel provide a comprehensive set of equipment maintenance services for flow control systems, including repair, advanced diagnostics, installation, commissioning, re-rate and retrofit programs and full machining capabilities. A large portion of our service work is performed on a quick response basis, and we offer 24-hour service in all of our major markets. During the period 1998-2000, we expanded our service network with the acquisition of Invatec, three valve repair businesses in Belgium and The Netherlands and a Canadian pump service repair facility.

FSD NEW PRODUCT DEVELOPMENTS

Our investments in new product research and development are focused on developing products that last longer and work more efficiently. Approximately 30% of our original equipment mechanical seal sales for 2000 were sales of products developed within the past five years. Our latest mechanical seal and seal system innovations include a double gas bellows seal, a high pressure compressor seal, a steam turbine gas seal, a modular cartridge seal platform, a modular mixer seal platform and a flushless heavy duty slurry seal, as well as numerous product upgrades and improvements.

FSD CUSTOMERS

Our mechanical seal products are sold to OEMs for incorporation into pumps, compressors, mixers or other rotating equipment requiring mechanical seals, and directly to end-users. FSD's mechanical seal sales are diversified among several industries, including petroleum, chemical, power generation and other industries. Our aftermarket services are provided to many of the same end-users that we serve for pump, valve and mechanical seal products.

We have established alliances with over 200 customers. These alliances provide significant benefits to us, as well as to our customers, by creating a more efficient supply chain through the reduction of procurement costs and increased communication with our customers. Our alliances enable us to provide products and services to our customers in a timely and cost-effective manner.

FSD COMPETITION

We compete against a number of manufacturers in the sale of mechanical seals. Our largest global mechanical seal competitor is John Crane, a unit of The TI Group.

In the service business, we often compete against the customers' in-house maintenance departments and locally owned and operated repair shops.

FSD BACKLOG

FSD's backlog of orders at December 31, 2000 was $59.5 million, compared to $58.8 million at December 31, 1999. We believe that virtually all of the current backlog will be shipped by December 31, 2000.

FLOW CONTROL DIVISION

Through our Flow Control Division ("FCD"), we design, manufacture and distribute valves, actuators and related equipment. FCD's valve products are an integral part of a flow control system and are used to control the flow of liquids and gases. Substantially all of FCD's valves are specialized and engineered to perform specific functions within a flow control system. FCD's products are primarily used by companies that operate in the petroleum, chemical and power generation industries. We manufacture valves and actuators through four plants in the United States, six in Europe and three in other regions. We also manufacture a small portion of our valves through a foreign joint venture. Manual valve products and valve actuators are distributed through our sales force personnel and a network of distributors. Automatic control valves are marketed through sales engineers and service and repair centers or on a commission basis through sales representatives in our principal markets.

FCD PRODUCTS

We manufacture approximately 50 different valves, actuators and automated valve accessories, of which 65% are highly engineered and designed for customized applications. Our valves are used in a wide variety of applications from general service to highly corrosive environments, as well as in environments experiencing extreme temperatures and/or pressures and applications requiring zero leakage. In addition to traditional valves, we also produce valves under the Valtek(R) brand that incorporate "smart" valve technologies. "Smart" valve technology packages integrate high technology sensors, microprocessor controls and digital positioners into a high performance control valve, which permits real time system analysis, system warnings and remote services. We were the first company to introduce "smart" valve technologies in response to demands for increased plant automation, more efficient process control and digital communications. Through an alliance with Honeywell Inc., FCD's "smart" and control valve technologies are being incorporated in Honeywell's distributed control systems. We offer a growing line of digital products and are incorporating digital technologies into existing products to upgrade performance.

The following is a summary list of FCD's general product types and globally recognized brands:

PRODUCT TYPES

- Actuator Accessories
- Control Valves
- Digital Communications
- Manual Quarter-Turn Valves
- Valve Automation Systems
- Valve/Actuator Software
- Nuclear Valves
- Quarter-Turn Actuators

BRAND NAMES

- Accord(R)
- Anchor/Darling(R)
- Atomac(TM)
- Automax(R)
- Battig
- Durco(R)
- Kammer(R)
- Sereg(TM)
- Valtek(R)

FCD NEW PRODUCT DEVELOPMENTS

Our investments in new product research and development are focused on maintaining our

technological leadership position and differentiating our product offering. When necessary, we invest in the redesign of existing products in an effort to improve their performance and continually meet customer needs. Our latest product innovations include the Logix digital positioner which enhances performance, speed and accuracy of pneumatic control valves and provides for quick calibration and setup; and the BUSwitch which enables control and monitoring of automated on/off quarter-turn valves through FOUNDATION fieldbus technology.

FCD CUSTOMERS

FCD's customer mix is diversified within several industries including chemical, petroleum, power and other industries. We sell a mix of original equipment and aftermarket parts.

FCD COMPETITION

Like the industrial pump market, the industrial valve market is highly fragmented and has undergone a significant amount of consolidation in recent years. Within the valves segment, we believe that the top ten domestic manufacturers generate less than 25% of domestic sales.

FCD BACKLOG

FCD's backlog of orders at December 31, 2000 was $62.9 million, compared to $66.2 million at December 31, 1999. We believe that virtually all of the current backlog will be shipped by December 31, 2001.

GENERAL BUSINESS

COMPETITION

The markets for the Company's products are highly competitive. Competition occurs on the basis of price, technical expertise, delivery, contractual terms, previous installation history and reputation for quality. Delivery speed and the proximity of service centers are important with respect to aftermarket products. Customers are generally more likely to rely on the Company than its competitors for the Company's aftermarket products relating to its more highly engineered and customized products than for its standard products. Price competition tends to be more significant for OEMs than aftermarket services and has been generally increasing. In the aftermarket portion of its service business, the Company competes against both large and well-established national or global competitors and, in some markets, against smaller regional and local companies, as well as the in-house maintenance departments of the Company's end-user customers. In the sale of aftermarket products and services, the Company benefits from the large installed base of pumps which require maintenance, repair and replacement parts.

In the petroleum industry, the competitors for aftermarket services tend to be the customers themselves because of their in-house capabilities. In other industries, except the nuclear power industry, the competitors for aftermarket services tend to be low cost replicators of spare parts and local independent repair shops for the Company's products. The Company has certain competitive advantages in the nuclear power industry because it maintains the N Stamp that is required to service customers in that industry and because the Company has a considerable base of proprietary knowledge.

Customers for the Company's products are attempting to reduce the number of vendors from which they purchase in order to reduce the size and diversity of their inventory. Although vendor reduction programs could adversely affect the

Company's business, the Company has been successful in entering into "alliance" arrangements with a number of customers both in the United States and overseas which provide competitive advantages to the Company.

RESEARCH AND DEVELOPMENT

The Company conducts research and development at its own facilities in various locations. In 2000, 1999 and 1998, the Company spent approximately $18.3 million, $15.1 million, and $14.7 million, respectively, on Company-sponsored research and development, primarily for new product development and extensions of existing products.

The Company's research and development group consists of engineers involved in new product development as well as the support and improvement of existing products. Additionally, the Company sponsors consortium programs for research with various universities and conducts limited development work jointly with certain of its vendors, licensees and customers. Management believes current expenditures are adequate to sustain ongoing research and development activities.

CUSTOMERS

The Company sells to a wide variety of customers. No individual customer accounted for more than 10% of the Company's 2000 net sales.

RISKS OF INTERNATIONAL BUSINESS

In 2000, 38% of our sales originated outside the United States. Sales to foreign destinations, including U.S. export sales, were 48% of our sales in 2000, and included substantial business activity in the Middle East. Our activities thus are subject to the customary risks of operating in an international environment, such as unstable political situations, local laws, the potential imposition of trade restrictions or tariff increases and the relationship of the U.S. dollar to other currencies. The impact of these conditions is mitigated somewhat by the strength and diversity of the Company's product lines and geographic coverage. To minimize the impact of foreign exchange rate movements on its operating results, the Company often enters into forward exchange contracts to hedge specific foreign currency denominated transactions. See Note 1 to consolidated financial statements on pages 37 to 39 of the 2000 Annual Report to Shareholders, which is incorporated by reference in this Form 10-K.

INTELLECTUAL PROPERTY

The Company owns a number of trademarks and patents relating to the name and design of its products. The Company considers its trademarks to be important to its business. The patents underlying much of the technology for the Company's products have been in the public domain for many years. Surviving patents are not considered, either individually or in the aggregate, to be material to the Company's business. However, the Company's pool of proprietary information, consisting of know-how and trade secrets relating to the design, manufacture and operation of its products and their use, is considered particularly important and valuable. Accordingly, the Company protects such proprietary information. The Company, in general, is the owner of the rights to the products which it manufactures and sells, and the Company is not dependent in any material way upon any license or franchise to operate.

RAW MATERIALS

The principal raw materials we use in manufacturing our products are readily available. The main raw materials we use include bar stock and structural steel, castings, fasteners, gaskets, motors, silicon and carbon faces and Teflon(R). While substantially all raw materials are purchased from outside sources, we have been able to obtain an adequate supply of raw materials, and no shortage of such materials is currently anticipated. We intend to expand our use of worldwide sourcing to capitalize on low cost sources of purchased goods.

We are a vertically-integrated manufacturer of certain pump and valve products. Certain corrosion-resistant castings for Company pumps and quarter-turn valves are manufactured at our Dayton, Ohio foundries. Other metal castings are manufactured at our three other foundries or are purchased from outside sources.

We also produce most of our highly engineered corrosion resistant plastic parts for certain pump and valve product lines. This includes rotomolding as well as injection and compression molding of a variety of fluorocarbon and other plastic materials.

Suppliers of raw materials for nuclear markets must be qualified by the American Society of Mechanical Engineers and, accordingly, are limited in number. However, to date we have experienced no significant difficulty in obtaining such materials.

EMPLOYEES AND LABOR RELATIONS

We employ approximately 10,000 persons of whom approximately 55% work in the United States. Our hourly employees at our Vernon, California pump manufacturing plant, plus those at our valve manufacturing plant in Williamsport, Pennsylvania and at our foundry in Dayton, Ohio are represented by unions. Our operations in the following countries are unionized: Argentina, Austria, Belgium, Brazil, Canada, France, Germany, Italy, Mexico, The Netherlands, Spain and the United Kingdom. We believe employee relations throughout our operations are generally satisfactory, including those represented by unions.

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

We are subject to environmental laws and regulations in all jurisdictions in which we have operating facilities. We periodically make capital expenditures for pollution abatement and control to meet environmental requirements.

At present, we have no plans for any material capital expenditures for environmental control facilities. However, we have experienced and continue to experience operating costs relating to environmental matters, although certain costs have been offset by our successful waste minimization programs. We have undertaken limited environmental remediations at several sites, including some acquired through the IDP acquisition. Based on information currently available, we believe that future environmental compliance expenditures will not have a material adverse effect on our financial position. We have established reserves which we believe to be adequate to cover potential environmental liabilities.

EXPORTS

Licenses are required from U.S. government agencies to export certain of the Company's products from the United States. In particular, products with nuclear applications are restricted, although limitations are placed on the export of certain other pump, valve and mechanical seal products.

The Company's export sales from the United States to foreign unaffiliated customers were $148.1 million in 2000, $142.7 million in 1999 and $130.8 million in 1998.

FORWARD-LOOKING INFORMATION IS SUBJECT TO RISK AND UNCERTAINTY

This Annual Report on Form 10-K, and other written reports and oral statements made from time-to-time by the Company, contain various forward-looking statements and include 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 many factors that could cause actual results to differ materially from the forward-looking statements are: further changes in the already competitive environment for the Company's products or competitors' responses to Flowserve's strategies; the Company's ability to integrate past and future acquisitions into its management and operations; 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; continued economic growth within the United States; unanticipated difficulties or costs associated with the implementation of systems, including software; and the recognition of significant expenses associated with adjustments to realign the combined Company's facilities and other capabilities with its strategic and business conditions including, without limitation, expenses incurred in restructuring the Company's operations to incorporate IDP facilities and the Company's ability to meet the financial covenants and other requirements of its financing agreements. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise.

ITEM 2. PROPERTIES

The Company's corporate headquarters is a leased facility in Irving, Texas encompassing approximately 49,000 square feet.

Information on the principal manufacturing facilities, by segment after giving effect to facility closings scheduled to be completed in the 1st quarter 2001, is as follows:

	No. of Plants	Approx. Sq. Footage
PUMP		
Domestic:	8	1,129,900
International:	15	1,991,000
FLOW SOLUTIONS		
Domestic:	2	162,000
International:	8	286,400
FLOW CONTROL		
Domestic:	4	528,400
International:	9	389,850

Most of the Company's principal manufacturing facilities are owned; its leased facilities are subject to long-term lease agreements.

On the average, the Company utilizes approximately 55% to 75% of its manufacturing capacity, although there is a variation in usage rate among the facilities. The Company could, in general, increase its capacity through the purchase of new or additional manufacturing equipment without obtaining additional facilities. Pursuant to a restructuring program announced in December 1999, the Company closed one of the Flow Solutions Division's manufacturing plants in the U.S. and a number of smaller U.S. and foreign facilities. In addition, in connection with the integration of IDP's operations, the Company is shutting down a number of additional Flowserve and IDP plants and service and repair centers to realize the opportunities for cost savings and synergies presented by the acquisition. We believe that, after giving affect to the planned rationalization of our facilities, we will have sufficient capacity to meet increased customer demand.

We maintain a substantial network of domestic and foreign service centers and sales offices. Most of these facilities are leased.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in ordinary routine litigation incidental to its business, none of which we believe to be material to the Company's financial condition. For further information about such litigation, see Note 12 of the Financial Statements provided as part of Item 8 of this Form 10-K and incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common stock of the Company (FLS) is traded on the New York Stock Exchange. On February 15, 2001, the Company's records showed approximately 2,000 shareholders of record. Based on these records plus requests from brokers and nominees listed as shareholders of record, the Company estimates there are approximately 10,300 beneficial owners of its common stock. In 1999, the Company paid a dividend of fourteen cents per share each calendar quarter. In February 2000, the Company announced the suspension of this dividend as a result of its agreement to acquire IDP.

PRICE RANGE OF FLOWSERVE COMMON STOCK
(INTRADAY HIGH/LOW PRICES)

	2000	1999
First Quarter	$17.00/$10.56	$17.50/$15.00
Second Quarter	$17.69/$12.00	$21.56/$15.31
Third Quarter	$18.88/$14.50	$20.00/$15.50
Fourth Quarter	$23.50/$16.13	$17.88/$15.38

During 2000, 1999 and 1998, the Company issued 26,645; 181,213 and 10,165 shares of restricted common stock, respectively, 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 certain officers and employees of the Company subject to restrictions on transfer.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the five years ended December 31, 2000, which appears on page 61 of the 2000 Annual Report to Shareholders, is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis appears on pages 25 through 32 of the 2000 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Disclosure about market risk appears on page 31 of the Company's 2000 Annual Report to Shareholders under the heading "Market Risks Associated with Financial Instruments" and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and accompanying notes appearing on pages 33 through 60 of the 2000 Annual Report to Shareholders, together with the reports thereon of PricewaterhouseCoopers LLP, dated February 5, 2001, and Ernst & Young LLP, dated February 10, 2000, appearing on page 24 of the 2000 Annual Report to Shareholders, and selected quarterly financial data appearing on page 60 of the 2000 Annual Report to Shareholders are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained under the heading "Election of Directors" in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 19, 2001, (the "2001 Proxy Statement") is incorporated herein by reference. The executive officers of the Company, all positions and offices presently held by each person named, their ages as of February 15, 2001, and their business experience during the last five years are stated below. Executive officers serve at the discretion of the Board of Directors.

Name and Position	Age	Principal Occupation During Past Five Years
C. Scott Greer Chairman, President and CEO	50	President since July 1999, Chief Executive Officer since January 2000, and Chairman of the Board since April 2000; Chief Operating Officer from July to December 1999; President of UT Automotive, a subsidiary of United Technologies Corporation, a supplier of automotive systems and components, from 1997 to 1999; President and a director of Echlin, Inc., an automotive parts supplier, from 1990 to 1997, and its Chief Operating

		Officer from 1994 to 1997.
Mark D. Dailey Vice President, Supply Chain Integration	42	Vice President, Supply Chain Integration, since September 1999; Vice President, Supply Chain and other supply chain management positions, from 1992 to 1999 for the North American Power Tools Division of The Black and Decker Company, a manufacturer of power tools, fastening and assembly systems and security hardware and plumbing products.
Renee J. Hornbaker Vice President and Chief Financial Officer	48	Vice President and Chief Financial Officer since December 1997; Vice President, Business Development and Chief Information Officer in 1997; Vice President, Finance and Chief Financial Officer of BW/IP, Inc. in 1997; Vice President, Business Development of BW/IP from 1996 to 1997; Director-Business Analysis and Planning of Phelps Dodge Industries, the diversified international manufacturing business of Phelps Dodge Corporation in 1996 and Director Financial Analysis and Control from 1991 to 1996.
Rory E. MacDowell Vice President and Chief Information Officer	50	Vice President and Chief Information Officer since 1998; Chief Information Officer of Keystone International, Inc., a manufacturer and distributor of flow control products from 1993 to 1997.

Name and Position	Age	Principal Occupation During Past Five Years
Cheryl D. McNeal Vice President, Human Resources	50	Vice President, Human Resources since 1996; Assistant Vice President, Human Resources and other Human Resource management positions at NCR from 1978 to 1996.
George A. Shedlarski Vice President and President, Flow Solutions and Flow Control Divisions	56	President, Flow Solutions Division since January 1999 and President, Flow Control Division since August, 1999; President, Fluid Sealing Division from 1997 to January 1999; President, Service Repair Division in 1997; President, Rotating Equipment Group in 1997; Group Vice President, Industrial Products Group from 1994 to 1997.
Ronald F. Shuff Vice President, Secretary and General Counsel	48	Vice President since 1990 and Secretary and General Counsel since 1988; Sloan Fellow at M.I.T. from 1987 to 1988; Secretary and General Counsel of AccuRay Corporation, a manufacturer of computer-based process control systems, from 1981 to 1987.
Howard D. Wynn Vice President and President, Pump Division	53	President Pump Division since 1997; Vice President of BW/IP, Inc. and President, Pump Division of BW/IP, Inc., from 1996 to 1997; Vice President of the Pump Division of

		BW/IP, Inc. from 1993 to 1996.
Kathleen A. Giddings Vice President and Controller	38	Vice President and Controller since October 2000; Vice President and Controller of the Pump Division from 1997 to October 2000; and Controller from 1993 to 1997.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is set forth in the 2001 Proxy Statement and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The information required by this Item 12 is set forth in the 2001 Proxy Statement and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 is set forth to the extent applicable in the 2001 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The financial statements and accompanying notes, appearing on pages 33 through 60 of the 2000 Annual Report to Shareholders, together with the reports thereon of PricewaterhouseCoopers LLP, dated February 5, 2001, and Ernst & Young LLP, dated February 10, 2000, appearing on page 24 of the 2000 Annual Report to Shareholders are incorporated herein by reference.

2. Financial Statement Schedules

The required financial statement schedule, together with the report thereon of PricewaterhouseCoopers LLP dated February 5, 2001, listed in the accompanying index on page F-1, is filed as part of this Form 10-K.

3. Exhibits

The exhibits listed on the accompanying Index to Exhibits on pages 14 through 18 are filed as part of this Form 10-K.

(b) Reports on Form 8-K

None.

(c) See Item 14(a) 3 above.

(d) See Item 14(a) 2 above.

INDEX TO EXHIBITS*

Exhibit No.	Description
2.1	Purchase Agreement by and among Flowserve Corporation, Flowserve RED Corporation, IDP Acquisition, LLC and Ingersoll-Rand Company, dated as of February 9, 2000, was filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
2.2	Amendment No. 1, dated as of July 14, 2000, to the Purchase Agreement dated as of February 9, 2000, by and among Flowserve Corporation, Flowserve RED Corporation, IDP Acquisition, LLC and Ingersoll-Rand Company, was filed as Exhibit 2.1 to the Company's report on Form 8-K, dated as of July 19, 2000.
2.3	Agreement and Plan of Merger among Flowserve Corporation, Forest Acquisition Sub., Inc. and Innovative Valve Technologies, Inc., dated as of November 18, 1999, was filed as Exhibit 99 (c)(1) to the Schedule 14 D-1 Tender Offer Statement and Statement on Schedule 13-D dated as of November 22, 1999.
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 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 documents 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 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 Company's Form 8-A/A dated June 11, 1998.
4.5	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.
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4.10	Euro Notes Registration Rights Agreement dated August 3, 2000, among FFBV, the Euro Notes Guarantors, Credit Suisse First Boston (Europe) Limited, Bank of America International Limited, ABN AMRO International Limited and First Chicago Limited, was filed as Exhibit 4.11 to the Form S-4 Registration Statement, dated as of September 27, 2000.
10.1	Flowserve Corporation Incentive Compensation Plan for Senior Executives, as amended and restated effective October 1, 2000 (filed herewith).**
10.2	Supplemental Pension Plan for Salaried Employees was filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1987.**
10.3	Flowserve Corporation Director Deferral Plan, as amended and restated effective October 1, 2000, (filed herewith).**
10.4	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.**

10.5 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.**

10.6 Amendment No. 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.**

10.7 Amendment No. 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.**

10.8 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.**

10.9 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.**

10.10 Long-Term Incentive Plan, as amended and restated effective October 1, 2000 (filed herewith).**

10.11 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.**

10.12 Flowserve Corporation Second Amendment to the 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.**

10.13 Amendment No. 3 to the Flowserve Corporation 1989 Stock Option Plan (filed herewith).**

10.14 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.**

10.15 Amendment No. 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.**

10.16 Amendment No. 2 to Flowserve Corporation 1989 Restricted Stock Plan (filed herewith).**

10.17 Flowserve Corporation 1989 Restricted Stock Dividend Plan, effective October 1, 2000 (filed herewith).**

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

10.19 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.**

10.20 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.**

10.21 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.**

10.22 Flowserve Corporation Executive Equity Incentive Plan as amended and restated effective July 21, 1999, was filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.**

10.23 Flowserve Corporation Deferred Compensation Plan (filed herewith).**

10.24 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.**

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

10.27 First Amendment to the Flowserve Corporation 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. **

10.28 Amendment No. 2 to the Flowserve Corporation 1997 Stock Option Plan was filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.**

10.29 Amendment No. 3 to the Flowserve Corporation 1997 Stock Option Plan (filed herewith).**

10.30 Flowserve Corporation 1999 Stock Option Plan was included as Exhibit A to the Company's 1999 Proxy Statement which was filed on March 15, 1999.**

10.31 Amendment No. 1 to the Flowserve Corporation 1999 Stock Option Plan was filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.**

10.32 Amendment No. 2 to the Flowserve Corporation 1999 Stock Option Plan (filed herewith).**

10.33 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 entered March 31, 1998.**

10.34 Flowserve Corporation 1998 Restricted Stock Plan was included as Exhibit A to the Company's 1999 Proxy Statement which was filed on April 9, 1998.**

10.35 Amendment No. 1 to the Flowserve Corporation 1998 Restricted Stock Plan was filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.**

10.36 Amendment No. 2 to the Flowserve Corporation 1998 Restricted Stock Plan was filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.**

10.37 Amendment No. 3 to Flowserve Corporation 1998 Restricted Stock Plan (filed herewith).**

10.38 Flowserve Corporation 1998 Restricted Stock Dividend Plan (effective October 1, 2000) (filed herewith).**

10.39 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. **

10.40 Employment Agreement, effective July 1, 1999, between the Company and C. Scott Greer was filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999. **

10.41 Loan Agreement between the Company and C. Scott Greer was filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.**

10.42 Amendments to form of change in control agreement between all executive officers and the Company was filed as Exhibit 10.44 to the Company's Report on Form 10-K for the year ended December 31, 1999.**

10.43 Credit Agreement among the Registrant, certain of its subsidiaries referred to therein, the lenders referred therein, Credit Suisse First Boston, New York branch, a syndication agent, Bank of America, N.A., as administrative agent, collateral agent and swingline lender, and ABN AMRO Bank N.V., Bank One, N.A. and Salomon Smith Barney, Inc., as co-documentation agents, dated August 8, 2000, was filed as Exhibit 10.45 to the Form S-4 Registration Statement dated as of September 27, 2000.

10.44 Security Agreement among the Registrant, certain of its subsidiaries referred to therein and Bank of America, N.A. dated as of August 8, 2000, was filed as Exhibit 10.46 to the Form S-8 Registration Statement dated as of September 27, 2000.

10.45 Amendment to Master Benefit Trust Agreement (filed herewith).**

13.1 2000 Annual Report to Shareholders (filed herewith as part of this report to the extent incorporated herein by reference).

21.1 Subsidiaries of the Company (filed herewith).

23.1 Consent of PricewaterhouseCoopers LLP (filed herewith).

23.2 Consent of Ernst & Young LLP (filed herewith).

"*"   For exhibits of the Company incorporated by reference into this Annual Report on Form 10-K from a previous filing with the Commission, the Company's file number with the Commission since July 1997 is "1-13179" and the previous file number was "0-325."

"**"   Management contracts and compensatory plans and arrangements required to be filed as exhibits to this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 21st day of February 2001.

FLOWSERVE CORPORATION
(Registrant)

By: /s/ C. Scott Greer
C. Scott Greer
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ C. Scott Greer C. Scott Greer	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 21, 2001
/s/ Renee J. Hornbaker Renee J. Hornbaker	Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2001
/s/ Kathleen A. Giddings Kathleen A. Giddings	Vice President and Controller (Principal Accounting Officer)	February 21, 2001
/s/ William C. Rusnack William C. Rusnack	Director, Chairman of Audit/Finance Committee	February 21, 2001
/s/ Diane C. Harris Diane C. Harris	Director, Member Audit/Finance Committee	February 21, 2001
/s/ Charles M. Rampacek Charles M. Rampacek	Director, Member Audit/Finance Committee	February 21, 2001
/s/ James O. Rollans James O. Rollans	Director, Member Audit/Finance Committee	February 21, 2001

FLOWSERVE CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES
Item 14(a)(1) and (2)

	Annual Report To Shareholders	Annual Report on Form 10-K
Flowserve Corporation Consolidated Financial Statements		
Reports of Independent Accountants	24	
Consolidated Balance Sheets at December 31, 2000 and 1999	34	
For each of the three years in the period ended December 31, 2000:		
Consolidated Statements of Income	33	
Consolidated Statements of Comprehensive (Loss) Income	33	
Consolidated Statements of Shareholders' Equity	35	
Consolidated Statements of Cash Flows	36	
Notes to Consolidated Financial Statements	37-60	
Flowserve Corporation Financial Statement Schedule for each of the three years in the period ended December 31, 2000		
Report of Independent Accountants on Financial Statement Schedule		F-2
Schedule II - Valuation and Qualifying Accounts		F-3

Financial statement schedules not included in this Annual Report on Form 10-K have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders
of Flowserve Corporation:

Our audit of the consolidated financial statements referred to in our report dated February 5, 2001 appearing in the 2000 Annual Report to Shareholders of Flowserve Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K as of and for the year ended December 31, 2000. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The financial statement schedule of the Company as of December 31, 1999 and 1998 and for each of the two years then ended was audited by other independent accountants whose report dated February 10, 2000 expressed an unqualified opinion on the financial statement schedule.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas
February 5, 2001

FLOWSERVE CORPORATION

Schedule II - Valuation and Qualifying Accounts
(dollars in thousands)

Column A	Column B	Column C	Column D	Column E	Column F
	Balance at beginning of year	Additions charged to earnings	Deductions from reserve	Acquisitions	Balance at end of year
Description					
Year ended December 31, 2000:					
Allowance for doubtful accounts (a):	$ 5,705	$2,782	$1,392	$11,386	$18,481
Year ended December 31, 1999:					
Allowance for doubtful accounts (a):	$ 4,533	$2,214	$1,042	$ --	$ 5,705
Year ended December 31, 1998:					
Allowance for doubtful accounts (a):	$ 5,059	$ 333	$ 859	$ --	$ 4,533
Year ended December 31, 2000:					
Inventory reserves (b):	$18,935	$6,066	$5,082	$17,195	$37,114
Year ended December 31, 1999:					
Inventory reserves (b):	$16,051	$5,254	$2,370	$ --	$18,935
Year ended December 31, 1998					
Inventory reserves (b):	$17,045	$3,388	$4,742	$ --	$16,051

(a) Deductions from reserve represent accounts written off net of recoveries.

(b) Deductions from reserve represent inventory written off.

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2.2	Amendment No. 1, dated as of July 14, 2000, to the Purchase

Agreement dated as of February 9, 2000, by and among Flowserve Corporation, Flowserve RED Corporation, IDP Acquisition, LLC and Ingersoll-Rand Company, was filed as Exhibit 2.1 to the Company's report on Form 8-K, dated as of July 19, 2000.

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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.

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"*" For exhibits of the Company incorporated by reference into this Annual Report on Form 10-K from a previous filing with the Commission, the Company's file number with the Commission since July 1997 is "1-13179" and the previous file number was "0-325."

"**" Management contracts and compensatory plans and arrangements required to be filed as exhibits to this Annual Report on Form 10-K.

EXHIBIT 10.1

FLOWSERVE CORPORATION
ANNUAL INCENTIVE COMPENSATION PLAN FOR SENIOR EXECUTIVES
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2000

Flowserve Corporation (the "Company") established the Flowserve Corporation Annual Compensation Plan for Senior Executives (the "Plan") as amended and restated January 1, 1994 and has been operating thereunder. Effective October 1, 2000, the Plan has been amended and restated into two separate plans:

1) Flowserve Corporation Annual Stock Incentive Compensation Plan for Senior Executives ("Stock Incentive Plan").

2. Flowserve Corporation Annual Cash Incentive Compensation Plan for Senior Executives ("Cash Incentive Plan").

Each Senior Executive in any Plan Year may participate in the Stock Incentive Plan or the Cash Incentive Plan, or both the Stock Incentive Plan and the Cash Incentive Plan. Participation in the Plans is permitted on a pro rata basis so that participation in both plans equals 100%.

As of the Effective Date, all deferred stock awards from the predecessor Plan are transferred to the Stock Incentive Plan and all deferred cash awards are transferred to the Cash Incentive Plan. The distribution of any stock transferred to the Stock Incentive Plan shall only be made in kind.

Effective Date: October 1, 2000

FLOWSERVE CORPORATION
ANNUAL STOCK INCENTIVE COMPENSATION PLAN
FOR SENIOR EXECUTIVES

I. PURPOSE

The purpose of the Flowserve Corporation Annual Stock Incentive Compensation Plan for Senior Executives (hereinafter referred to as the "Plan") is to provide an incentive and reward, in the form of an additional compensation opportunity if certain desired performance results are achieved, to those Senior Executives whose performance may significantly contribute to the management, growth and profitability of the business of the Company and its Subsidiaries and Divisions.

II. DEFINITIONS

A. "BOARD" - The Company's Board of Directors.

B. "COMMITTEE" - The Compensation Committee of the Board.

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

D. "DIVISION" - An unincorporated separate business unit of the Company.

E. "HURDLE RATE" - The financial performance standards set in accordance with Section IV.

F. "INCENTIVE AWARD" OR "AWARD" - A compensation award determined in accordance with the provisions of Section VII.

G. "SENIOR EXECUTIVE" - A full-time salaried employee of the Company or a Subsidiary who serves as a Company officer, Company Division President, Subsidiary President or other high level position with the Company or a Subsidiary and, in the opinion of the Committee, is in a position to make a significant contribution to the successful operation of the Company or a Subsidiary.

H. "PARTICIPANT" - A Senior Executive who is selected by the Committee to participate in the Plan.

I. "PLAN YEAR" - The fiscal year ended December 31.

J. "RETURN ON AVERAGE SHAREHOLDER EQUITY" - The percentage return reported in the Company's applicable annual report to shareholders.

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

L. "TARGET INCENTIVE AWARD" - A conditional compensation award determined in accordance with the provisions of Section VI.

III. ADMINISTRATION

The Plan will be administered by the Committee. No member of the Committee will be eligible to receive a Target Incentive Award while he is a member of the Committee or with respect to any Plan Year during which he was a member of the Committee. The Committee will also have authority to approve amendments to the Plan which do not affect the Awards which may be earned by or payable to the Company's Chief Executive Officer hereunder, provided that no such amendment shall affect any deferred Awards previously earned or any elections previously made by a Participant nor retroactively eliminate nor reduce any benefit hereunder of any participant.

IV. LIMITATIONS ON INCENTIVE AWARDS

Prior to the beginning of each Plan Year, the Committee will establish a Hurdle Rate based on a Return on Average Shareholders' Equity. For any Plan Year in which the Return on Average Shareholders' Equity falls below the previously established Hurdle Rate, no Incentive Awards will be paid regardless of the performance of any Division, Subsidiary or Participant. An additional Hurdle Rate will be proposed by the Chief Executive Officer (CEO) and/or the President and approved by the Committee for each Division and Subsidiary unit. No Incentive Awards will be paid to any Participant unless the Division or Subsidiary in which he is employed has met or exceeded its Hurdle Rate.

V. ELIGIBILITY AND ELECTION TO PARTICIPATE

Prior to March 1 of each Plan Year, the CEO and/or the President will propose, and the Committee will determine, those current Senior Executives who will be eligible to participate in the Plan for that Plan Year, provided that all Participants who were included in the Plan for the 1993 Plan year will maintain their eligibility for participation, regardless of whether they are a Senior Executive. New Participants may be added to the Plan later during the Plan Year with the approval of the Committee. The addition to this Plan will cause participation of the newly added Participant in other similar incentive plans to cease, and each such plan's target incentive award will be appropriately prorated in that year in a manner satisfactory to the CEO and/or the President in their/his discretion. A Participant may be paid an Incentive Award with respect to a Plan Year after 1993 only if either (i) he is a Senior Executive of the Company or a Subsidiary on the last day of such Plan Year or (ii) subject to the approval of the Committee, he was a Senior Executive of the Company or a Subsidiary on the first day of such Plan Year and termination of his/her employment has taken place (a) as a result of his/her permanent disability or death, (b) as a result of his/her retirement under a retirement plan of the

Company or a Subsidiary, or (c) as a result of military or other service with the United States Government. Notwithstanding the foregoing, the Committee may, in its absolute discretion, authorize payment of an Incentive Award to an individual who is not a Senior Executive of the Company or a Subsidiary on the last day of the Plan Year to which such Award relates. No Participant will be eligible to receive an Incentive Award with respect to a particular Plan Year if he was eligible to receive an award under any other cash incentive compensation plan of the Company or a Subsidiary other than the Company's Long-Term Stock and/or Cash Incentive Plans or any other Plan so designated by the Committee, except as provided above with regard to the addition of a Participant to the Plan during the Plan Year. For purposes of the foregoing, the Company's CEO Discretionary Bonus Plan and Equity Incentive Plan are not to be considered an incentive compensation plan. If the Participant elects to participate in the Plan, the Participant must so elect on a form ("Appendix B") to be delivered to, and to be subject to acceptance by the Committee, or the Chief Executive Officer, Chief Administrative Officer or other person designated by the Committee prior to the end of the Plan Year with such election irrevocable after the completion of the Plan Year. If a Participant dies, becomes permanently disabled, retires, or enters military service prior to the payment of an Incentive Award with respect to a particular Plan Year, the amount of the payment of such Incentive Award (whether none, in part, or in full) shall be at the absolute discretion of the Committee. In the case of the death of a Participant, payment of an Incentive Award (if and to the extent authorized by the Committee) shall be made to the Participant's beneficiary. Should a beneficiary die after the Participant but before the benefit has been disbursed, the benefit will be paid to the beneficiary's estate.

VI. TARGET INCENTIVE AWARDS

A Target Incentive Award means for each Participant the amount determined by multiplying the midpoint of the Participant's salary range at the beginning of the Plan Year (or in the event a Participant's salary range is changed during the Plan Year, the salary range which was in effect during the majority of the Plan Year) by a target percentage of midpoint salary approved by the Committee prior to the beginning of the Plan Year. In any Plan Year in which actual performance exceeds the target performance objectives established in accordance with Section VII. B., a Participant's Incentive Award may be an amount up to 150% of his/her Target Incentive Award. Conversely, in any Plan Year in which actual performance falls below these target performance objectives, a Participant may receive a reduced Incentive Award, if the actual performance is at least 75% or such other percentage as may be approved by the Committee of target performance for any Plan Year after 1993. Unless otherwise determined by the Committee, actual performance results which range between 75% and 125% or greater of target performance will receive the percentage of target percentage shown on Appendix A-1 for any Plan Year after 1993, as prorated appropriately to reflect actual percentage of attainment.

Appendix A-2 sets forth the guideline target percentages for selected Hay Point levels for any Plan Year after 1993, which will be subject to modification by the approval of the Committee for the applicable Plan Year.

VII. DETERMINATION OF INCENTIVE AWARDS

A. ALLOCATION OF TARGET INCENTIVE AWARDS. The CEO and/or the President will, based on the nature and content of each Participant's position, determine, before March 1 of the Plan Year, the portion of a Participant's Target Incentive Award which may be earned in each of the following categories: quantitative objectives, qualitative objectives and individual performance objectives. The Committee will make such determination with respect to the CEO and/or the President if they/he is/are a Participant.

B. ESTABLISHMENT OF TARGET PERFORMANCE OBJECTIVES. Prior to or within two (2) months of the beginning of each Plan Year, the CEO and/or the President will propose, and the Committee will determine, Division, Subsidiary and Company target performance objectives, with applicable weightings, based upon goals deemed appropriate for each Division, Subsidiary or the Company.

C. DETERMINATION OF ACTUAL PERFORMANCE. At the end of each Plan Year, the CEO and/or the President or their/his/her designates, will determine on a percentage basis (i) the extent to which each Division, each Subsidiary and the Company achieved its objectives, and (ii) the extent to which each Participant achieved his/her individual objectives, if any. No Incentive Award will be paid to any Participant who has not received at least a "meets all expectations" or equivalent rating for his/her individual performance review during the Plan Year, provided that the CEO and/or President may establish a higher minimum rating for any Plan Year in his and/or their discretion. The Committee will make such determination with respect to the CEO if he is a Participant.

D. COMPUTATION OF INCENTIVE AWARDS. A Participant's Incentive Award for any Plan Year will be the sum of the portions of the Target Incentive Award which is earned, as set forth in Section VII. C., above. If proposed by the CEO and/or the President and approved by the Committee, the quantitative objective, the Hurdle Rate, the Target Incentive Award and the Return on Shareholders' Equity may be adjusted up or down when, in the CEO's and/or the President's judgment, any unusual and/or unforeseen events occurred which affected the applicable quantitative results.

In calculating an Incentive Award, the amount earned is arrived at by multiplying the portion of the Target Incentive Award allocated to each objective by the percentage of achievement as outlined in Section VII. C., above.

VIII. FORM OF PAYMENT AWARDS

Incentive Awards under the Plan may be paid in shares of common stock of the Company ("Shares") or deferred Shares, or in some combination thereof in not less than 10% increments of a total Award. Unless properly deferred under Section IX., all Awards shall be paid as soon as practical after the completion of the applicable Plan Year and the determination of the amount of the applicable Award. All Awards under this Plan shall be increased by fifteen per cent (15%). Except as may be

provided for such "deferred Shares", any issuance of Shares as such payment shall be based upon a determination of the Share's "Average Market Value" on the February 1 next following the end of the applicable Performance Cycle or such other date as is selected by the Committee. "Average Market Value" shall mean the average of the last sale prices of a Share during the period beginning thirty-one days prior to and ending on the date that the value of the Share is to be determined, as reported by the National Association of Securities Dealers, Inc. through NASDAQ, or, in the event that the Shares are listed on an exchange, the average of the last sale prices of a Share on such exchange during such period. The issuance or delivery of Shares pursuant to the Plan shall be subject to, and shall comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder), any securities exchange upon which the Shares may be listed and any other law or regulation applicable thereto. The Company shall not be obligated to issue or deliver any Shares pursuant to the Plan if such issuance or delivery would, in the opinion of the Committee, violate any such requirements. The foregoing shall not, however, be deemed to require the Company to effect any registration of Shares under any such law or regulation, although the Company may elect to do so.

IX. DISTRIBUTION OF AWARDS

A. SHARE AWARDS. Share Awards will be paid in full as soon as practicable after the end of the Plan Year.

B. ELECTION TO DEFER. Each Participant may elect to defer distribution of a Share Award or a portion thereof. The Participant's election to defer must be made either at or before August 31 of the applicable Plan Year. Such election may not be changed after August 31 of the applicable Plan Year. Appendix C is a copy of the election to defer, although the Committee may elect to honor any written communication statement from a Participant which communicates substantially the same election intention. The Committee, in its absolute discretion, may elect to accept any such election applicable to the Plan Year beginning January 1, 1990, January 1, 1991, January 1, 1992 or January 1, 1993 where the Committee (or the Chief Administrative Officer on behalf of the Committee, except in cases involving the Chief Administrative Officer) determines in its absolute discretion that the Participant submitted in good faith an irrevocable election to defer a possible award prior to the commencement of the applicable Plan Year, regardless of the content of any election form or notice.

C. PARTICIPANTS' ACCOUNTS FOR DEFERRED SHARES AWARD. The Company will establish a separate account for each Participant who has elected to defer his Shares Award, in which the number of Shares of the Participant's deferred

Shares Award will be maintained. The Company will create this account through a trust established by the Company with the applicable trustee maintaining such Shares pursuant to the trust. The Company reserves the right to fund such account by providing the then cash equivalent of the applicable Share Award (including, if applicable, the fifteen per cent (15%) premium noted in Section VIII.) to such trustee with instructions to such trustee to purchase such Shares for this account on the open market with the Company paying or reimbursing the trustee for any brokerage or other transaction fees. Any dividends paid on the Shares in this account will be credited to a deferred cash award account of the Participant established pursuant to the Flowserve Corporation Annual Cash Incentive Compensation Plan for Senior Executives ("Annual Cash Incentive Plan"). The trustee will have voting rights on all deferred Shares prior to distribution.

D. UNSECURED ACCOUNT. Any amount credited to the account of a Participant as a deferred Award will represent only an unsecured promise of the Company to pay the amount so credited in accordance with the terms of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title, or interest in any asset of the Company as a result of any amount credited to a Participant's account. At all times, a Participant's rights with respect to the amount credited to his account will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account.

E. DEFERRED PAYMENTS. Deferred Awards will be distributed only in accordance with the following sections.

(i) Termination of Employment. In the event a Participant ceases to be employed by the Company or a Subsidiary for any reason other than death or retirement, any deferred Shares Award (earned in respect of any Plan Year ending prior to the Plan Year in which such termination occurs), credited to his account will be distributed in kind in a lump sum payment within 60 days of his termination of employment.

(ii) Retirement. In the event a Participant retires under a retirement plan of the Company or a Subsidiary, any deferred Shares Award will be distributed commencing within 60 calendar days of his retirement in accordance with the method of distribution elected by the Participant. If the election is a lump sum, the entire deferred Shares Award will be transferred in kind to the Participant within 60 days of his retirement. If installments have been elected, the aggregate number of Shares held in the separate account for deferred Shares Awards will be divided by the number of installments elected and allocated in equal whole number proportions to be distributed with each installment payment (with any remainder after such equal division to be included in the first installment). All deferred Shares Awards so allocated will be distributed in kind the first payment made within 60 days of retirement and the second and all subsequent installment payments made between January 1 and 15 of each following year. Dividends from any undistributed deferred Shares

Awards will be credited to the deferred cash award account of the Participant established under the Annual Cash Incentive Plan.

(iii) Death. If any portion of a Participant's account remains unpaid at his death, then after his death such amount will be paid (i) to his beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedure for lump sum and installment payments set forth above), or (ii) if the Participant has not designated a beneficiary or if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant but before the entire benefit has been disbursed, the Shares benefit will be paid to the beneficiary's estate in a lump sum in kind.

(iv) Emergency Distribution. In the event an emergency situation occurs (as defined below) while a Participant is in the employ of the Company or a Subsidiary, the Participant may request the Committee to make an immediate distribution to him from his account. Any such distribution will be solely within the discretion of the Committee and will be limited in an amount to that necessary to meet the emergency and will only be made as an in kind distribution of shares.

An emergency situation means a bona fide unexpected financial emergency that is caused by an event beyond the control of the Participant (e.g., a serious family illness or disaster) and would result in severe financial hardship to the Participant if early distribution were not permitted.

X. DESIGNATION OF BENEFICIARY

Each Participant, at the time of filing an election to defer an Incentive Award, will designate one or more beneficiaries to whom the Company will make any distribution to be made after the Participant's death. This designation will be made in writing on a form filed with the Company's Senior Vice President and Chief Administrative Officer or other officer designated by the CEO and/or the President. Appendix D is a copy of the Beneficiary Designation to be used for designations under Section V. Designations under Section IX. will be made on the Election to defer. If a Participant does not designate a beneficiary, or if no beneficiary is living at the time of distribution, then, except as provided in Section IX. above, the distribution shall be made to a Participant's estate. A Participant may change his/her designated beneficiary(ies) at any time.

XI. AMENDMENT, SUSPENSION OR TERMINATION OF PLAN

In addition to the limited power of Plan amendment of the Committee, the Board may at any time amend, suspend or terminate this Plan for any Plan Year prior to the commencement of the Plan year; provided, however, that no such amendment, suspension, or termination will affect the rights of Participants or beneficiaries to receive distributions of deferred Share Awards previously made or the methods of

distributing deferred Share Awards which have been elected, nor retroactively eliminate or reduce any benefit hereunder of any Participant.

XII. GENERAL

A. All expenses of administering the Plan, including reasonable compensation to the members of the Committee, will be borne by the Company.

B. No rights under the Plan, contingent or otherwise, will be transferable, assignable or subject to any encumbrance, pledge or charge of any nature.

C. Neither the adoption of the Plan nor its operation will in any way affect the right and power of the Company or a Subsidiary to dismiss or discharge any Senior Executive at any time, nor shall any Participant who is dismissed or discharged by the Company have any rights or benefits hereunder, except as determined by the Committee at its discretion.

D. The Board, the Committee and the CEO and/or the President may rely upon any information supplied to them by any officer of the Company or by the Company's independent public accountants and may rely upon the advice of such accountants or of counsel in connection with the administration of this Plan and will be fully protected in relying upon such information or advice.

XIII. CLAIMS PROCEDURE

In the event a Participant has been granted an Incentive Award and such Incentive Award is not paid for any reason, the Participant may file with the Committee a written claim for any payment to which he considers himself entitled. The Committee will review the claim fully and respond in writing as soon as possible following receipt of the Participant's written claim. Appeals of denial of claims shall also be handled by the Committee in a timely manner.

IN WITNESS HEREOF, the Company has caused this restatement to be executed as of the 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

APPENDIX A-1

PERCENTAGE OF TARGET PERFORMANCE ACHIEVED	PERCENTAGE OF TARGET PERCENTAGE EARNED
Under 75	0
75	40
85	65
90	82
95	92

100	100
105	120
110	135
115	140
120	145
125 and over	150

Note: If actual performance achieved falls between two levels noted in first column above, the percentage of target percentage earned will be appropriately prorated.

APPENDIX A-2

TARGET INCENTIVES

HAY POINTS (JOB SIZE)	TARGET INCENTIVE AS % OF MIDPOINT
960	30%
1074	30%
1124	30%
1292	35%
1360	35%
1628	40%
1688	45%
1860	45%
2448	50%
2540	55%
4112	65%

If a Participant's Hay Points fall between any two Hay Point levels set forth above, the Participant's Target Incentive will be based on the lesser Hay Point level.

APPENDIX B

FLOWSERVE CORPORATION
ANNUAL STOCK INCENTIVE PLAN FOR SENIOR EXECUTIVES

PARTICIPANT'S ELECTION TO PARTICIPATE

In accordance with the provisions of the Annual Stock Incentive Plan for Senior Executives (the "Plan") of Flowserve Corporation (the "Company"), I elect to participate in the Plan for the Plan Year ended December 31, 200__. Participation in this Plan is on a pro rata basis with the Flowserve Annual Cash Incentive Plan for Senior Executives and represents ___% of my total (100%) participation in both plans.

In making this election, I understand that:

1. My election may not be changed or revoked after the end of the Plan Year.

2. The number of Shares to be received pursuant to this election will be calculated pursuant to the Plan and, accordingly, will be the equivalent of 115% of the value of the award, based upon the Plan's specified timing of the computation of the cash value of a Share as provided in the Plan.

3. My election is otherwise subject to the terms of the Plan.

4. The Shares have not been registered under the Securities Act of 1933. Rather, the Shares will be issued in reliance upon the so-called private placement exemption set forth in the Act. I may not sell the Shares unless either they are registered under the Act or unless an exemption from registration is available.

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DATE	SIGNATURE OF PARTICIPANT

Receipt and acceptance acknowledged on behalf of the Compensation Committee.

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DATE	RONALD F. SHUFF Vice President, Secretary and General Counsel

APPENDIX C

FLOWSERVE CORPORATION
ANNUAL STOCK INCENTIVE PLAN FOR SENIOR EXECUTIVES

PARTICIPANT'S ELECTION TO DEFER

In accordance with the provisions of the Annual Stock Incentive Plan for Senior Executives (the "Plan") of Flowserve Corporation (the "Company"), I elect:

1. To defer ____% of my payment of Award payable in Shares in the Plan Year ending December 31, 200__.

2. To receive payment of the amount of Shares credited to my deferred award account in the following manner (I have initialed the method I have elected):

----- A. In one lump sum payment in kind distribution of "Shares" (as defined in the Plan) upon retirement.

----- B. In ten (10) equal annual installments of Shares commencing within 60 calendar days of my retirement.

3. To have any payments required by paragraph 2 above which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be changed after the beginning of the Plan Year with respect to which my award is earned.

2. My election is subject to the terms of the Plan, which, among other things, requires a lump sum payout in the event of my employment termination for reasons other than retirement or death.

-------------------------   ---------------------------------------
DATE   SIGNATURE OF PARTICIPANT

The undersigned acknowledges receipt of the above election on ________________.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

APPENDIX D

FLOWSERVE CORPORATION
ANNUAL STOCK INCENTIVE PLAN FOR SENIOR EXECUTIVES

PARTICIPANT'S BENEFICIARY DESIGNATION

In accordance with the provisions of the Annual Stock Incentive Plan for Senior Executives (the "Plan") of Flowserve Corporation (the "Company"), I elect to have any payments which have not been made to me prior to my death, paid after my death to:

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DATE   SIGNATURE OF PARTICIPANT

The undersigned acknowledges receipt of the above election on ________________.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

Effective Date: October 1, 2000

FLOWSERVE CORPORATION
ANNUAL CASH INCENTIVE COMPENSATION PLAN
FOR SENIOR EXECUTIVES

I. PURPOSE

The purpose of the Flowserve Corporation Annual Cash Incentive Compensation Plan for Senior Executives (hereinafter referred to as the "Plan") is to provide an incentive and reward, in the form of an additional compensation opportunity if certain desired performance results are achieved, to those Senior Executives whose performance may significantly contribute to the management, growth and profitability of the business of the Company and its Subsidiaries and Divisions.

II. DEFINITIONS

A. "BOARD" - The Company's Board of Directors.

B. "COMMITTEE" - The Compensation Committee of the Board.

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

D. "DIVISION" - An unincorporated separate business unit of the Company.

E. "HURDLE RATE" - The financial performance standards set in accordance with Section IV.

F. "INCENTIVE AWARD" OR "AWARD" - A compensation award determined in accordance with the provisions of Section VII.

G. "SENIOR EXECUTIVE" - A full-time salaried employee of the Company or a Subsidiary who serves as a Company officer, Company Division President, Subsidiary President or other high level position with the Company or a Subsidiary and, in the opinion of the Committee, is in a position to make a significant contribution to the successful operation of the Company or a Subsidiary.

H. "PARTICIPANT" - A Senior Executive who is selected by the Committee to participate in the Plan.

I. "PLAN YEAR" - The fiscal year ended December 31.

J. "RETURN ON AVERAGE SHAREHOLDER EQUITY" - The percentage return reported in the Company's applicable annual report to shareholders.

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

L. "TARGET INCENTIVE AWARD" - A conditional compensation award determined in accordance with the provisions of Section VI.

III. ADMINISTRATION

The Plan will be administered by the Committee. No member of the Committee will be eligible to receive a Target Incentive Award while he is a member of the Committee or with respect to any Plan Year during which he was a member of the Committee. The Committee will also have authority to approve amendments to the Plan which do not affect the Awards which may be earned by or payable to the Company's Chief Executive Officer hereunder, provided that no such amendment shall affect any deferred Awards previously earned or any elections previously made by a Participant nor retroactively eliminate nor reduce any benefit hereunder of any participant.

IV. LIMITATIONS ON INCENTIVE AWARDS

Prior to the beginning of each Plan Year, the Committee will establish a Hurdle Rate based on a Return on Average Shareholders' Equity. For any Plan Year in which the Return on Average Shareholders' Equity falls below the previously established Hurdle Rate, no Incentive Awards will be paid regardless of the performance of any Division, Subsidiary or

Participant. An additional Hurdle Rate will be proposed by the Chief Executive Officer (CEO) and/or the President and approved by the Committee for each Division and Subsidiary unit. No Incentive Awards will be paid to any Participant unless the Division or Subsidiary in which he is employed has met or exceeded its Hurdle Rate.

V. ELIGIBILITY AND ELECTION TO PARTICIPATE

Prior to March 1 of each Plan Year, the CEO and/or the President will propose, and the Committee will determine, those current Senior Executives who will be eligible to participate in the Plan for that Plan Year, provided that all Participants who were included in the Plan for the 1993 Plan year will maintain their eligibility for participation, regardless of whether they are a Senior Executive. New Participants may be added to the Plan later during the Plan Year with the approval of the Committee. The addition to this Plan will cause participation of the newly added Participant in other similar incentive plans to cease, and each such plan's target incentive award will be appropriately prorated in that year in a manner satisfactory to the CEO and/or the President in their/his discretion. A Participant may be paid an Incentive Award with respect to a Plan Year after 1993 only if either (i) he is a Senior Executive of the Company or a Subsidiary on the last day of such Plan Year or (ii) subject to the approval of the Committee, he was a Senior Executive of the Company or a Subsidiary on the first day of such Plan Year and termination of

his/her employment has taken place (a) as a result of his/her permanent disability or death, (b) as a result of his/her retirement under a retirement plan of the Company or a Subsidiary, or (c) as a result of military or other service with the United States Government. Notwithstanding the foregoing, the Committee may, in its absolute discretion, authorize payment of an Incentive Award to an individual who is not a Senior Executive of the Company or a Subsidiary on the last day of the Plan Year to which such Award relates. No Participant will be eligible to receive an Incentive Award with respect to a particular Plan Year if he was eligible to receive an award under any other cash incentive compensation plan of the Company or a Subsidiary other than the Company's Long-Term Incentive Plan or any other Plan so designated by the Committee, except as provided above with regard to the addition of a Participant to the Plan during the Plan Year. For purposes of the foregoing, the Company's CEO Discretionary Bonus Plan and Equity Incentive Plan are not to be considered an incentive compensation plan. Unless electing to the contrary to participate in the Flowserve Corporation Annual Stock Incentive Compensation Plan for Senior Executives ("Stock Incentive Plan"), all Eligible Participants shall participate in this Plan. If a Participant dies, becomes permanently disabled, retires, or enters military service prior to the payment of an Incentive Award with respect to a particular Plan Year, the amount of the payment of such Incentive Award (whether none, in part, or in full) shall be at the absolute discretion of the Committee. In the case of the death of a Participant, payment of an Incentive Award (if and to the extent authorized by the Committee) shall be made to the Participant's beneficiary. Should a beneficiary die after the Participant but before the benefit has been disbursed, the benefit will be paid to the beneficiary's estate.

VI. TARGET INCENTIVE AWARDS

A Target Incentive Award means for each Participant the amount determined by multiplying the midpoint of the Participant's salary range at the beginning of the Plan Year (or in the event a Participant's salary range is changed during the Plan Year, the salary range which was in effect during the majority of the Plan Year) by a target percentage of midpoint salary approved by the Committee prior to the beginning of the Plan Year. In any Plan Year in which actual performance exceeds the target performance objectives established in accordance with Section VII. B., a Participant's Incentive Award may be an amount up to 150% of his/her Target Incentive Award. Conversely, in any Plan Year in which actual performance falls below these target performance objectives, a Participant may receive a reduced Incentive Award, if the actual performance is at least 75% or such other percentage as may be approved by the Committee of target performance for any Plan Year after 1993. Unless otherwise determined by the Committee, actual performance results which range between 75% and 125% or greater of target performance will receive the percentage of target percentage shown on Appendix A-1 for any Plan Year after 1993, as prorated appropriately to reflect actual percentage of attainment. Appendix A-2 sets forth the guideline target percentages for

Selected Hay Point levels for any Plan Year after 1993, which will be subject to modification by the approval of the Committee for the applicable Plan Year.

VII. DETERMINATION OF INCENTIVE AWARDS

A. ALLOCATION OF TARGET INCENTIVE AWARDS. The CEO and/or the President will, based on the nature and content of each Participant's position, determine, before March 1 of the Plan Year, the portion of a Participant's Target Incentive Award which may be earned in each of the following categories: quantitative objectives, qualitative objectives and individual performance objectives. The Committee will make such determination with respect to the CEO and/or the President if they/he is/are a Participant.

B. ESTABLISHMENT OF TARGET PERFORMANCE OBJECTIVES. Prior to or within two (2) months of the beginning of each Plan Year, the CEO and/or the President will propose, and the Committee will determine, Division, Subsidiary and Company target performance objectives, with applicable weightings, based upon goals deemed appropriate for each Division, Subsidiary or the Company.

C. DETERMINATION OF ACTUAL PERFORMANCE. At the end of each Plan Year, the CEO and/or the President or their/his/her designates, will determine on a percentage basis (i) the extent to which each Division, each Subsidiary and the Company achieved its objectives, and (ii) the extent to which each Participant achieved his/her individual objectives, if any. No Incentive Award will be paid to any Participant who has not received at least a "meets all expectations" or equivalent rating for his/her individual performance review during the Plan Year, provided that the CEO and/or President may establish a higher minimum rating for any Plan Year in his and/or their discretion. The Committee will make such determination with respect to the CEO if he is a Participant.

D. COMPUTATION OF INCENTIVE AWARDS. A Participant's Incentive Award for any Plan Year will be the sum of the portions of the Target Incentive Award which is earned, as set forth in Section VII. C., above. If proposed by the CEO and/or the President and approved by the Committee, the quantitative objective, the Hurdle Rate, the Target Incentive Award and the Return on Shareholders' Equity may be adjusted up or down when, in the CEO's and/or the President's judgment, any unusual and/or unforeseen events occurred which affected the applicable quantitative results.

In calculating an Incentive Award, the amount earned is arrived at by multiplying the portion of the Target Incentive Award allocated to each objective by the percentage of achievement as outlined in Section VII. C., above.

VIII. FORM OF PAYMENT AWARDS

Incentive Awards under the Plan may be paid in cash or deferred cash, or in some combination thereof in not less than 10% increments of a total Award. Unless

properly deferred under Section IX., all Awards shall be paid as soon as practical after the completion of the applicable Plan Year and the determination of the amount of the applicable Award. Deferred cash Awards will be paid in accordance with Section IX.

IX. DISTRIBUTION OF AWARDS

A. CASH AWARDS. Cash Awards will be paid in full as soon as practicable after the end of the Plan Year.

B. ELECTION TO DEFER. Each Participant may elect to defer distribution of a cash Award or a portion thereof. The Participant's election to defer must be made either at or before August 31 of the applicable Plan Year. Such election may not be changed after August 31 of the applicable Plan Year. Appendix B is a copy of the election to defer, although the Committee may elect to honor any written communication statement from a Participant which communicates substantially the same election intention. The Committee, in its absolute discretion, may elect to accept any such election applicable to the Plan Year beginning January 1, 1990, January 1, 1991, January 1, 1992 or January 1, 1993 where the Committee (or the Chief Administrative Officer on behalf of the Committee, except in cases involving the Chief Administrative Officer) determines in its absolute discretion that the Participant submitted in good faith an irrevocable election to defer a possible award prior to the commencement of the applicable Plan Year, regardless of the content of any election form or notice.

C. PARTICIPANTS' ACCOUNTS FOR DEFERRED CASH AWARD. The Company will establish a separate account for each Participant who has elected to defer his cash Award, in which the amount of the Participant's deferred cash Award will be recorded. The Company will credit to each such account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to 120% of the long-term applicable federal rate compounded quarterly as published by the Internal Revenue Service for the beginning month of each calendar quarter. Any dividends paid on shares in the deferred stock account established pursuant to the Annual Stock Incentive Plan will be credited to the aforementioned deferred cash Award account, with interest to be credited to such dividends in the same manner as credited to deferred cash Awards.

D. UNSECURED ACCOUNT. Any amount credited to the account of a

Participant as a deferred cash Award, or as interest paid on such deferred Award, or as dividends paid on shares in a deferred stock account established pursuant to the Annual Stock Incentive Plan with interest, will represent only an unsecured promise of the Company to pay the amount so credited in accordance with the terms of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title, or interest in any asset of the Company as a result of any amount credited to a Participant's account. At all times, a Participant's rights

with respect to the amount credited to his account will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account.

E. DEFERRED PAYMENTS. Deferred Awards will be distributed only in accordance with the following sections.

(i) Termination of Employment. In the event a Participant ceases to be employed by the Company or a Subsidiary for any reason other than death or retirement, any deferred cash Award (earned in respect of any Plan Year ending prior to the Plan Year in which such termination occurs), and any interest on such Award and any dividends with interest as described in Section IX. C. ("Dividends') credited to his account will be distributed in a lump sum payment within 60 days of his termination of employment.

(ii) Retirement. In the event a Participant retires under a retirement plan of the Company or a Subsidiary, any deferred cash Award, and the interest and Dividends on such Award previously or currently credited to his account will be distributed commencing within 60 calendar days of his retirement in accordance with the method of distribution elected by the Participant. If the election is a lump sum, interest and Dividends will be credited to the account pursuant to Section IX. C. through the date of distribution, and the entire deferred cash amount will be paid to the Participant within 60 days of his retirement. If installments have been elected, interest and Dividends will be calculated through the date of retirement pursuant to Section IX. C. and added to the account. The resulting deferred cash Award account total shall be divided equally by the number of installments elected and the first payment made within 60 days of retirement. The second and all subsequent installment payments shall be made between January 1 and 15 of each following year. Interest will continue to accrue to the account pursuant to Section IX. C. on the balance remaining in the Participant's deferred cash Award account until all installments have been paid and will be paid annually with each installment payment.

(iii) Death. If any portion of a Participant's account remains unpaid at his death, then after his death such amount will be paid (i) to his beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedure for lump sum and installment payments set forth above), or

(ii) if the Participant has not designated a beneficiary or if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant but before the entire benefit has been disbursed, the balance of the cash benefit will be paid to the beneficiary's estate in a lump sum.

(iv) Emergency Distribution. In the event an emergency situation occurs (as defined below) while a Participant is in the employ of the Company or a

Subsidiary, the Participant may request the Committee to make an immediate distribution to him from his account. Any such distribution will be solely within the discretion of the Committee and will be limited in an amount to that necessary to meet the emergency.

An emergency situation means a bona fide unexpected financial emergency that is caused by an event beyond the control of the Participant (e.g., a serious family illness or disaster) and would result in severe financial hardship to the Participant if early distribution were not permitted.

X. DESIGNATION OF BENEFICIARY

Each Participant, at the time of filing an election to defer an Incentive Award, will designate one or more beneficiaries to whom the Company will make any distribution to be made after the Participant's death. This designation will be made in writing on a form filed with the Company's Senior Vice President and Chief Administrative Officer or other officer designated by the CEO and/or the President. Appendix C is a copy of the Beneficiary Designation to be used for designations under Section V. Designations under Section IX. will be made on the Election to defer. If a Participant does not designate a beneficiary, or if no beneficiary is living at the time of distribution, then, except as provided in Section IX. above, the distribution shall be made to a Participant's estate. A Participant may change his/her designated beneficiary(ies) at any time.

XI. AMENDMENT, SUSPENSION OR TERMINATION OF PLAN

In addition to the limited power of Plan amendment of the Committee, the Board may at any time amend, suspend or terminate this Plan for any Plan Year prior to the commencement of the Plan year; provided, however, that no such amendment, suspension, or termination will affect the rights of Participants or beneficiaries to receive distributions of deferred Awards previously made or the methods of distributing deferred Awards which have been elected, nor retroactively eliminate or reduce any benefit hereunder of any Participant.

XII. GENERAL

A. All expenses of administering the Plan, including reasonable compensation to the members of the Committee, will be borne by the Company.

B. No rights under the Plan, contingent or otherwise, will be transferable, assignable or subject to any encumbrance, pledge or charge of any nature.

C. Neither the adoption of the Plan nor its operation will in any way affect the right and power of the Company or a Subsidiary to dismiss or discharge any Senior Executive at any time, nor shall any Participant who is dismissed or discharged by the Company have any rights or benefits hereunder, except as determined by the Committee at its discretion.

D. The Board, the Committee and the CEO and/or the President may rely upon any information supplied to them by any officer of the Company or by the Company's independent public accountants and may rely upon the advice of such accountants or of counsel in connection with the administration of this Plan and will be fully protected in relying upon such information or advice.

XIII. CLAIMS PROCEDURE

In the event a Participant has been granted an Incentive Award and such Incentive Award is not paid for any reason, the Participant may file with the Committee a written claim for any payment to which he considers himself entitled. The Committee will review the claim fully and respond in writing as soon as possible following receipt of the Participant's written claim. Appeals of denial of claims shall also be handled by the Committee in a timely manner.

IN WITNESS HEREOF, the Company has caused this restatement to be executed as of the 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

APPENDIX A-1

PERCENTAGE OF TARGET PERFORMANCE ACHIEVED	PERCENTAGE OF TARGET PERCENTAGE EARNED
Under 75	0
75	40
85	65
90	82
95	92
100	100
105	120
110	135
115	140
120	145
125 and over	150

Note: If actual performance achieved falls between two levels noted in first column above, the percentage of target percentage earned will be appropriately prorated.

APPENDIX A-2

TARGET INCENTIVES

HAY POINTS (JOB SIZE)	TARGET INCENTIVE AS % OF MIDPOINT
960	30%
1074	30%
1124	30%
1292	35%
1360	35%
1628	40%
1688	45%
1860	45%
2448	50%
2540	55%
4112	65%

If a Participant's Hay Points fall between any two Hay Point levels set forth above, the Participant's Target Incentive will be based on the lesser Hay Point level.

APPENDIX B

FLOWSERVE CORPORATION
ANNUAL CASH INCENTIVE PLAN FOR SENIOR EXECUTIVES

PARTICIPANT'S ELECTION TO DEFER

In accordance with the provisions of the Annual Cash Incentive Plan for Senior Executives (the "Plan") of Flowserve Corporation (the "Company"), I elect:

1. To defer _____% of my payment of Award payable in cash for the Plan Year ending December 31, 200__.

2. To receive payment of the amount credited to my deferred award account in the following manner (I have initiated the method I have elected):

   _____ A. In one lump sum payment of cash.

   _____ B. In ten (10) equal annual installments of cash commencing within 60 calendar days of my retirement.

3. To have any payments required by paragraph 2 above which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be changed after the beginning of the Plan Year with respect to which my award is earned.

2. My election is subject to the terms of the Plan, which, among other things, requires a lump sum payout in the event of my employment termination for reasons other than retirement or death.

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DATE	SIGNATURE OF PARTICIPANT

The undersigned acknowledges receipt of the above election on ----------------.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

APPENDIX C

FLOWSERVE CORPORATION
ANNUAL CASH INCENTIVE PLAN FOR SENIOR EXECUTIVES

PARTICIPANT'S BENEFICIARY DESIGNATION

In accordance with the provisions of the Annual Cash Incentive Plan for Senior Executives (the "Plan") of Flowserve Corporation (the "Company"), I elect to have any payments which have not been made to me prior to my death, paid after my death to:

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DATE	SIGNATURE OF PARTICIPANT

The undersigned acknowledges receipt of the above election on ----------------.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

EXHIBIT 10.3

FLOWSERVE CORPORATION DIRECTOR DEFERRAL PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2000

Flowserve Corporation (the "Company") established the Flowserve Corporation Director Deferral Plan (the "Plan) and has been operating thereunder. Effective October 1, 2000 ("Effective Date"), the Plan has been amended and restated into two separate plans:

1) Flowserve Corporation Director Stock Deferral Plan ("Director Stock Deferral Plan").

2. Flowserve Corporation Director Cash Deferral Plan ("Director Cash Deferral Plan").

Each Director in any Plan Year may participate in the Director Stock Deferral Plan or the Director Cash Deferral Plan [or both the Director Stock Deferral Plan and the Director Cash Deferral Plan]. Participation in the Plans is permitted on a pro rata basis so that total participation in both Plans equals 100%.

As of the Effective Date, all deferred stock awards from the predecessor Plan are transferred to the Director Stock Deferral Plan and all deferred cash awards are transferred to the Director Cash Deferral Plan. Any distribution of stock transferred to this Plan shall only be made in kind.

FLOWSERVE CORPORATION
AMENDED AND RESTATED
DIRECTOR STOCK DEFERRAL PLAN

(EFFECTIVE OCTOBER 1, 2000)

1. PURPOSE OF THE RESTATEMENT. The purpose of this amendment and restatement ("Restatement") to the Director Deferral Plan (the "Plan") is to continue to provide the opportunity for a member (a "Director") of the Board of Directors to elect to defer all or a specified part of the "Compensation" (as defined hereafter) in the form of deferred Company Common Stock, $1.25 per share par value ("Deferred Shares") and to limit distribution of Plan assets to in kind distributions of shares of Flowserve Corporation common stock.

2. COMPENSATION UNCHANGED. The amount of Compensation payable to Directors shall remain unchanged as the result of the adoption of this Restatement. "Compensation," for the purpose of the Plan, shall mean the payments to the Directors for services rendered and shall include the annual retainer, cash compensation for services as a member of a Committee of the Board of Directors, meeting attendance fees, Committee chairmanship fees and board Chairmanship fees.

3. SHAREHOLDER APPROVAL REQUIREMENT. The prior Restatement effective July 1, 1995 was approved by the shareholders of the Company at the 1995 Annual Meeting of Shareholders.

4. ELECTION TO DEFER.

(a) A Director may execute an election with the Company to defer the payment of all, or a specified part in an increment of 10%, of the Compensation payable for services as a Director through completion of a form (Exhibit "A") or any substantially similar document to be delivered to and subject to acceptance by the Secretary of the Company. An election to defer Compensation shall be effective as of the day specified on the election form or, if not stated, on the first day of the next succeeding calendar quarter. In the case, however, of a person who has been elected to serve as a Director but whose term has not yet commenced, the election to defer shall be effective as of such date as may be specified in the election form. In either case, the election shall apply only to Compensation payable for services rendered on or after the effective date of the election to defer. The election to defer shall remain in effect until terminated or changed as provided in this Plan.

(b) A Director may terminate any election to defer the payment of the Compensation relating to future services by giving notice of termination to the Company. A director may change any election to defer the payment of Compensation relating to future services either in the manner provided in the election or by executing a new election with the Company. Any such termination or change in the amount to be deferred shall be effective only with respect to Compensation payable for services as a Director on or after the first day of the next succeeding calendar quarter, subject to Section 4(d) below.

(c) Election forms received prior to October 1, 2000 which were submitted under the Plan prior to this Restatement shall continue to be valid until and unless revoked.

(d) If the Director makes an initial election of Deferred Shares or elects to increase the percentage of the amount deferred in the form of Deferred Shares, such deferral shall take effect, unless otherwise specified for a later time, for the next following calendar quarter.

5. FORM OF DEFERRAL.

(a) A Director may elect to defer his or her Compensation in the form of Deferred Shares and must so designate on his/her aforementioned election ("Exhibit A") to be delivered to the Secretary of the Company.

(b) The issuance or delivery of Deferred Shares pursuant to the Plan shall be subject to, and shall comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder), any securities exchange upon which the Deferred shares may be listed and any other law or regulation applicable thereto. The Company shall not be obligated to issue or deliver any Deferred Shares pursuant to the Plan if such issuance or delivery would, in the opinion of the Committee, violate any such requirements. The foregoing shall not, however, be deemed to require the Company to effect any registration of Shares under any such law or regulation, although the Company may elect to do so.

(c) Notwithstanding a Director's election to defer his/her Compensation in the form of Deferred Shares, the deferral for any particular calendar quarter shall not be permitted under this Director Stock Deferral Plan if, in the opinion of counsel for the Company, such a deferral in the form of Deferred Shares could give rise to liability to the Director and/or Company under applicable laws governing "insider trading" by directors in public companies. Additionally, any election by a Director of Deferred Shares shall be invalid where the Director has disposed of any shares of the Company's Common Stock within six months of the calendar quarter applicable to the deferral, if the Company is advised by counsel that such deferral does not qualify as being "exempt" under Section 16 of the Securities Exchange Act.

6. DIRECTORS' ACCOUNTS FOR DEFERRED SHARES AWARD.

(a) The Company will establish a separate account for each Director who has elected Deferred Shares, in which the Director's Deferred Shares will be maintained. The Company will create this account through a trust (the "Trust") established by the Company, with the applicable trustee (the "Trustee") maintaining such Deferred Shares pursuant to the Trust. The Company shall fund such account by providing the applicable deferred cash to the Trustee during the first month of the calendar quarter at approximately the same time that the cash would otherwise be paid to the director with instructions to the Trustee to purchase such Deferred Shares for this account on the open market, and with the Company paying or reimbursing the Trustee for any brokerage or other transaction fees. Any dividends paid on the Deferred Shares in this account ("Dividends") will be credited to a deferred cash account of the Director established pursuant to the Flowserve Corporation

Director Cash Deferral Plan. The Trustee will have voting rights on all Deferred Shares prior to distribution.

(b) UNSECURED ACCOUNT. Any amount credited to the Deferred Shares accounts of a Director as deferred Compensation will represent only an unfunded and unsecured promise of the Company to pay the amount so credited in accordance with the terms of the Plan. Neither a Director, nor any beneficiary of a Director, will acquire any right, title or interest in any asset of the Company as a result of any amount of Deferred Shares credited to a Director's account or accounts. At all times, a director's rights with respect to the amount credited to his/her account or accounts will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Director's account or accounts. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void.

7. PAYMENT OF DEFERRED COMPENSATION. Deferred Compensation will be distributed only in accordance with the following sections.

(a) TERMINATION OF SERVICE. In the event a Director leaves service from the Company's Board of Directors for any reason, any Deferred Shares will be distributed commencing within 60 calendar days or his/her termination in accordance with the method of distribution elected by the Director. The Director may elect to receive such distribution in a lump sum, in equal annual installments (not exceeding ten) or some designated combination thereof. If the election is a lump sum, the entire Deferred Shares account balance will be transferred in kind to the director within 60 days of his/her termination. If installments have been elected, the aggregate number of Deferred Shares, held in the separate account for Deferred Shares will be divided by the number of installments elected and allocated in equal whole number proportions to be distributed with each such installment payment (with any remainder after such equal division to be included in the first installment). All Deferred Shares so allocated will be distributed in kind, the first payment made within 60 days of retirement and the second and all subsequent installment payments made between January 1 and 15 of each following year. Certificates representing the applicable amount of Deferred Shares held for the then longest time in the Deferred Shares account of the Trust will be delivered with each installment.

(b) DEATH. If any portion of a Director's account remains unpaid at his/her death, then after his/her death such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Director (following the procedure for lump sum and installment payments set forth above), or (ii) if the Director has not designated a beneficiary or if the beneficiary predeceases the Director, to the Director's estate in a lump sum. Should a beneficiary die after the Director has terminated service but before the entire benefit has been disbursed, the Deferred Shares benefit will be transferred to such estate in kind.

(c) MANDATORY LUMP SUM. Notwithstanding the above, if the value of the deferred Compensation (including Compensation deferred by the Director under prior Company Director optional deferral plans) is less than $10,000 at the time of termination of service by resignation or death, or if the Director has failed to elect a form of distribution on Exhibit A,

then the balance of the deferred Compensation shall be paid in a lump sum, at the Company's discretion, regardless of the Director's prior distribution election.

8. ADMINISTRATION. This Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors. The decision of the Committee shall be final and binding with respect to the interpretation, construction or application of the Plan.

9. AMENDMENT OR TERMINATION. The Committee may amend or terminate the Plan at any time. No amendment or termination of the Plan shall void an election already in effect for the then current calendar quarter or any preceding calendar quarter, nor adversely affect the right of a former Director, his/her account prior to such amendment or termination, together with amounts credited thereto subsequent to such amendment or termination pursuant to Section 6.

IN WITNESS WHEREOF, the Company has caused this restatement to be executed as of the 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT A

FLOWSERVE CORPORATION
DIRECTOR STOCK DEFERRAL PLAN

DIRECTOR'S ELECTION TO DEFER

In accordance with the provisions of the amended and restated Director Stock Deferral Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect to participate in the Plan. Participation in this Plan is on a pro rata basis with the Flowserve Corporation Director Cash Deferral Plan and represents ____% of my total (100%) participation in both plans. I elect:

1. To defer ____% (increments of 10%) of the payment of the Compensation (as defined in the Plan) to be paid to me in Shares of Company Common Stock for services as a Director for calendar quarters beginning ________________, 200__ and succeeding calendar quarters until I notify you to end this deferral.

2. To receive payment of the amount credited to my deferred Compensation account in the following manner:

   [ ] In one lump sum payment in kind distribution of Deferred Shares.

   [ ] In ______ equal annual installments (not to exceed ten) of Deferred Shares commencing within 60 calendar days of my termination.

[ ] In the following percentage combination (totaling 100%).

% Lump Sum	% in	Equal Annual Installments
----	----	---- (not to exceed ten)

3. To have any payments above, which have not been made to me prior to my death, paid after my death to the following designation person(s) in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be changed after the beginning of the calendar quarter with respect to which my Compensation is paid.

2. My election is otherwise subject to the terms of the Plan and applicable securities laws.

3. My election to defer compensation in the form of Deferred Shares will not be honored for any particular quarter if the Company is advised by legal counsel of any legal liabilities to the Company or to me which may arise from such Deferred Shares deferral.

4. The crediting of the Deferred Shares to my account will not constitute a "purchase" for the purposes of Section 16 of the Securities Act of 1933.

5. The delivery of the Deferred Shares to me upon payment of my Deferred Compensation Account will be subject to then applicable SEC requirements, including, without limitation, possible time restrictions on resale.

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Date	Signature of Participant

The undersigned acknowledges receipt of the above election on ________________.

Ronald F. Shuff
Vice President, Secretary and
General Counsel

FLOWSERVE CORPORATION
AMENDED AND RESTATED
DIRECTOR CASH DEFERRAL PLAN

(EFFECTIVE OCTOBER 1, 2000)

1. PURPOSE OF THE RESTATEMENT. The purpose of this amendment and restatement ("Restatement") to the Director Deferral Plan (the "Plan") is to

continue to provide the opportunity for a member (a "Director") of the Board of Directors to elect to defer all or a specified part of the "Compensation" (as defined hereafter) in the form of cash.

2. COMPENSATION UNCHANGED. The amount of Compensation payable to Directors shall remain unchanged as the result of the adoption of this Restatement. "Compensation," for the purpose of the Plan, shall mean the payments to the Directors for services rendered and shall include the annual retainer, cash compensation for services as a member of a Committee of the Board of Directors, meeting attendance fees, Committee chairmanship fees and board Chairmanship fees.

3. SHAREHOLDER APPROVAL REQUIREMENT. The prior Restatement effective July 1, 1995 was approved by the shareholders of the Company at the 1995 Annual Meeting of Shareholders.

4. ELECTION TO DEFER.

(a) A Director may execute an election with the Company to defer the payment of all, or a specified part in an increment of 10%, of the Compensation payable for services as a Director through completion of a form (Exhibit "A") or any substantially similar document to be delivered to and subject to acceptance by the Secretary of the Company. An election to defer Compensation shall be effective as of the day specified on the election form or, if not stated, on the first day of the next succeeding calendar quarter. In the case, however, of a person who has been elected to serve as a Director but whose term has not yet commenced, the election to defer shall be effective as of such date as may be specified in the election form. In either case, the election shall apply only to Compensation payable for services rendered on or after the effective date of the election to defer. The election to defer shall remain in effect until terminated or changed as provided in this Plan.

(b) A Director may terminate any election to defer the payment of the Compensation relating to future services by giving notice of termination to the Company. A director may change any election to defer the payment of Compensation relating to future services either in the manner provided in the election or by executing a new election with the Company. Any such termination or change in the amount to be deferred shall be effective only with respect to Compensation payable for services as a Director on or after the first day of the next succeeding calendar quarter.

(c) Election forms received prior to October 1, 2000 which were submitted under the Plan prior to this Restatement shall continue to be valid until and unless revoked.

5. FORM OF DEFERRAL. A Director may elect to defer his or her Compensation in the form of cash and must so designate on his/her aforementioned election ("Exhibit A") to be delivered to the Secretary of the Company.

6. DIRECTORS' ACCOUNTS FOR DEFERRED CASH.

(a) The Company will establish and maintain a separate account for each Director who has elected to defer his/her compensation in cash, in which the amount of the Director's deferred cash will be recorded. The Company will credit to each such cash account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to 120% of the long-term applicable federal rate compounded quarterly as published by the Internal Revenue Service for the beginning of the month of each calendar quarter. Any dividends paid on the shares deferred pursuant to the Flowserve Corporation Directors' Stock Deferral Plan will be credited to a deferred cash account of the Director, with interest to be credited to such dividends in the same manner as credited to deferred cash.

(b) UNSECURED ACCOUNT. Any amount credited to the cash accounts of a Director as deferred Compensation or as interest or dividends paid on shares in a deferred stock account established pursuant to the Directors' Stock Deferral Plan will represent only an unfunded and unsecured promise of the Company to pay the amount so credited in accordance with the terms of the Plan. Neither a Director, nor any beneficiary of a Director, will acquire any right, title or interest in any asset of the Company as a result of any amount of cash credited to a Director's account or accounts. At all times, a Director's rights with respect to the amount credited to his/her account or accounts will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Director's account or accounts. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void.

7. PAYMENT OF DEFERRED COMPENSATION. Deferred Compensation will be distributed only in accordance with the following sections.

(a) TERMINATION OF SERVICE. In the event a Director leaves service from the Company's Board of Directors for any reason, any deferred cash will be distributed commencing within 60 calendar days or his/her termination in accordance with the method of distribution elected by the Director. The Director may elect to receive such distribution in a lump sum, in equal annual installments (not exceeding ten) or some designated combination thereof. If the election is a lump sum, the entire cash account balance will be transferred in kind to the director within 60 days of his/her termination. If installments have been elected, interest and dividends will be calculated through the date of termination pursuant to Section 6 and added to the account. The resulting deferred cash account total shall be divided equally by the number of installments elected and the first payment made within 60 days of termination. The second and all subsequent installment payments shall be made between January 1 and 30 of each following year. Interest will continue to accrue to the account pursuant to Section 6 on the balance remaining in the directors' deferred cash account until all installments have been paid and will be paid annually with each

installment payment. Dividends from any undistributed shares in a deferred stock account established pursuant to the Directors' Stock Deferral Plan will continue to accrue to the Director's deferred cash account under this Plan, receive applicable interest credit and will be paid with the next applicable installment payment of deferred cash.

(b) DEATH. If any portion of a Director's account remains unpaid at his/her death, then after his/her death such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Director (following the procedure for lump sum and installment payments set forth above), or (ii) if the Director has not designated a beneficiary or if the beneficiary predeceases the Director, to the Director's estate in a lump sum. Should a beneficiary die after the Director has terminated service but before the entire benefit has been disbursed, the balance of the cash benefit will be paid to the beneficiary's estate in a lump sum.

(c) MANDATORY LUMP SUM. Notwithstanding the above, if the value of the deferred Compensation (including Compensation deferred by the Director under prior Company Director optional deferral plans) is less than $10,000 at the time of termination of service by resignation or death, or if the Director has failed to elect a form of distribution on Exhibit A, then the balance of the deferred Compensation shall be paid in a lump sum, at the Company's discretion, regardless of the Director's prior distribution election.

8. ADMINISTRATION. This Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors. The decision of the Committee shall be final and binding with respect to the interpretation,

construction or application of the Plan.

9. AMENDMENT OR TERMINATION. The Committee may amend or terminate the Plan at any time. No amendment or termination of the Plan shall void an election already in effect for the then current calendar quarter or any preceding calendar quarter, nor adversely affect the right of a former Director, his/her account prior to such amendment or termination, together with amounts credited thereto subsequent to such amendment or termination pursuant to Section 6.

IN WITNESS WHEREOF, the Company has caused this restatement to be executed as of the 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT A

FLOWSERVE CORPORATION
DIRECTOR CASH DEFERRAL PLAN

DIRECTOR'S ELECTION TO DEFER

In accordance with the provisions of the amended and restated Director Cash Deferral Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect to participate in the Plan. Participation in this Plan is on a pro rata basis with the Flowserve Corporation Director Stock Deferral Plan and represents ____% of my total (100%) participation in both plans. I elect:

1. To defer ____% (increments of 10%) of the payment of the Compensation (as defined in the Plan) to be paid to me in cash for services as a Director for calendar quarters beginning ________________, 200__ and succeeding calendar quarters until I notify you to end this deferral.

2. To receive payment of the amount credited to my deferred Compensation account in the following manner:

[ ] In one lump sum payment in cash.

[ ] In ______ equal annual installments (not to exceed ten) of cash commencing within 60 calendar days of my termination.

[ ] In the following percentage combination (totaling 100%).

____% Lump Sum ____% in ____ Equal Annual Installments (not to exceed ten)

3. To have any payments above, which have not been made to me prior to my death, paid after my death to the following designation person(s) in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be changed after the beginning of the calendar quarter with respect to which my Compensation is paid.

2. My election is otherwise subject to the terms of the Plan.

------------------ ----------------------------------

Date Signature of Participant

The undersigned acknowledges receipt of the above election on ----------------.

Ronald F. Shuff
Vice President, Secretary and
General Counsel

EXHIBIT 10.10

FLOWSERVE CORPORATION LONG-TERM INCENTIVE PLAN
AS AMENDED AND RESTATED EFFECTIVE OCTOBER 1, 2000

Flowserve Corporation (the "Company") established the Flowserve Corporation Long-Term Incentive Plan (the "Plan) as amended and restated November 1, 1993 and has been operating thereunder. Effective October 1, 2000 ("Effective Date"), the Plan has been amended and restated into two separate plans:

1) Flowserve Corporation Long-Term Stock Incentive Plan ("Stock Incentive Plan").

2. Flowserve Corporation Long-Term Cash Incentive Plan ("Cash Incentive Plan").

Each Participant in any Plan Year may participate in the Stock Incentive Plan or the Cash Incentive Plan or both the Stock Incentive Plan and the Cash Incentive Plan. Participation in the Plans is permitted on a pro rata basis so that total participation in both Plans equals 100%.

As of the Effective Date, all deferred stock awards from the predecessor Plan are transferred to the Stock Incentive Plan and all deferred cash awards are transferred to the Cash Incentive Plan. The distribution of any stock transferred to the Stock Incentive Plan shall only be made in kind.

Effective Date: October 1, 2000

FLOWSERVE CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

I. PURPOSE

The purpose of the Flowserve Corporation Long-Term Stock Incentive Plan (hereinafter referred to as the "Plan") is (i) to attract and retain employees of experience and ability by providing incentives to those who contribute to the successful operation of the business and affairs of the Company and its Divisions and Subsidiaries; (ii) to increase the identity of interests of such employees with those of the Company's shareholders; (iii) to encourage and reward achievement of the Company and its Divisions and Subsidiaries' long-term goals and objectives; and (iv) to reward longer term decisions in the first year of a Cycle which produce outstanding results over the full term of the Cycle.

II. DEFINITIONS

A. "AWARD" - A Performance Unit or Units contingently awarded under the Plan.

B. "BOARD" - The Company's Board of Directors.

C. "COMMITTEE" - The Compensation Committee of the Board.

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

E. "DIVISION" - An unincorporated separated business unit of the Company.

F. "FISCAL-YEAR" - The Company's fiscal year ended December 31.

G. "PARTICIPANT" - An employee who is selected by the Committee to receive an Award under the plan.

H. "PERFORMANCE CYCLE" OR "CYCLE" - The period of years selected by the Committee during which the performance of the Company and its Divisions and Subsidiaries is measured for the purpose of determining the extent to which an award has been earned. (See Attachment A.)

I. "PERFORMANCE GOALS" - The objectives for the Company and its Divisions and Subsidiaries established by the Committee for the purpose of determining the extent to which Performance Units which have been contingently awarded for a Cycle are earned.

J. "PERFORMANCE UNITS" - An Award granted in the form of a number of units at a fixed dollar value per unit.

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

III. ADMINISTRATION

The Plan will be administered by the Committee. No member of the Committee win be eligible to be granted an Award while he is a member of the Committee or with respect to any Fiscal Year during which a Performance Cycle was established and he was a member of the Committee. The Committee's power of Plan administration shall include the ability to amend the Plan, except for amendments which affect the Awards which may be earned by or payable to the Company's Chief Executive Officer. No such amendment shall retroactively affect the benefit rights or other entitlement of any Award granted to or earned by a Participant.

IV. ELIGIBILITY AND ELECTION TO PARTICIPATE

Employees eligible to participate in the Plan are those full-time salaried executives of the Company and its Subsidiaries who are in a position to contribute, in a substantial measure, to the long-term strategies, performance and profitability of the Company and its Subsidiaries. The Company's Chief Executive Officer will, from time to time, propose to the Committee eligible employees for participation in the Plan. Generally, only executives who are at the Division/Subsidiary President or Company Officer level will be eligible for participation, although the Committee in its discretion may admit other employees as Participants. If the Participant elects to participate in the Plan, the Participant must so elect on a form ("Attachment F") to be delivered to and be subject to acceptance by the Committee or the CEO, CAO or other persons designated by the Committee prior to the end of the Cycle with such election irrevocable after the completion of the Cycle.

V. OPERATION OF THE PLAN

A. AUTHORITY OF THE COMMITTEE - The Committee will have the sole authority to determine the eligible employees who will become Participants, the number of Performance Units each Participant will receive, the value of each Performance Unit for each Performance Cycle and the duration of each Performance Cycle. There may be more than one Performance Cycle in existence at any one time, and the duration of Performance Cycles may differ from each other. (See Attachment A for an example of a series of Performance Cycles.) Each Award of Performance Units will be confirmed by a Performance Unit offer executed by the Company and sent to the Participant, which shall be deemed to have been accepted by the Participant and thus have become a binding agreement, unless the Participant objects in writing within seven (7) days after receipt. (See Attachment B for an example of the basis for Performance Unit Awards.)

B. PERFORMANCE GOALS - The Committee will establish Performance Goals for each Cycle on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. During any Cycle, the Committee may adjust the Performance Goals for such Cycle as it deems equitable in

recognition of unusual or non-recurring events affecting the Company or changes in applicable tax laws or accounting principles.

C. COMPUTATION OF PERFORMANCE UNIT AWARDS EARNED - The Committee will determine the number of Performance Units which have been earned at the end of each Performance Cycle, based upon the Company's performance in relation to the established Performance Goals. A Participant's earned Award for any Performance Cycle shall be contingent upon the Company's achieving such percentage of the Performance Goals for that Cycle as may be specified by the Committee. If the Company achieves 100% of such goals, the Participant will receive the target Award. If the Company's performance falls short of or exceeds such goals, the actual Award may be less than or exceed the target Award by such amount as may be specified by the Committee, but the actual Award shall in no event exceed 200% of the target Award. (See Attachment C for an example of the proportional allocation of an Award.)

D. PAYMENTS OF PERFORMANCE UNITS - Payment of Performance Units will be in shares of the common stock of the Company ("Shares"). A Participant may also elect to defer payment of Shares ("deferred Shares") under the provisions of Section X. Any Award so elected by the Participant to be paid in the form of Shares or deferred Shares shall be increased by fifteen per cent (15%). Except as may be provided for such "deferred Shares, any issuance of Shares as such payment shall be based upon a determination of the Share's "Current Market Value" on the February 1 next following the end of the applicable Performance cycle or such other date as is selected by the Committee. "Current Market Value" shall mean the average of the last sale prices of a Share during the period beginning thirty-one days prior to and ending on the date that the value of the Share is to be determined, as reported by the National Association of Securities Dealers, Inc. through NASDAQ or, in the event that the Shares are listed on an exchange, the average of the last sale prices of a Share on such exchange during such period. The issuance or delivery of Shares pursuant to the Plan shall be subject to, and shall comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder), any securities exchange upon which the Shares may be listed and any other law or regulation applicable thereto. The Company shall not be obligated to issue or deliver any Shares pursuant to the Plan if such issuance or delivery would, in the opinion of the Committee, violate any such requirements. The foregoing shall not, however, be deemed to require the Company to effect any registration of Shares under any such law or regulation, although the Company may elect to do so. Payment or deferral of Performance Units will be made as soon as practicable after the determination of the value of a Share, where applicable, and the completion of the Performance Cycle during which the Awards were earned.

VI. TERMINATION OF EMPLOYMENT

A. TERMINATION DUE TO RETIREMENT - Performance Units will be paid at the end of each Performance Cycle; provided, however, the value of an Award made for the Fiscal Year in which a Participant retires will be prorated by twelfths as of the date of retirement, based upon the number of whole months from January 1 of such Fiscal Year to the date of retirement and counting as a whole month the month of retirement if the date of retirement is after the 15th of the month. The retirement of a Participant subsequent to the end of a Fiscal Year shall not affect the value of or his entitlement to an Award previously made for such Fiscal Year.

B. TERMINATION DUE TO DEATH OR DISABILITY - Performance Units shall be paid at the end of each Performance Cycle; provided, however, the value of an Award made for the Fiscal Year in which a Participant dies or becomes disabled shall be prorated by twelfths as of the date of death or disability, based upon the number of whole months from January 1 of such Fiscal Year to the date of death or disability and counting as a whole month the month of death or disability if the date of death or disability is after the 15th of the month. The death or disability of a Participant subsequent to the end of a Fiscal Year shall not affect the value of or his entitlement to an Award previously made for such Fiscal Year. In the event of a Participant's death, any amount payable with respect to his Performance Units shall be paid to his beneficiary(ies). Should a beneficiary die after the Participant but before the benefit is disbursed, the benefit will be paid to the beneficiary's estate.

C. REASSIGNMENT TO A NON-PARTICIPATING POSITION - Performance Units shall be paid at the end of each Performance Cycle; provided, however, the value of an Award made for the Fiscal Year in which a Participant is reassigned to a non-participating position shall be prorated by twelfths as of the date of the reassignment, based upon the number of whole months from January 1 of such Fiscal Year to the date of reassignment and counting as a whole month the month of reassignment if the date of reassignment is after the 15th of the month.

D. TERMINATION FOR ANY OTHER REASON - All Awards not yet earned upon a Participant's termination of employment for any reason other than those set forth in Section VI. A.-C., above, will be forfeited. The Committee may, but is not obligated to, make whole or partial payments of Performance Units to a terminated Participant at its discretion if it deems such action to be in the best interest of Company.

VII. DESIGNATION OF THE BENEFICIARY

Each Participant, at the beginning of each Performance Cycle, will designate one or more beneficiaries to whom the Company will make any distribution to be made after the Participant's death. This designation will be made in writing on a form filed with the Company's Vice

President, Secretary and General Counsel (or other

officer designated by the President). If a Participant does not designate a beneficiary, or if the beneficiary predeceases the Participant, the distribution shall be made to the Participant's estate. Should a beneficiary die after the Participant but before distribution is made, the distribution shall be made to the beneficiary's estate. A Participant may change his designated beneficiary(ies) at any time. (See Attachment D for a copy of the Beneficiary Designation.)

VIII. AMENDMENT, SUSPENSION OR TERMINATION OF PLAN

In addition to the Committee's aforementioned limited power of Plan amendment, the Board may at any time amend, suspend or terminate this Plan; provided, however, that no amendment, suspension or termination will affect the rights of Participants to receive distribution of awards already vested but not paid nor retroactively eliminate or reduce any Award granted to or earned by any Participant. For purposes of the foregoing, an award shall be considered to have been vested upon the expiration of the first Fiscal Year of the Performance Cycle to which the award relates.

IX. GENERAL

A. All expenses of administering the Plan, including reasonable compensation to the members of the Committee, will be borne by the Company.

B. No rights under the Plan, contingent or otherwise, will be transferable, assignable or subject to any encumbrance, pledge or charge of any nature.

C. Neither the adoption of the Plan nor its operation will in any way affect the right and power of the Company to dismiss or discharge any employee at any time.

D. The Board, the Committee and the Chief Executive Officer may rely upon any information supplied to them by an officer of the Company or by the Company's independent public accountants and may rely upon the advice of such accountants or of counsel in connection with the administration of the Plan and will be fully protected in relying upon such information or advice.

X. DEFERRED PAYMENT OF PERFORMANCE UNITS

Awards under the Plan shall be paid in kind in Shares or deferred Shares or a combination thereof for a Performance Cycle.

A. SHARE AWARDS - Shares Awards will be paid in full as soon as practicable after the end of the Performance Cycle.

B. ELECTION TO DEFER - Each Participant may elect to defer distribution of a Share Award or a portion thereof. The Participant's election to defer must be made either at or before August 31 of the applicable Plan Year. Such election may not be changed after August 31 of the applicable Plan Year. Attachment E is a copy of the election to defer, although the Committee may elect to honor any written communication statement from a Participant which communicates substantially the same election intention. The Committee, in its absolute discretion, may elect to accept any such election applicable to the Plan Year beginning January 1, 1990, January 1, 1991, January 1, 1992 or January 1, 1993 where the Committee (or the Chief Administrative Officer on behalf of the Committee, except in cases involving the Chief Administrative Officer) determines in its absolute discretion that the Participant submitted in good faith an irrevocable election to defer a possible award prior to the commencement of the applicable Plan Year, regardless of the content of any election form or notice.

C. PARTICIPANTS' ACCOUNTS FOR DEFERRED SHARES AWARD - The Company will establish a separate account for each Participant whose Shares Award is deferred, in which the number of Shares of the Participant's deferred Shares Award will be maintained. The Company will create this account through a trust established by the Company with the applicable trustee (the "Trustee") maintaining such Shares pursuant to the trust. The Company reserves the right to fund such account by providing the then cash equivalent of the applicable Share Award (including, if applicable, the fifteen percent (15%) premium noted in Section V(D)) to such Trustee with instructions to such Trustee to purchase such Shares for this account on the open market with the Company paying or reimbursing the Trustee for any brokerage or other transaction fees. Any dividends paid on the Shares in this account will be credited to a deferred cash account of the Participant established pursuant to the Long-Term Cash Incentive Plan. The Trustee shall have all voting rights on deferred Shares.

D. UNSECURED ACCOUNT - Any amount credited to the account of a Participant as a deferred Award will represent only an unsecured promise of the Company to pay the amount so credited in accordance with the terms of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title, or interest in any asset of the Company as a result of any amount credited to a Participant's account. At all times, a Participant's rights with respect to the amount credited to his account will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account.

E. DEFERRED PAYMENTS - Deferred Awards will be distributed only in accordance with the following sections.

(i) Termination of Employment. In the event a Participant ceases to be employed by the Company or a Subsidiary for any reason other than death or retirement, any deferred Shares Award (earned in respect of any Cycle ending prior to the Cycle in which such termination occurs), credited to his account will be distributed in kind in a lump sum payment within 60 days of his termination of employment.

(ii) Retirement. In the event a Participant retires under a retirement plan of the Company or a Subsidiary, any deferred Shares Award will be distributed commencing within 60 calendar days of his retirement in accordance with the method of distribution elected by the Participant. If the election is a lump sum, the entire deferred Shares Award will be transferred in kind to the Participant within 60 days of his retirement. If installments have been elected the aggregate number of Shares held in the separate account for deferred Shares Awards will be divided by the number of installments elected and allocated in equal whole number proportions to be distributed with each such installment payment (with any remainder after such equal division to be included in the first installment). All deferred Shares Awards so allocated will be distributed in kind, the first payment made within 60 days of retirement and the second and all subsequent installment payments made between January 1 and 15 of each following year.

(iii) Death. If any portion of a Participant's account remains unpaid at his death, then after his death such amount will be paid (i) to his beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedure for lump sum and installment payments set forth above), or (ii) if the Participant has not designated a beneficiary or if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant but before the entire benefit has been disbursed, the Shares benefit will be transferred to such estate in kind.

(iv) Emergency Distribution. In the event an emergency situation occurs (as defined below) while a Participant is in the employ of the Company or a Subsidiary, the Participant may request the Committee to make an immediate distribution to him from his account. Any such distribution will be solely within the discretion of the Committee and will be limited in an amount to that necessary to meet the emergency.

An emergency situation means a bona fide unexpected financial emergency that is caused by an event beyond the control of the Participant (e.g., a serious family illness or disaster) and would result in severe financial hardship to the Participant if early distribution were not permitted.

IN WITNESS WHEREOF, the Company has caused this restatement to be executed this 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

ATTACHMENT A

PERFORMANCE CYCLE OR CYCLES

EXAMPLE OF A THREE-YEAR CYCLE PROGRAM

	Year One	Year Two	Year Three	Year Four	Year Five	Year Six
1st Cycle	Awarded ------------		Earned			
2nd Cycle		Awarded -----------		Earned		
3rd Cycle			Awarded -----------		Earned	
4th Cycle				Awarded -----------		Earned

NOTE: Performance Units are contingently awarded prior to start of each Cycle and earned if Performance Goals are achieved at the end of the three-year period.

ATTACHMENT B

EXAMPLE OF BASIS FOR PERFORMANCE UNIT AWARDS

(LONG-TERM INCENTIVE PLAN)

BASE LEVEL	SALARY RANGES HAY POINTS	TARGET UNIT AWARD AS % OF BASE SALARY MIDPOINT	MAXIMUM UNIT AWARD AS % OF BASE SALARY MIDPOINT
A	2500 & Above	45%	90%
B	1900 to 2499	35%	70%
C	1600 to 1899	30%	60%
D	1250 to 1599	25%	50%

ATTACHMENT C

PERCENT OF TARGET
EXAMPLE OF PAYOUT AT FLOWSERVE SALES REVENUE GROWTH OVER OR UNDER McGRAW-HILL

	FLOWSERVE GROWTH IN PERCENTAGE POINTS OVER McGRAW-HILL INDEX GROWTH								
RONA % OF GOAL	1% OR LESS	2%	3%	4%	5%*	6%	7%	8%	9%	10% OR MORE

0.0 - 79.9	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
80.0 - 84.9	50%	50%	50%	50%	50%	65%	80%	90%	100%	110%
85.0 - 89.9	50%	50%	50%	50%	65%	80%	90%	100%	110%	120%
90.0 - 94.9	50%	50%	50%	65%	80%	90%	100%	110%	120%	130%
95.0 - 99.9	50%	50%	65%	80%	90%	100%	110%	120%	130%	140%
100.0 - 104.9	50%	65%	80%	90%	100%	110%	120%	130%	140%	150%
105.0 - 109.9	65%	80%	90%	100%	110%	120%	130%	140%	150%	160%
110.0 - 114.9	80%	90%	100%	110%	120%	130%	140%	150%	160%	170%
115.0 - 119.9	90%	100%	110%	120%	130%	140%	150%	160%	170%	180%
120.0 - 124.9	100%	110%	120%	130%	140%	150%	160%	170%	180%	190%
125.0 and over	110%	120%	130%	140%	150%	160%	170%	180%	190%	200%

* NOTE: 5 percentage point growth over McGraw-Hill results in payouts equal to the old plan. Award determination to be interpolated between categories based upon actual results.

ATTACHMENT D

FLOWSERVE CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PARTICIPANT'S BENEFICIARY DESIGNATION

In accordance with the provisions of the Long-Term Stock Incentive Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect to have any payments which have not been made to me prior to my death, paid after my death to:

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Date   Signature of Participant

The undersigned acknowledges receipt of the above election on ________________.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

ATTACHMENT E

FLOWSERVE CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PARTICIPANT'S ELECTION TO DEFER

In accordance with the provisions of the Long-Term Stock Incentive Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect:

1. To defer ____% of my payment of Award payable in Shares for

the Plan Year ending December 31, 200___.

2. To receive payment of the amount credited to my deferred award account in the following manner (I have initiated the method I have elected):

---- A. In one lump sum payment in kind distribution of "Shares" (as defined in the Plan) upon retirement.

---- B. In ten equal annual installments of Shares commencing within 60 calendar days of my retirement.

3. To have any payments required by paragraph 2 above which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be changed after the beginning of the Plan Year with respect to which my award is earned.

2. My election is subject to the terms of the Plan, which, among other things, requires a lump sum payout in the event of my employment termination for reasons other than retirement or death.

-------------------------   --------------------------------------
DATE   SIGNATURE OF PARTICIPANT

The undersigned acknowledges receipt of the above election on ----------------.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

ATTACHMENT F

FLOWSERVE CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PARTICIPANT'S ELECTION TO PARTICIPATE

In accordance with the provisions of the Long-Term Stock Incentive Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect to participate in the Plan for the Performance Cycle ended December 31, 200__. Participation in this Plan is on a pro rata basis with the Flowserve Corporation Long-term Cash Incentive Plan for Senior Executives and represents ___% of my total (100% participation in both Plans. Unless otherwise determined by the Committee, I understand that if I am a participant in the Flowserve Corporation Equity Incentive Plan my participation in the Long-Term Stock Incentive Plan must be at least 50% of my total (100%) participation in both the Long-Term Incentive Plan and the Long-term Cash Incentive Plan.

In making this election, I understand that:

1. My election may not be changed or revoked after the end of the Performance Cycle.

2. The number of Shares to be received pursuant to this election will be calculated pursuant to the Plan and, accordingly, will be the equivalent of 115% of the value of the award, based upon the Plan's specified timing of the computation of the cash value of a Share.

3. My election is otherwise subject to the terms of the Plan.

4. The Shares have not been registered under the Securities Act of 1933. Rather, the Shares will be issued in reliance upon the so-called private placement exemption set forth in the Act. I may not sell the Shares unless either they are registered under the Act or unless an exemption from registration is available.

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DATE	SIGNATURE OF PARTICIPANT

Receipt and acceptance acknowledged on behalf of the Compensation Committee.

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DATE	RONALD F. SHUFF Vice President, Secretary and General Counsel

Effective Date: October 1, 2000

FLOWSERVE CORPORATION
LONG-TERM CASH INCENTIVE PLAN

I. PURPOSE

The purpose of the Flowserve Corporation Long-Term Cash Incentive Plan (hereinafter referred to as the "Plan") is (i) to attract and retain employees of experience and ability by providing incentives to those who contribute to the successful operation of the business and affairs of the Company and its Divisions and Subsidiaries; (ii) to increase the identity of interests of such employees with those of the Company's shareholders; (iii) to encourage and reward achievement of the Company and its Divisions and Subsidiaries' long-term goals and objectives; and (iv) to reward longer term decisions in the first year of a Cycle which produce outstanding results over the full term of the Cycle.

II. DEFINITIONS

A. "AWARD" - A Performance Unit or Units contingently awarded under the Plan.

B. "BOARD" - The Company's Board of Directors.

C. "COMMITTEE" - The Compensation Committee of the Board.

D. "COMPANY" - Flowserve Corporation, a New York Corporation.

E. "DIVISION" - An unincorporated separated business unit of the Company.

F. "FISCAL-YEAR" - The Company's fiscal year ended December 31.

G. "PARTICIPANT" - An employee who is selected by the Committee to receive an Award under the plan.

H. "PERFORMANCE CYCLE" OR "CYCLE" - The period of years selected by the Committee during which the performance of the Company and its Divisions and Subsidiaries is measured for the purpose of determining the extent to which an award has been earned. (See Attachment A.)

I. "PERFORMANCE GOALS" - The objectives for the Company and its Divisions and Subsidiaries established by the Committee for the purpose of determining the extent to which Performance Units which have been contingently awarded for a Cycle are earned.

J. "PERFORMANCE UNITS" - An Award granted in the form of a number of units at a fixed dollar value per unit.

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

III. ADMINISTRATION

The Plan will be administered by the Committee. No member of the Committee win be eligible to be granted an Award while he is a member of the Committee or with respect to any Fiscal Year during which a Performance Cycle was established and he was a member of the Committee. The Committee's power of Plan administration shall include the ability to amend the Plan, except for amendments which affect the Awards which may be earned by or payable to the Company's Chief Executive Officer. No such amendment shall retroactively affect the benefit rights or other entitlement of any Award granted to or earned by a Participant.

IV. ELIGIBILITY

Employees eligible to participate in the Plan are those full-time salaried executives of the Company and its Subsidiaries who are in a position to contribute, in a substantial measure, to the long-term strategies, performance and profitability of the Company and its Subsidiaries. The Company's Chief Executive Officer will, from time to time, propose to the Committee eligible employees for participation in the Plan. Generally, only executives who are at the Division/Subsidiary President or Company Officer level will be eligible for participation, although the Committee in its discretion may admit other employees as Participants. Unless electing to the contrary to participate in the Flowserve Corporation Long-Term Stock Incentive Plan, all Eligible Participants shall participate in this Plan.

V. OPERATION OF THE PLAN

A. AUTHORITY OF THE COMMITTEE - The Committee will have the sole authority to determine the eligible employees who will become Participants, the number of Performance Units each Participant will receive, the value of each Performance Unit for each Performance Cycle and the duration of each Performance Cycle. There may be more than one Performance Cycle in existence at any one time, and the duration of Performance Cycles may differ from each other. (See Attachment A for an example of a series of Performance Cycles.) Each Award of Performance Units will be confirmed by a Performance Unit offer executed by the Company and sent to the Participant, which shall be deemed to have been accepted by the Participant and thus have become a binding agreement, unless the Participant objects in writing within seven (7) days after receipt. (See Attachment B for an example of the basis for Performance Unit Awards.)

B. PERFORMANCE GOALS - The Committee will establish Performance Goals for each Cycle on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. During any Cycle, the Committee may adjust the Performance Goals for such Cycle as it deems equitable in recognition of unusual or non-recurring events affecting the Company or changes in applicable tax laws or accounting principles.

C. COMPUTATION OF PERFORMANCE UNIT AWARDS EARNED - The Committee will determine the number of Performance Units which have been earned at the end

of each Performance Cycle, based upon the Company's performance in relation to the established Performance Goals. A Participant's earned Award for any Performance Cycle shall be contingent upon the Company's achieving such percentage of the Performance Goals for that Cycle as may be specified by the Committee. If the Company achieves 100% of such goals, the Participant will receive the target Award. If the Company's performance falls short of or exceeds such goals, the actual Award may be less than or exceed the target Award by such amount as may be specified by the Committee, but the actual Award shall in no event exceed 200% of the target Award. (See Attachment C for an example of the proportional allocation of an Award.)

D. PAYMENTS OF PERFORMANCE UNITS - Payment of Performance Units will be in cash. A Participant may also elect to defer payment of cash under the provisions of Section X.

VI. TERMINATION OF EMPLOYMENT

A. TERMINATION DUE TO RETIREMENT - Performance Units will be paid at the end of each Performance Cycle; provided, however, the value of an Award made for the Fiscal Year in which a Participant retires will be prorated by twelfths as of the date of retirement, based upon the number of whole months from January 1 of such Fiscal Year to the date of retirement and counting as a whole month the month of retirement if the date of retirement is after the 15th of the month. The retirement of a Participant subsequent to the end of a Fiscal Year shall not affect the value of or his entitlement to an Award previously made for such Fiscal Year.

B. TERMINATION DUE TO DEATH OR DISABILITY - Performance Units shall be paid at the end of each Performance Cycle; provided, however, the value of an Award made for the Fiscal Year in which a Participant dies or becomes disabled shall be prorated by twelfths as of the date of death or disability, based upon the number of whole months from January 1 of such Fiscal Year to the date of death or disability and counting as a whole month the month of death or disability if the date of death or disability is after the 15th of the month. The death or disability of a Participant subsequent to the end of a Fiscal Year shall not affect the value of or his entitlement to an Award previously made for such Fiscal Year. In the event of a Participant's death, any amount payable with respect to his Performance Units shall be paid to his beneficiary(ies). Should a beneficiary die after the Participant but before the benefit is disbursed, the benefit will be paid to the beneficiary's estate.

C. REASSIGNMENT TO A NON-PARTICIPATING POSITION - Performance Units shall be paid at the end of each Performance Cycle; provided, however, the value of an Award made for the Fiscal Year in which a Participant is reassigned to a non-participating position shall be prorated by twelfths as of the date of the reassignment, based upon the number of whole months from January 1 of such Fiscal Year to the date of reassignment and counting as a whole month the

month of reassignment if the date of reassignment is after the 15th of the month.

D. TERMINATION FOR ANY OTHER REASON - All Awards not yet earned upon a Participant's termination of employment for any reason other than those set forth in Section VI. A.-C., above, will be forfeited. The Committee may, but is not obligated to, make whole or partial payments of Performance Units to a terminated Participant at its discretion if it deems such action to be in the best interest of Company.

VII. DESIGNATION OF THE BENEFICIARY

Each Participant, at the beginning of each Performance Cycle, will designate one or more beneficiaries to whom the Company will make any distribution to be made after the Participant's death. This designation will be made in writing on a form filed with the Company's Vice President, Secretary and General Counsel (or other officer designated by the President). If a Participant does not designate a beneficiary, or if the beneficiary predeceases the Participant, the distribution shall be made to the Participant's estate. Should a beneficiary die after the Participant but before distribution is made, the distribution shall be made to the beneficiary's estate. A Participant may change his designated beneficiary(ies) at any time. (See Attachment D for a copy of the Beneficiary Designation.)

VIII. AMENDMENT, SUSPENSION OR TERMINATION OF PLAN

In addition to the Committee's aforementioned limited power of Plan amendment, the Board may at any time amend, suspend or terminate this Plan; provided, however, that no amendment, suspension or termination will affect the rights of Participants to receive distribution of awards already vested but not paid nor retroactively eliminate or reduce any Award granted to or earned by any Participant. For purposes of the foregoing, an award shall be considered to have been vested upon the expiration of the first Fiscal Year of the Performance Cycle to which the award relates.

IX. GENERAL

A. All expenses of administering the Plan, including reasonable compensation to the members of the Committee, will be borne by the Company.

B. No rights under the Plan, contingent or otherwise, will be transferable, assignable or subject to any encumbrance, pledge or charge of any nature.

C. Neither the adoption of the Plan nor its operation will in any way affect the right and power of the Company to dismiss or discharge any employee at any time.

D. The Board, the Committee and the Chief Executive Officer may rely upon any information supplied to them by an officer of the Company or by the Company's independent public accountants and may rely upon the advice of such

accountants or of counsel in connection with the administration of the Plan and will be fully protected in relying upon such information or advice.

X. DEFERRED PAYMENT OF PERFORMANCE UNITS

Awards under the Plan may be paid in cash or deferred cash or a combination thereof for a Performance Cycle.

A. CASH AWARDS - Cash Awards will be paid in full as soon as practicable after the end of the Performance Cycle.

B. ELECTION TO DEFER - Each Participant may elect to defer distribution of a cash Award or a portion thereof. The Participant's election to defer must be made either at or before August 31 of the applicable Plan Year. Such election may not be changed after August 31 of the applicable Plan year. Attachment E is a copy of the election to defer, although the Committee may elect to honor any written communication statement from a Participant which communicates substantially the same election intention. The Committee, in its absolute discretion, may elect to accept any such election applicable to the Plan Year beginning January 1, 1990, January 1, 1991, January 1, 1992 or January 1, 1993 where the Committee (or the Chief Administrative Officer on behalf of the Committee, except in cases involving the Chief Administrative Officer) determines in its absolute discretion that the Participant submitted in good faith an irrevocable election to defer a possible award prior to the commencement of the applicable Plan Year, regardless of the content of any election form or notice.

C. PARTICIPANTS' ACCOUNTS FOR DEFERRED CASH AWARD - The Company will establish and maintain a separate account for each Participant who has elected to defer his cash Award, in which the amount of the Participant's deferred cash Award will be recorded. The Company will credit to each such account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to 120% of the long-term applicable federal rate compounded quarterly as published by the Internal Revenue Service for the beginning month of each calendar quarter. Any dividends paid on the Shares deferred pursuant to the Flowserve Corporation Long-Term Stock Incentive Plan ("Long-term Stock Incentive Plan") will be credited to a deferred cash account of the Participant under this Plan, with interest to be credited to such dividends in the same manner as credited to deferred cash Awards.

D. UNSECURED ACCOUNT - Any amount credited to the account of a Participant as a deferred Award, or as interest or Dividends (as described below) paid on such deferred Award, will represent only an unsecured promise of the Company to pay the amount so credited in accordance with the terms of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title, or interest in any asset of the

Company as a result of any amount credited to a

Participant's account. At all times, a Participant's rights with respect to the amount credited to his account will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account.

E. DEFERRED PAYMENTS - Deferred Awards will be distributed only in accordance with the following sections.

(i) Termination of Employment. In the event a Participant ceases to be employed by the Company or a Subsidiary for any reason other than death or retirement, any deferred cash Award (earned in respect of any Cycle ending prior to the Cycle in which such termination occurs), and any interest on such Award and any dividends with interest credited to his deferred cash account as described in Section X. C. ("Dividends") will be distributed in a lump sum payment within 60 days of his termination of employment.

(ii) Retirement. In the event a Participant retires under a retirement plan of the Company or a Subsidiary, any deferred cash Award, and the interest and Dividends on such Award previously or currently credited to his account, will be distributed commencing within 60 calendar days of his retirement in accordance with the method of distribution elected by the Participant. If the election is a lump sum, interest and Dividends will be credited to the account pursuant to Section X. C. through the date of distribution, and the entire deferred cash amount will be paid to the Participant within 60 days of his retirement. If installments have been elected, interest and Dividends will be calculated through the date of retirement pursuant to Section X. C. and added to the account. The resulting deferred cash Award account total shall be divided equally by the number of installments elected and the first payment made within 60 days of retirement. The second and all subsequent installment payments shall be made between January 1 and 15 of each following year. Interest will continue to accrue to the account pursuant to Section X. C. on the balance remaining in the Participant's deferred cash Award account until all installments have been paid and will be paid annually with each installment payment. Dividends from any undistributed Shares deferred pursuant to the Long-Term Stock Incentive Plan will continue to accrue to the Participant's deferred cash Award account and will be paid with the next applicable installment payment of a deferred cash Award.

(iii) Death. If any portion of a Participant's account remains unpaid at his death, then after his death such amount will be paid (i) to his beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedure for lump sum and installment payments set forth above), or (ii) if the Participant has not designated a beneficiary or if the beneficiary predeceases the

Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the

Participant but before the entire benefit has been disbursed, the balance of the cash benefit will be paid to the beneficiary's estate in a lump sum.

(iv) Emergency Distribution. In the event an emergency situation occurs (as defined below) while a Participant is in the employ of the Company or a Subsidiary, the Participant may request the Committee to make an immediate distribution to him from his account. Any such distribution will be solely within the discretion of the Committee and will be limited in an amount to that necessary to meet the emergency.

An emergency situation means a bona fide unexpected financial emergency that is caused by an event beyond the control of the Participant (e.g., a serious family illness or disaster) and would result in severe financial hardship to the Participant if early distribution were not permitted.

IN WITNESS WHEREOF, the Company has caused this restatement to be executed this 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

ATTACHMENT A

PERFORMANCE CYCLE OR CYCLES

EXAMPLE OF A THREE-YEAR CYCLE PROGRAM

	Year One	Year Two	Year Three	Year Four	Year Five	Year Six
1st Cycle	Awarded ------------		Earned			
2nd Cycle		Awarded -----------		Earned		
3rd Cycle			Awarded -----------		Earned	
4th Cycle				Awarded -----------		Earned

NOTE: Performance Units are contingently awarded prior to start of each Cycle and earned if Performance Goals are achieved at the end of the three-year period.

ATTACHMENT B

EXAMPLE OF BASIS FOR PERFORMANCE UNIT AWARDS

(LONG-TERM INCENTIVE PLAN)

BASE LEVEL	SALARY RANGES HAY POINTS	TARGET UNIT AWARD AS % OF BASE SALARY MIDPOINT	MAXIMUM UNIT AWARD AS % OF BASE SALARY MIDPOINT
A	2500 & Above	45%	90%
B	1900 to 2499	35%	70%
C	1600 to 1899	30%	60%
D	1250 to 1599	25%	50%

ATTACHMENT C

PERCENT OF TARGET
EXAMPLE OF PAYOUT AT FLOWSERVE SALES REVENUE GROWTH OVER OR UNDER McGRAW-HILL

	FLOWSERVE GROWTH IN PERCENTAGE POINTS OVER McGRAW-HILL INDEX GROWTH									
RONA % OF GOAL	1% OR LESS	2%	3%	4%	5%*	6%	7%	8%	9%	10% OR MORE
0.0 - 79.9	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
80.0 - 84.9	50%	50%	50%	50%	50%	65%	80%	90%	100%	110%
85.0 - 89.9	50%	50%	50%	50%	65%	80%	90%	100%	110%	120%
90.0 - 94.9	50%	50%	50%	65%	80%	90%	100%	110%	120%	130%
95.0 - 99.9	50%	50%	65%	80%	90%	100%	110%	120%	130%	140%
100.0 - 104.9	50%	65%	80%	90%	100%	110%	120%	130%	140%	150%
105.0 - 109.9	65%	80%	90%	100%	110%	120%	130%	140%	150%	160%
110.0 - 114.9	80%	90%	100%	110%	120%	130%	140%	150%	160%	170%
115.0 - 119.9	90%	100%	110%	120%	130%	140%	150%	160%	170%	180%
120.0 - 124.9	100%	110%	120%	130%	140%	150%	160%	170%	180%	190%
125.0 and over	110%	120%	130%	140%	150%	160%	170%	180%	190%	200%

* NOTE: 5 percentage point growth over McGraw-Hill results in payouts equal to the old plan. Award determination to be interpolated between categories based upon actual results.

ATTACHMENT D

FLOWSERVE CORPORATION
LONG-TERM CASH INCENTIVE PLAN

PARTICIPANT'S BENEFICIARY DESIGNATION

In accordance with the provisions of the Long-Term Cash Incentive Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect to have any payments which have not been made to me prior to my death, paid after my death to:

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Date	Signature of Participant

The undersigned acknowledges receipt of the above election on ________________.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

ATTACHMENT E

FLOWSERVE CORPORATION
LONG-TERM CASH INCENTIVE PLAN

PARTICIPANT'S ELECTION TO DEFER

In accordance with the provisions of the Long-Term Cash Incentive Plan (the "Plan") of Flowserve Corporation (the "Company"), I elect:

1. To defer ____% of my payment of Award payable in cash for the Plan Year ending December 31, 200___.

2. To receive payment of the amount credited to my deferred award account in the following manner (I have initiated the method I have elected):

   ---- A. In one lump sum payment of cash upon retirement.

   ---- B. In ten equal annual installments of cash commencing within 60 calendar days of my retirement.

3. To have any payments required by paragraph 2 above which have not been made to me prior to my death, paid after my death to the following designated person in the same manner as would have been paid to me:

In making this election, I understand that:

1. My election may not be changed after the beginning of the Plan Year with respect to which my award is earned.

2. My election is subject to the terms of the Plan, which, among other things, requires a lump sum payout in the event of my employment termination for reasons other than retirement or death.

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DATE	SIGNATURE OF PARTICIPANT

The undersigned acknowledges receipt of the above election on ----------------.

RONALD F. SHUFF
VICE PRESIDENT, SECRETARY AND
GENERAL COUNSEL

EXHIBIT 10.13

AMENDMENT NO. 3 TO FLOWSERVE CORPORATION 1989 STOCK OPTION PLAN

Effective January 1, 2001, the Flowserve Corporation 1989 Stock Option Plan is hereby amended in the following respects:

1. Definitions

The following definition is added to Section 2:

(r) "Mature Shares" means Shares acquired by a Holder which have been held for at least six months.

The other subsections of Section 2 shall be re-lettered so that all definitions appear in alphabetical order.

2. Exercise of Options

Section 7(b) is amended by replacing all references in the third sentence to "Shares" with "Mature Shares" and by deleting the last sentence of this Section 7(b) in its entirety.

Section 7(c) is deleted in its entirety.

Section 7(d) is amended in its entirety to read as follows:

"(d) Special Payment Provisions for Nonqualified Options; Withholding Taxes. The Grantee of a Nonqualified Option may elect to have the Company retain from the Shares to be issued upon his exercise of such option Shares having a Fair Market Value on the date of exercise equal to all or any part of the Company's minimum statutory withholding for federal, state and local tax payments to be made by the Grantee with respect to the exercise of the option in lieu of making such payments in cash."

The first sentence of Section 7(e) is amended by replacing all references to "Shares" with "Mature Shares."

The second sentence of Section 7(e) is amended by adding the words "and the date the Payment Shares were acquired by the holder" after the words "confirms that the holder" is the owner of the Payment Shares."

3. Director Options

The third sentence of Section 9(c) is amended by replacing all references in this sentence to "Shares" with "Mature Shares."

The fourth sentence of Section 9(c) is deleted.

The fifth sentence of Section 9(c) is amended by replacing the reference to "Shares" with "Mature Shares."

4. Non-Transferability

The last sentence of Section 10(e) is amended by replacing references to "mandatory withholding tax [or taxes] payable by the Grantee" with "the Company's mandatory statutory withholding tax payable by the Grantee."

5. Issuance of Share Units in Lieu of Shares Upon Exercise of NQSO's

Section 9A(d)(3) is amended by replacing the reference to "Shares" with "Mature Shares."

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

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT 10.16

AMENDMENT NO. 2 TO
FLOWSERVE CORPORATION
1989 RESTRICTED STOCK PLAN

Effective October 1, 2000, the Flowserve Corporation 1989 Restricted Stock Plan is amended to provide exclusively for the settlement of account by delivery of a fixed number of shares. The number of shares is fixed at the date of award and equals the number of shares held in the Participant's account for deferred restricted shares. Any cash received from the payment of dividends as of September 30, 2000 shall be deemed held pursuant to the 1989 Restricted Stock Dividend Plan.

1. Paragraph (d) of Section 2 of Article V "Accounts for Deferred Restricted Shares" are amended to read in its entirety as follows:

   (d) Any dividends paid on the Deferred Shares in a Participant's account ("Dividends") will be credited to a Participant's deferred cash account established pursuant to the Flowserve Corporation 1989 Restricted Stock Dividend Plan.

2. The first and second sentences of Paragraph (e) of Section 2 of Article V "Accounts for Deferred Restricted Shares" is amended to read as follows:

   (e) Any Deferred Shares of a Participant credited to the Deferred Shares Trust accounts of a Participant will represent only an unsecured promise of the Company to deliver the amount so credited in accordance with the terms of this Article of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title or interest in any asset of the Company as a result of any Deferred Shares credited to a Participant's account or accounts.

3. Paragraph (a) of Section 3 of Article V "Distribution of Deferred Shares" is amended as follows:

   (a) Deferred Shares will be distributed only in accordance with the following sections, pursuant to the election for a lump sum or installment distribution in kind specified by the Participant.

      (i) In the event a Participant ceased to be a director or employee of the Company, as the case may be, for any reason, any Deferred Shares (other than Deferred Shares, if any, that are forfeited) previously or currently credited to his/her account will be distributed commencing within 60 calendar days of his/her termination in accordance with the method of in kind distribution elected by the Participant.

      (ii) The Participant may elect to receive such distributions in a lump sum, in equal annual installments (not exceeding ten), or in some designated combination thereof.

(iii) If the election is a lump sum, the entire Deferred Shares account balance will be transferred in kind, to the Participant within 60 days of his/her termination.

(iv) If installments have been elected, the aggregate number of Deferred Shares held in the separate account for Deferred Shares will be divided by the number of installments elected and allocated in equal whole number proportions to be distributed with each such installment payment (with any remainder after such equal division to be included in the first installment). All Deferred Shares so allocated will be distributed in kind and the first payment made within 60 days of termination. The second and all subsequent payments shall be made between January 1 and 30 of each following year. Certificates representing the applicable amount of Deferred Shares held for the then longest time in the Deferred Shares account of the Trust will be delivered with each installment, where applicable.

(v) If any portion of a Participant's deferred account remains undistributed at his/her death, then after his/her death such shares will be distributed (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedures for lump sum and installment payments set forth above) or (ii) if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum in kind. Should a beneficiary die after the Participant has terminated service, but before the entire Deferred Shares have been disbursed, the Deferred Shares benefit will be transferred to the beneficiary's estate in kind.

(vi) Notwithstanding anything to the contrary above, no Deferred Shares shall be paid to the Participant until expiration or termination of the applicable Restriction Period or, if earlier, until the provisions of Article I, Section 5 (a) cease to apply to such Shares, and until satisfaction of applicable performance-related conditions, if any.

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

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT 10.17

FLOWSERVE CORPORATION

1989 RESTRICTED STOCK DIVIDEND PLAN

(EFFECTIVE OCTOBER 1, 2000)

ARTICLE 1. GENERAL PROVISIONS

SECTION 1. PURPOSE

The purpose of the Flowserve Corporation 1989 Restricted Stock Dividend Plan ("1989 Dividend Plan") is to provide for the deferral of cash dividends payable to Participants under the Flowserve Corporation 1989 Restricted Stock Plan ("1989 Restricted Stock Plan").

SECTION 2. DEFINITIONS

For purposes of the 1989 Dividend Plan, all terms shall have the meanings as defined under Section 2 of Article I of the 1989 Restricted Stock Plan unless defined in this document.

ARTICLE 2. PARTICIPANT DEFERRAL OF RESTRICTED SHARES

SECTION 1. ACCOUNTS FOR DEFERRED DIVIDENDS

(a) Any dividends paid on the Deferred Shares in the separate account of a Participant ("Dividends") will be credited to a deferred cash account created through a trust ("Trust") established by the Company in which the amount of the Dividends will be recorded for the benefit of the Participant, with interest to be credited to the Dividends in the following manner. The Company will credit to each such cash account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to 120% of the long-term applicable federal rate compounded quarterly as published by the Internal Revenue Service for the beginning month of each calendar quarter to determine imputed interest income for tax purposes.

(b) Any amount of Dividends or interest credited to the cash account of a Participant hereunder will represent only an unsecured promise of the Company to pay or deliver the amount so credited in accordance with the terms of this Article of the 1989 Dividend Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title or interest in any asset of the Company as a result of any amount of cash credited to a Participant's account. At all times, a Participant's rights with respect to an amount credited to his/her account will be only those of an unsecured creditor of the Company. The Company will not be obligated

or required in any manner to restrict the use of any of its assets as a result of any amount credited to a Participant's account. No right or benefit under the 1989 Dividend Plan shall be subject to anticipation, alienation, sale, assignment, pledge, lien, encumbrance or charge and any attempt to take any such action shall be void.

SECTION 2. DISTRIBUTION OF DEFERRED DIVIDENDS

Dividends will be distributed only in accordance with the following sections, pursuant to the election specified by the Participant.

(a) In the event a Participant ceases to be a director or employee of the Company as the case may be, for any reason, any Dividends and the interest on those Dividends previously or currently credited to his/her account will be distributed commencing within 60 calendar days of his/her termination in accordance with the method of distribution elected by the Participant.

(b) The Participant may elect to receive such distribution in a lump sum, in equal installments (not exceeding ten), or in some designated combination thereof.

(c) If the election is a lump sum, then interest and Dividends will be credited to the account through the date of distribution and the entire amount of Dividends, with applicable interest, will be paid to the Participant within 60 days of his/her termination.

(d) If installments have been elected, any Dividends, with applicable interest, will be calculated through the date of termination and added to the account. The resulting deferred cash total shall be divided equally by the number of installments elected and the first payment made within 60 days of termination. The second and all subsequent installment payments shall be made between January 1 and 30 of each following year. Interest will continue to accrue to the account on the balance remaining in the Participant's Dividend account until all installments have been paid. Interest will be paid annually with each installment payment.

(e) If any portion of a Participant's deferred account remains unpaid at his/her death, then, after his/her death, such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedures for lump sum and installment payments set forth above), or (ii) if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant has terminated service but before the entire Deferred Shares have been disbursed pursuant to the 1989 Restricted Stock Plan, the balance of the cash benefit under this 1989 Dividend Plan will be paid to the beneficiary's estate in a lump sum.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed this 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff

Vice President, Secretary and General Counsel

1

EXHIBIT 10.23

FLOWSERVE CORPORATION
DEFERRED COMPENSATION PLAN

June 1, 2000

2

ARTICLE I

PURPOSE AND EFFECTIVE DATE

The purpose of the Flowserve Corporation Deferred Compensation Plan ("Plan") is to aid Flowserve Corporation and its subsidiaries in retaining and attracting executive employees by providing them with tax deferred savings opportunities. The Plan provides a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(a)3 and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) of Flowserve Corporation with the opportunity to elect to defer receipt of specified portions of compensation, and to have these deferred amounts treated as if invested in specified hypothetical investment benchmarks. The Plan shall be effective for deferral elections made hereunder on or after June 1, 2000.

ARTICLE II

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

SECTION 2.01 ADMINISTRATIVE COMMITTEE. "Administrative Committee" means the committee appointed by the Pension and Investment Committee.

SECTION 2.02 BASE SALARY. "Base Salary" means the base rate of cash compensation paid by the Company to or for the benefit of a Participant for services rendered or labor performed while a Participant, including base pay a Participant could have received in cash in lieu of (A) deferrals pursuant to Section 4.02 and (B) contributions made on his behalf to any qualified plan maintained by the Company or to any cafeteria plan under Section 125 of the Internal Revenue Code maintained by the Company.

SECTION 2.03 BASE SALARY DEFERRAL. "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from his Base Salary and credited to his Deferral Account pursuant to Section 4.02.

SECTION 2.04 BENEFICIARY. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

SECTION 2.05 BOARD. "Board" means the Board of Directors of Flowserve Corporation.

SECTION 2.06 CORPORATE TAKEOVER. For purposes of this Plan, a "Corporate Takeover" means a change in control of the Company through a stock acquisition, a merger or some other method that arises from action which was not invited in advance of the Board. The decision of the Board members (in office prior to the Corporate Takeover) as to whether such action was invited shall be final.

SECTION 2.07 CODE. "Code" shall mean the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions or regulations.

SECTION 2.08 COMPANY. "Company" means Flowserve Corporation, its successors, any subsidiary or affiliated organizations authorized by the Board, the Compensation Committee or the Pension and Investment Committee to participate in the Plan and any organization into which or with which Flowserve Corporation may merge or consolidate or to which all or substantially all of its assets may be transferred.

SECTION 2.09 COMPENSATION COMMITTEE. "Compensation Committee" means the Compensation Committee of the Board.

SECTION 2.10 DEFERRAL ACCOUNT. "Deferral Account" means the account maintained on the books of the Administrative Committee for each Participant pursuant to Article VI.

SECTION 2.11 DEFERRAL PERIOD. "Deferral Period" is defined in Section 4.02.

SECTION 2.12 DEFERRED AMOUNT. "Deferred Amount" is defined in Section 4.02.

SECTION 2.13 DESIGNEE. "Designee" shall mean the Company's senior human resources officers or other individuals to whom the Pension and Investment Committee has delegated the authority to take action under the Plan. Wherever Pension and Investment Committee is referenced in the plan, it shall be deemed to also refer to Designee.

SECTION 2.14 DISABILITY. "Disability" means eligibility for disability benefits under the terms of the Company's Long-Term Disability Plan maintained by the Company.

SECTION 2.15 ELIGIBLE COMPENSATION. "Eligible Compensation" means any Base Salary or Incentive Compensation otherwise payable with respect to a Plan Year.

SECTION 2.16 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

SECTION 2.17 FORM OF PAYMENT. "Form of Payment" means payment in one lump sum or in substantially equal annual installments not to exceed 10 (ten) years.

SECTION 2.18 HARDSHIP WITHDRAWAL. "Hardship Withdrawal" means the early payment of all or part of the balance in a Deferral Account(s) in the event of an Unforeseeable Emergency.

SECTION 2.19 HYPOTHETICAL INVESTMENT BENCHMARK. "Hypothetical Investment Benchmark" shall mean the phantom investment benchmarks that are used to measure the return credited to a Participant's Deferral Account.

SECTION 2.20 INCENTIVE COMPENSATION. "Incentive Compensation" means the amount awarded to a Participant for a Plan Year under the Flowserve Corporation Annual Incentive Plans and the Flowserve Corporation Long Term Incentive Plan.

SECTION 2.21 INCENTIVE DEFERRAL. "Incentive Deferral" means the amount of a Participant's Incentive Compensation which the Participant elects to have withheld on a pre-tax basis from his Incentive Compensation in accordance with the terms and conditions for deferral under the Annual Incentive Plans and the Long-term Incentive Plan and credited to his account pursuant to Section 4.02.

SECTION 2.22 PARTICIPANT. "Participant" means any individual who is eligible or makes an election to participate in this Plan and who elects to participate by filing a Participation Agreement as provided in Article IV.

SECTION 2.23 PARTICIPATION AGREEMENT. "Participation Agreement" means an agreement filed by a Participant in accordance with Article IV.

SECTION 2.24 PLAN YEAR. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31.

SECTION 2.25 RETIREMENT. "Retirement" means retirement of a Participant from the Company under a Flowserve Corporation retirement plan.

SECTION 2.26 PENSION AND INVESTMENT COMMITTEE. "Pension and Investment Committee" means the committee appointed by the Compensation Committee of the Board.

SECTION 2.27 TERMINATION OF EMPLOYMENT. "Termination of Employment" means the cessation of a Participant's services as a full-time employee of the Company for any reason other than Retirement.

SECTION 2.28 UNFORESEEABLE EMERGENCY. "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

SECTION 2.29 VALUATION DATE. "Valuation Date" means the last day of each calendar month or such other date as the Pension and Investment Committee in its sole discretion may determine.

ARTICLE III

ADMINISTRATION

SECTION 3.01 PENSION AND INVESTMENT COMMITTEE AND ADMINISTRATIVE COMMITTEE DUTIES. This Plan shall be administered by the Pension and Investment Committee. A majority of the members of the Pension and Investment Committee shall constitute a quorum for meetings, and the act of a majority of the Pension and Investment Committee at a meeting, or an act reduced to or approved in writing by all members of the Pension and Investment Committee, shall be the act of the Pension and Investment Committee.

The Pension and Investment Committee shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers are vested in any other person administering this Plan by the Pension and Investment Committee. The Pension and Investment Committee may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Pension and Investment Committee shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Pension and Investment Committee has delegated to the Administrative Committee responsibility for performing certain administrative and ministerial functions under this Plan. The Administrative Committee shall be responsible for determining in the first instance issues related to eligibility, Hypothetical Investment Benchmarks, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and debiting of hypothetical losses and of distributions, in-service withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan. The Pension and Investment Committee shall have discretion to delegate to the Administrative Committee such additional duties as it may determine. The Administrative Committee may designate one of its members as a chairperson and may retain and supervise outside providers, third party administrators, record keepers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither the Pension and Investment Committee nor a member of the Board nor any member of the Administrative Committee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan. The Pension and Investment Committee and the Administrative Committee shall keep records of all of their respective proceedings and the Administrative Committee shall keep records of all payments made to Participants or Beneficiaries and payments made for expenses or otherwise.

Any expense incurred by the Company, the Pension and Investment Committee or the Administrative Committee relative to the administration of this Plan shall be paid by the Company and/or may be deducted from the Deferral Accounts of the Participants as determined by the Pension and Investment Committee.

SECTION 3.02 CLAIM PROCEDURE. If a Participant or Beneficiary makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. All claims for benefits under this Plan shall be sent to the Administrative Committee. If the Administrative Committee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Administrative Committee shall inform the claimant in writing of such determination and the reasons therefor in terms calculated to be understood by the claimant. The notice shall be sent within 90 days of the claim unless the Administrative Committee determines that additional time, not exceeding 90 days, is needed and so notifies the Participant. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and shall describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 90 days thereafter submit in writing to the Administrative Committee a notice that the claimant contests the denial of his or her claim and desires a further review by the Pension and Investment Committee. The Pension and Investment Committee shall within 60 days thereafter review the claim and authorize the claimant to review pertinent documents and submit issues and comments relating to the claim to the Pension and Investment Committee. The Pension and Investment Committee will render a final decision on behalf of the Company with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Pension and Investment Committee determines that additional time, not exceeding 60 days, is needed, and so notifies the Participant. If the Committee fails to respond to a claim filed in accordance with the foregoing within 60 days or any such extended period, the Company shall be deemed to have denied the claim.

ARTICLE IV

PARTICIPATION

SECTION 4.01 PARTICIPATION. Participation in the Plan shall be limited to executives who (i) meet such eligibility criteria as the Pension and

Investment Committee shall establish from time to time, and (ii) elect to participate in this Plan by filing a Participation Agreement with the Administrative Committee. A Participation Agreement must be filed prior to the December 31st immediately preceding the Plan Year for which it is effective for Base Salary Deferrals and prior to August 31 of the applicable Plan Year for Incentive Deferrals. The Administrative Committee shall have the discretion to establish special deadlines regarding the filing of Participation Agreements for Participants.

SECTION 4.02 CONTENTS OF PARTICIPATION AGREEMENT. Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the Base Salary and Incentive Compensation for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than $2,000; (ii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be the earlier of (A) a number of full years, not less than three, and (B) the period ending upon the Retirement or prior termination of employment of the Participant, and (iii) the form in which payments are to be made, which may be a lump sum or in substantially equal annual installments not to exceed 10 (ten) years.

SECTION 4.03 MODIFICATION OR REVOCATION OF ELECTION BY PARTICIPANT. A Participant may not change the amount of his Base Salary Deferrals during a Plan Year. However, a Participant may discontinue a Base Salary Deferral election at any time by filing, on such forms and subject to such limitations and restrictions as the Administrative Committee may prescribe in its discretion, a revised Participation Agreement with the Administrative Committee. If approved by the Administrative Committee, revocation shall take effect as of the first payroll period next following its filing. If a Participant discontinues a Base Salary Deferral election during a Plan Year, he will not be permitted to elect to make Base Salary Deferrals again until the later of the next Plan Year or six months from the date of discontinuance. In addition, the Deferral Period may be extended if an amended Participation Agreement is filed with the Administrative Committee at least one full

calendar year before the Deferral Period (as in effect before such amendment) ends; provided, that only one such amendment may be filed with respect to each Participation Agreement. Under no circumstances may a Participant's Participation Agreement be made, modified or revoked retroactively, nor may a deferral period be shortened or reduced.

ARTICLE V

DEFERRED COMPENSATION

SECTION 5.01 ELECTIVE DEFERRED COMPENSATION. The Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited by the Administrative Committee to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of other compensation eligible to be paid to the Participant that is not deferred under this Plan.

SECTION 5.02 VESTING OF DEFERRAL ACCOUNT. A Participant shall be 100% vested in his/her Deferral Account at all times.

ARTICLE VI

MAINTENANCE AND INVESTMENT OF ACCOUNTS

SECTION 6.01 MAINTENANCE OF ACCOUNTS. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various Hypothetical Investment Benchmarks and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Administrative Committee shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 5.01 and Section 6.02 and distributions pursuant to Article VII with respect to such Deferral Account since the preceding Valuation Date.

SECTION 6.02 HYPOTHETICAL INVESTMENT BENCHMARKS. Each Participant shall be entitled to direct the manner in which his/her Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Pension and Investment Committee from time to time, and in accordance with such rules, regulations and procedures as the Pension and Investment Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his/her Deferral Accounts.

SECTION 6.03 STATEMENT OF ACCOUNTS. The Administrative Committee shall submit to each Participant quarterly statements of his/her Deferral Account(s) in such form as the Administrative Committee deems desirable, setting forth the balance to the credit of such Participant in his/her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE VII

BENEFITS

SECTION 7.01 TIME AND FORM OF PAYMENT. At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement; provided that if the Participant has elected to receive payments from a Deferral

Account in a lump sum, the Company shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash as soon as practicable after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make annual cash only payments from such Deferral Account, each of which shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent Valuation Date preceding the payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installments (including the installment being paid). The first such installment shall be paid as soon as practicable after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment. Each such installment shall be deemed to be made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

SECTION 7.02 RETIREMENT. Subject to Section 7.01 and Section 7.05 hereof, if a Participant has elected to have the balance of his/her Deferral

Account distributed upon Retirement, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Retirement) shall be distributed upon Retirement in installments or a lump sum in accordance with the Plan and as elected in the Participant Agreement.

SECTION 7.03 IN-SERVICE DISTRIBUTIONS. Subject to Section 7.01 and Section 7.05 hereof, if a Participant has elected to defer Eligible Compensation under the Plan for a stated number of years, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participant Agreement.

SECTION 7.04 OTHER THAN RETIREMENT. Notwithstanding the provisions of Section 7.01 and Section 7.03 hereof and any Participation Agreement, if a Participant dies, has a Termination of Employment or Disability prior to Retirement and prior to receiving full payment of his/her Deferral Account(s), the Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant or the Participant's Beneficiary or Beneficiaries (as the case may be) in a lump sum in cash. Notwithstanding the foregoing, the Committee may, in its sole discretion, pay the remaining balance to the Participant or the Participant's Beneficiary or Beneficiaries (as the case may be) in annual installments over a period not to exceed 5 (five) years.

SECTION 7.05 HARDSHIP WITHDRAWALS. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to early payment of all or part of the balance in his/her Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.05. A distribution pursuant to this Section 7.05 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.05 shall be made to the Administrative Committee in such form and in accordance with such procedures as the Administrative Committee shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.05 shall be made by the Administrative Committee.

SECTION 7.06 VOLUNTARY EARLY WITHDRAWAL. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to elect to withdraw all of the balance in his/her Deferral Account(s) in accordance with this Section 7.06 by filing with the Administrative Committee such forms, in accordance with such procedures, as the Administrative Committee shall determine from time to time. As soon as practicable after receipt of such form by the Administrative Committee, the Company shall pay an amount equal to ninety percent of the balance in such Participant's Deferral Account(s) (determined as of the most recent Valuation Date preceding the date such election is filed) to the electing Participant in a lump sum in cash, and the Participant shall forfeit the remainder of such Deferral Account(s). All Participation Agreements previously filed by a Participant who elects to make a withdrawal under this Section 7.06 shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

SECTION 7.07 CHANGE OF CONTROL. In the event of a Corporate Takeover, the Company shall immediately pay to each Participant in a lump sum the balance in his/her Deferral Account(s) (determined as of the most recent Valuation Date preceding the Corporate Takeover).

SECTION 7.08 WITHHOLDING OF TAXES. Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE VIII

BENEFICIARY DESIGNATION

SECTION 8.01 BENEFICIARY DESIGNATION. Each Participant shall have the right, at any time, to designate any person, persons or entity as his Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Administrative Committee, on such form and in accordance with such procedures as the Administrative Committee shall establish from time to time.

SECTION 8.02 NO BENEFICIARY DESIGNATION. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the Participant's estate.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

SECTION 9.01 AMENDMENT. The Board or the Flowserve Corporation Compensation Committee may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect.

SECTION 9.02 COMPANY'S RIGHT TO TERMINATE. The Board or the Flowserve Corporation Compensation Committee may at any time terminate the Plan with respect to future Participation Agreements. The Board or the Flowserve Corporation Compensation Committee may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall immediately pay to each Participant in a lump sum the balance in his Deferral Account (determined as of the most recent Valuation Date preceding the termination date).

ARTICLE X

MISCELLANEOUS

SECTION 10.01 UNFUNDED PLAN. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

SECTION 10.02 NONASSIGNABILITY. Except as specifically set forth in the

Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

SECTION 10.03 VALIDITY AND SEVERABILITY. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.04 GOVERNING LAW. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Texas, without reference to principles of conflict of law, except to the extent preempted by federal law.

SECTION 10.05 EMPLOYMENT STATUS. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain an employee of the Company or change the status of the Participant's employment or the policies of the Company and its affiliates regarding termination of employment.

SECTION 10.06 UNDERLYING INCENTIVE PLANS AND PROGRAMS. Nothing in this Plan shall prevent the Company from modifying, amending or terminating the compensation or the incentive plans and programs pursuant to which cash awards are earned and which are deferred under this Plan.

SECTION 10.07 SEVERANCE. Notwithstanding anything to the contrary herein the Pension and Investment Committee may, in its sole and exclusive discretion, determine that the Deferral Account of a Participant who has incurred a Termination of Employment and who receives or will receive severance payments from the Company shall be paid in installments, at such intervals as the Pension and Investment Committee may decide.

SECTION 10.08 SECTION 162(m) LIMIT. If any distribution otherwise payable under this Plan would be disallowed in any part as a deduction to the Company in accordance with Section 162(m) of the Code, the Pension and Investment Committee may determine to pay the amount of such distribution in installments so that the participant or beneficiary shall receive the maximum amount permissible in each installment and still preserve the Company's full tax deduction.

APPENDIX A

INVESTMENT OPTIONS

Option	Investment Type
FIDELITY RETIREMENT MONEY MARKET	Short-term money market instruments
MORGAN STANLEY FIXED INCOME	Diversified blend of fixed income securities
ENTERPRISE HIGH YIELD BOND A	Debt securities rated below investment grade; "junk bonds"
T. ROWE PRICE EQUITY INCOME	Common stocks with potentially above average earnings

DREYFUS S&P 500 STOCK INDEX	Invests in all 500 stocks in the S&P 500
ENTERPRISE GROWTH	U.S. common stocks of large capitalization companies
ENTERPRISE SMALL COMPANY GROWTH	U.S. common stock of small capitalization companies
T. ROWE PRICE INTERNATIONAL STOCK	Common stocks of established, non-U.S. companies
JANUS ASPEN AGGRESSIVE GROWTH	Common stocks selected for their growth potential
JANUS WORLDWIDE	Invests in common stocks of companies throughout the world

1

EXHIBIT 10.29

AMENDMENT NO. 3 TO
FLOWSERVE CORPORATION
1997 STOCK OPTION PLAN

Effective January 1, 2001, the Flowserve Corporation 1997 Stock Option Plan is hereby amended in the following respects:

1. Definitions

The following definition is added to Section 2:

(s) "Mature Shares" means Shares acquired by a Holder which have been held for at least six months.

The other subsections of Section 2 shall be re-lettered so that all definitions appear in alphabetical order.

2. Exercise of Options

Section 7(b) is amended by replacing all references in the third sentence to "Shares" with "Mature Shares" and by deleting the last sentence of this Section 7(b) in its entirety.

Section 7(c) is deleted in its entirety.

Section 7(d) is amended in its entirety to read as follows:

"(d) Special Payment Provisions for Nonqualified Options; Withholding Taxes. The Grantee of a Nonqualified Option may elect to have the Company retain from the Shares to be issued upon his exercise of such option Shares having a Current Market Value on the date of exercise equal to all or any part of the Company's minimum statutory withholding for federal, state and local tax payments to be made by the Grantee with respect to the exercise of the option in lieu of making such payments in cash."

The first sentence of Section 7(e) is amended by replacing all references to "Shares" with "Mature Shares."

The second sentence of Section 7(e) is amended by adding the words "and the date the Payment Shares were acquired by the Holder" after the words "confirms that the Holder" is the owner of the Payment Shares."

3. Director Options

The third sentence of Section 9(c) is amended by replacing all references in this sentence to "Shares" with "Mature Shares."

The fourth sentence of Section 9(c) is amended in its entirety to read as follows:

2

"Payment of the option price in Shares can be made by the delivery of Mature Shares already owned by the Holder."

The fifth sentence of Section 9(c) is amended by replacing the reference to "Shares" with "Mature Shares."

4. Non-Transferability

The last sentence of Section 10(e) is amended by replacing references to "mandatory withholding tax [or taxes] payable by the Grantee" with "the Company's mandatory statutory withholding tax payable by the Grantee."

5. Issuance of Share Units in Lieu of Shares Upon Exercise of NQSO's

Section 18(d)(3) is amended by replacing the reference to "Shares" with "Mature Shares."

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

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT 10.32

AMENDMENT NO. 2 TO
FLOWSERVE CORPORATION
1999 STOCK OPTION PLAN

Effective January 1, 2001, the Flowserve Corporation 1999 Stock Option Plan is hereby amended in the following respects:

1. Definitions

The following definition is added to Section 2:

(s) "Mature Shares" means Shares acquired by a Holder which have been held for at least six months.

The other subsections of Section 2 shall be re-lettered so that all definitions appear in alphabetical order.

2. Shares Subject to the Plan

The fourth sentence of Section 3(a) is amended by replacing both references to "Shares" with "Mature Shares."

The fifth sentence of Section 3(a) is amended to read as follows:

"Furthermore, if payment for tax withholding is made by the Holder in part through the Company's retaining Shares under Section 7(d), then such retained Shares shall be additionally available for issuance, subject to option, under the Plan.

The sixth sentence of Section 3(a) is deleted in its entirety.

3. Exercise of Options

Section 7(b) is amended by replacing all references in the third sentence to "Shares" with "Mature Shares" and by deleting the last sentence of this Section 7(b) in its entirety.

Section 7(c) is deleted in its entirety.

Section 7(d) is amended in its entirety to read as follows:

"(d) Special Payment Provisions for Nonqualified Options; Withholding Taxes. The Grantee of a Nonqualified Option may elect to have the Company retain from the Shares to be issued upon his exercise of such option Shares having a Current Market Value on the date of exercise equal to all or any part of the Company's minimum statutory withholding for federal, state and local tax payments to be made by the Grantee with respect to the exercise of the option in lieu of making such payments in cash."

The first sentence of Section 7(e) is amended by replacing all references to "Shares" with "Mature Shares."

The second sentence of Section 7(e) is amended by adding the words "and the date the Payment Shares were acquired by the Holder" after the words "confirms that the Holder" is the owner of the Payment Shares."

4. Director Options

The third sentence of Section 9(c) is amended by replacing all references in this sentence to "Shares" with "Mature Shares."

The fourth sentence of Section 9(c) is amended in its entirety to read as follows:

> "Payment of the option price in Shares can be made by the delivery of Mature Shares already owned by the Holder."

The fifth sentence of Section 9(c) is amended by replacing the reference to "Shares" with "Mature Shares."

5. Non-Transferability

The last sentence of Section 10(e) is amended by replacing references to "mandatory withholding tax [or taxes] payable by the Grantee" with "the Company's mandatory statutory withholding tax payable by the Grantee."

6. Issuance of Share Units in Lieu of Shares Upon Exercise of NQSO's

Section 18(d)(3) is amended by replacing the reference to "Shares" with "Mature Shares."

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

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT 10.37

AMENDMENT NO. 3 TO
FLOWSERVE CORPORATION
1998 RESTRICTED STOCK PLAN

Effective October 1, 2000, the Flowserve Corporation 1998 Restricted Stock Plan is amended to provide exclusively for the settlement of account by delivery of a fixed number of shares. The number of shares is fixed at the date of award and equals the number of shares held in the Participant's account for deferred restricted shares. Any cash received from the payment of dividends as of September 30, 2000 shall be deemed held pursuant to the 1998 Restricted Stock Dividend Plan.

1. Paragraph (d) of Section 2 of Article V "Accounts for Deferred Shares" is amended to read as follows:

   (d) Any dividends paid on the Deferred Shares in a Participant's account ("Dividends") will be credited to a Participant's deferred cash account established pursuant to the Flowserve Corporation 1998 Restricted Stock Dividend Plan.

2. The first and second sentences of Paragraph (e) of Section 2 of Article V "Accounts for Deferred Shares" are amended to read as follows:

   (e) Any Deferred Shares of a Participant and any amount credited to the Deferred Shares Trust accounts of a Participant will represent only an unsecured promise of the Company to pay or deliver the amount so credited in accordance with the terms of this Article of the Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title or interest in any asset of the Company as a result of any Deferred Shares credited to a Participant's account or accounts.

3. Paragraph (a) of Section 3 of Article V "Distribution of Deferred Shares" is amended as follows:

   (a) Deferred Shares will be distributed only in accordance with the following sections, pursuant to the election for a lump sum or installment in kind distribution specified by the Participant.

      (i) In the event a Participant ceased to be a director or employee of the Company, as the case may be, for any reason, any Deferred Shares (other than Deferred Shares, if any, that are forfeited) previously or currently credited to his/her account will be distributed commencing within 60 calendar days of his/her termination in accordance with the method of in kind distribution elected by the Participant.

      (ii) The Participant may elect to receive such distributions in a lump sum, in equal annual installments (not exceeding ten), or in some designated combination thereof.

(iii) If the election is a lump sum, the entire Deferred Shares account balance will be transferred in kind, to the Participant within 60 days of his/her termination.

(iv) If installments have been elected, the aggregate number of Deferred Shares held in the separate account for Deferred Shares will be divided by the number of installments elected and allocated in equal whole number proportions to be distributed with each such installment payment (with any remainder after such equal division to be included in the first installment). All Deferred Shares so allocated will be distributed in kind and the first payment made within 60 days of termination. The second and all subsequent payments shall be made between January 1 and 30 of each following year. Certificates representing the applicable amount of Deferred Shares held for the then longest time in the Deferred Shares account of the Trust will be delivered with each installment, where applicable.

(v) If any portion of a Participant's deferred account remains unpaid at his/her death, then after his/her death such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedures for lump sum and installment payments set forth above) or (ii) if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant has terminated service, but before the entire Deferred Shares have been disbursed, the Deferred Shares benefit will be transferred to the beneficiary's estate in kind.

(vi) Notwithstanding anything to the contrary above, no Deferred Shares shall be paid to the Participant until expiration or termination of the applicable Restriction Period or, if earlier, until the provisions of Article I, Section 5 (a) cease to apply to such Shares, and until satisfaction of applicable performance-related conditions, if any.

4. Paragraph (b) of Section 3 of Article V "Distribution of Deferred Shares" is deleted in its entirety to eliminate any discretion by the Committee to consent to the sale of any or all Deferred Shares held for the account of a Participant.

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

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT 10.38

FLOWSERVE CORPORATION

1998 RESTRICTED STOCK DIVIDEND PLAN

(EFFECTIVE OCTOBER 1, 2000)

ARTICLE 1. GENERAL PROVISIONS

SECTION 1. PURPOSE

The purpose of the Flowserve Corporation 1998 Restricted Stock Dividend Plan ("Dividend Plan") is to provide for the deferral of cash dividends payable to Participants under the Flowserve Corporation 1998 Restricted Stock Plan ("Restricted Stock Plan").

SECTION 2. DEFINITIONS

For purposes of the Dividend Plan, all terms shall have the meanings as defined under Section 2 of Article I of the Restricted Stock Plan unless defined in this document.

ARTICLE 2. PARTICIPANT DEFERRAL OF RESTRICTED SHARES

SECTION 1. ACCOUNTS FOR DEFERRED DIVIDENDS

(a) Any dividends paid on the Deferred Shares in the separate account of a Participant ("Dividends") will be credited to a deferred cash account created through a trust ("Trust") established by the Company in which the amount of the Dividends will be recorded for the benefit of the Participant, with interest to be credited to the Dividends in the following manner. The Company will credit to each such cash account, as of the first day of each calendar quarter, interest on the amount then credited to such account, including all previous credits to such account by operation of this Section, computed at an annual rate equal to 120% of the long-term applicable federal rate compounded quarterly as published by the Internal Revenue Service for the beginning month of each calendar quarter to determine imputed interest income for tax purposes.

(b) Any amount of Dividends or interest credited to the cash account of a Participant hereunder will represent only an unsecured promise of the Company to pay or deliver the amount so credited in accordance with the terms of this Article of the 1998 Dividend Plan. Neither a Participant nor any beneficiary of a Participant will acquire any right, title or interest in any asset of the Company as a result of any amount of cash credited to a Participant's account. At all times, a Participant's rights with respect to an amount credited to his/her account will be only those of an unsecured creditor of the Company. The Company will not be obligated or required in any manner to restrict the use of any of its assets as a

result of any amount credited to a Participant's account. No right or benefit under the Dividend Plan shall be subject to anticipation, alienation, sale, assignment, pledge, lien, encumbrance or charge and any attempt to take any such action shall be void.

SECTION 2. DISTRIBUTION OF DEFERRED DIVIDENDS

Dividends will be distributed only in accordance with the following sections, pursuant to the election specified by the Participant.

(a) In the event a Participant ceases to be a director or employee of the Company as the case may be, for any reason, any Dividends and the interest on those Dividends previously or currently credited to his/her account will be distributed commencing within 60 calendar days of his/her termination in accordance with the method of distribution elected by the Participant.

(b) The Participant may elect to receive such distribution in a lump sum, in equal installments (not exceeding ten), or in some designated combination thereof.

(c) If the election is a lump sum, then interest and Dividends will be credited to the account through the date of distribution and the entire amount of Dividends, with applicable interest, will be paid to the Participant within 60 days of his/her termination.

(d) If installments have been elected, any Dividends, with applicable interest, will be calculated through the date of termination and added to the account. The resulting deferred cash total shall be divided equally by the number of installments elected and the first payment made within 60 days of termination. The second and all subsequent installment payments shall be made between January 1 and 30 of each following year. Interest will continue to accrue to the account on the balance remaining in the Participant's Dividend account until all installments have been paid. Interest will be paid annually with each installment payment.

(e) If any portion of a Participant's deferred account remains unpaid at his/her death, then, after his/her death, such amount will be paid (i) to his/her beneficiary(ies) in accordance with the method of distribution elected by the Participant (following the procedures for lump sum and installment payments set forth above), or (ii) if the beneficiary predeceases the Participant, to the Participant's estate in a lump sum. Should a beneficiary die after the Participant has terminated service but before the entire Deferred Shares have been disbursed pursuant to the Restricted Stock Plan, the balance of the cash benefit under this Dividend Plan will be paid to the beneficiary's estate in a lump sum.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed this 19th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

EXHIBIT 10.45

AMENDMENT TO MASTER BENEFIT TRUST AGREEMENT

Effective October 1, 2000, the Master Benefit Trust Agreement between BANK ONE TRUST COMPANY, N.A. (the "Trustee') and FLOWSERVE CORPORATION (the "Company") is being amended under the following circumstances:

A. The Company and Bank One, Dayton entered into a First Master Benefit Trust Agreement (the "Trust") on October 1, 1987, as amended.

B. The Trustee is the successor to Bank One, Dayton and is currently serving as Trustee under the Trust.

C. As permitted by Section 13.2 of the Trust, the Company and the Trustee desire to amend the Trust as follows.

NOW, THEREFORE, the Company and the Trustee agree as follows:

1. The Trust is hereby amended by adding the following sentence at the end of Section 5.5:

> "Notwithstanding the above right to substitute assets in this Section 5.5, the Company shall not substitute assets for shares of Flowserve Corporation common stock held by the Trust pursuant to any compensation plan."

2. Except as specifically amended hereby, the Trust shall remain in full force and effect.

IN WITNESS WHEREOF, the Company and the Trustee have caused this instrument to be executed by their duly authorized officers this 26th day of January, 2001.

FLOWSERVE CORPORATION

By: /s/ Ronald F. Shuff

Ronald F. Shuff
Vice President, Secretary and General Counsel

BANK ONE TRUST COMPANY, N.A.

By: /s/ Karen Mann

Karen Mann
Institutional Client Advisor

EXHIBIT 13

FINANCIAL REVIEW

Reports of Independent Accountants	24
Report of Management	24
Management's Discussion and Analysis	25
Consolidated Statements of Income	33
Consolidated Statements of Comprehensive Income	33
Consolidated Balance Sheets	34
Consolidated Statements of Shareholders' Equity	35
Consolidated Statements of Cash Flows	36
Notes to Consolidated Financial Statements	37
Five-Year Selected Financial Data	61

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Shareholders of
Flowserve Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Flowserve Corporation and its subsidiaries at December 31, 2000, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Dallas, Texas
February 5, 2001

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Shareholders of
Flowserve Corporation

We have audited the accompanying consolidated balance sheet of Flowserve Corporation and subsidiaries as of December 31, 1999 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Flowserve Corporation and subsidiaries at December 31, 1999 and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP
Dallas, Texas
February 10, 2000

REPORT OF MANAGEMENT

The Company's management is responsible for preparation of the accompanying consolidated financial statements. These statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's best estimates and business judgment. Management maintains a system of internal controls, which in management's opinion provides reasonable assurance that assets are safeguarded and transactions properly recorded and executed in accordance with management's authorization. The internal control system is supported by internal audits and is tested and evaluated by the independent auditors in connection with their annual audit. The Board of Directors pursues its responsibility for financial information through an Audit/Finance Committee comprised entirely of independent directors. This committee regularly meets not only with management, but also separately with representatives of the independent auditors.

/s/ C. SCOTT GREER

C. Scott Greer
Chairman, President and Chief Executive Officer

/s/ RENEE J. HORNBAKER

Renee J. Hornbaker
Vice President and Chief Financial Officer

/s/ KATHLEEN A. GIDDINGS

Kathleen A. Giddings
Vice President and Chief Accounting Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The following discussion and analysis are provided to increase understanding of, and should be read in conjunction with, the consolidated financial statements and accompanying notes.

Flowserve produces engineered and industrial pumps, precision mechanical seals, automated and manual quarter-turn valves, control valves and valve actuators, and provides a range of related flow management services worldwide, primarily for the process industries. Equipment manufactured and serviced by the Company is predominately used in industries that deal with 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 United States and other countries where its products are sold and serviced, by the relationship of the U.S. dollar to other currencies, and by the demand and pricing for customers' products. The impact of these conditions is somewhat mitigated by the strength and diversity of Flowserve's product lines, geographic coverage and significant installed base, which provides potential for an annuity of parts and services.

RESULTS OF OPERATIONS

In general, 2000 results were higher than the prior year due to the Company's acquisitions. Innovative Valve Technologies, Inc. (Invatec) was acquired on January 12, 2000 and Ingersoll-Dresser Pump Company (IDP), on August 8, 2000. These acquisitions are discussed in further detail in the Liquidity and Capital Resources section of this Management Discussion and Analysis.

Results for the three year period were adversely impacted by the economic condition of the global markets in which the Company participates. The economic turmoil that started in Asia in the second half of 1997 spread to other parts of the world, including Latin America. The profitability of our chemical and petroleum customers, which collectively represent about 57% of our business, was negatively impacted by the economic weakness. This economic weakness contributed to a supply/demand imbalance of chemicals, and a depressed oil price, which did not recover until late in 1999. Despite the recovery in oil prices, capital spending by the Company's key petroleum customers did not improve in 2000 and thus the upturn in oil prices did not have a significant positive effect on 2000 results.

SALES AND BOOKINGS

(In millions of dollars)

	2000	1999	1998
Bookings	$1,521.6	$1,039.3	$1,082.5
Sales	$1,538.3	$1,061.3	$1,083.1

Bookings, or incoming orders for which there are firm purchase commitments, were higher in 2000 at $1,521.6 million, compared with $1,039.3 million in 1999 and $1,082.5 million in 1998. Sales increased to $1,538.3 million in 2000 from $1,061.3 million in 1999 and $1,083.1 million in 1998. Bookings and sales increases in 2000 were largely a result of the acquisitions. Bookings and sales for comparable operations in 2000, excluding Invatec and IDP, were $1,051.6 million and $1,025.2 million respectively.

There were several other factors that affected the comparisons. A stronger U.S. dollar, in relation to other currencies in which the Company conducts its business, reduced both bookings and sales on a comparable basis with the prior year. The negative translation effect reduced 2000 bookings and sales by about 5% and 1999 bookings and sales by about 1%.

In total, sales originating outside the United States were 38% in 2000 compared with 42% in both 1999 and 1998. The lower 2000 percentage is primarily due to Invatec's markets being principally in the United States and the negative impact of currency translation. On a pro forma basis in 2000, including IDP for the full year, the percentage increases to 40%.

BUSINESS SEGMENTS

Flowserve manages its operations through three business segments: Flowserve Pump Division (FPD), formerly the Rotating Equipment Division, for engineered and industrial pumps; Flow Solutions Division (FSD) for precision mechanical seals and flow management services and Flow Control Division (FCD) for automated and manual quarter-turn valves, control and nuclear valves and valve actuators.

Sales, including intersegment sales, and operating income before special items, as defined below under "Earnings Per Share", for each of the three business segments follows:

	Flowserve Pump Division		
(In millions of dollars)	2000	1999	1998
Sales	$ 687.4	$ 353.2	$ 371.5
Operating income	80.6	23.1	39.1

Sales of pumps and pump parts for the Flowserve Pump Division (FPD), increased to $687.4 million from $353.2 million in 1999 and $371.5 million in 1998. The sales increase was due to the acquisition of IDP. On a comparable operation basis, sales declined 5.5% to $333.6 million primarily due to unfavorable currency translation. FPD sales decreased in 1999 compared to 1998 due to reduced demand for chemical process pumps, as our chemical industry customers lowered their capital and maintenance spending in response to overcapacity in their industry.

Operating income, before special items, as a percentage of FPD sales increased to 11.7% in 2000 from 6.5% in 1999, and 10.5% in 1998. The increase was primarily due to cost cutting measures undertaken and synergies realized relating to the IDP acquisition. The decline in 1999 from 1998 was due to the lower volume of more profitable chemical process and vertical pumps, nuclear products and other parts and replacement business. The decline was also attributable to unfavorable pricing.

	Flow Solutions Division		
(In millions of dollars)	2000	1999	1998
Sales	$ 608.8	$ 438.5	$ 428.5
Operating income	66.4	56.1	65.1

Sales of seal products and services for the Flow Solutions Division (FSD) increased to $608.8 million in 2000, compared with $438.5 million in 1999 and $428.5 million in 1998. The increase was primarily due to the acquisition of Invatec. On a comparable operation basis, sales increased 2.3% to $448.8

million, generally due to the seal business. The sales increase in 1999 primarily resulted from the net addition of new service centers, while seal sales remained stable despite the difficult market conditions.

Operating income, before special items, as a percentage of FSD sales decreased to 10.9% in 2000 from 12.8% in 1999 and 15.2% in 1998. The decrease in 2000 is due to the acquisition of Invatec, as Invatec's gross margins are historically lower than the balance of the FSD operations, and unfavorable variances and period costs related to the restructuring of the seal business. The decrease in 1999 from 1998 was due to lower margins in the service group that was impacted by competition and facility under-utilization in certain markets.

	Flow Control Division		
(In millions of dollars)	2000	1999	1998
Sales	$ 276.3	$ 295.3	$ 313.2
Operating income	28.8	25.1	43.8

Sales of valves and valve automation products for the Flow Control Division (FCD) declined to $276.3 million in 2000 from $295.3 million in 1999 and $313.2 million in 1998. The decreases were primarily due to a general decline in business levels in the served markets of chemical, petrochemical and refining. The decline in 2000 was also affected by unfavorable currency translation of about 4%. The decline in 1999 from 1998 was due to increased price competition which placed downward pressure on selling prices.

Operating income, before special items, as a percentage of FCD sales was 10.4% in 2000, compared with 8.5% in 1999 and 14.0% in 1998. The increase was primarily due to the benefits of the 1999 restructure program. The decline in 1999 was primarily due to severe price erosion, an unfavorable product mix and lower sales volume.

CONSOLIDATED RESULTS

Gross profit margin, gross profit as a percentage of sales, declined to 33.0% in 2000 from 34.2% in 1999 and 38.3% in 1998. The lower margin in 2000 is the result of the lower gross margins of the businesses acquired during the year. In addition, 2000 gross profit was adversely impacted by period costs associated with the consolidation of several facilities whose restructure related costs were accrued in 1999. The acquisitions in 2000 increased gross profit to $506.9 for the year. The 1999 margin was reduced by $5.1 million in one-time costs relating to inventory and fixed asset impairments. The lower margin in 1999 related to these items, along with underabsorption variances due to lower sales, lower selling prices and a less favorable product mix. In 1999, lower margins and sales contributed to a decline in gross profit to $363.3 million from $415.3 million in 1998.

Selling and administrative expense was $335.5 million in 2000 compared with $275.9 million in 1999 and $265.6 million in 1998. The increased expense in 2000 was due to the acquisitions during the year, the inclusion of Flowserver (a business improvement program) expenses in this category versus integration and merger expenses as previously reported in prior years and period costs associated with the Company's various consolidation projects. Selling and administrative expense in 1999 included $5.8 million in special items for executive separation contracts and certain costs relating to fourth-quarter 1999 facility closures while 1998 included $3.8 million in special items associated with an obligation under an executive employment agreement. On a comparable operation basis, the expense was down over 8%, compared with 1999, despite $7.2 million in expenses for the Flowserver program. As a percentage of sales, selling and administrative expense was 21.8% in 2000, compared with 26.0% in 1999 and 24.5% in 1998. The improvement reflects the cost savings associated with various plant closures and IDP integration savings. The increase in 1999 over 1998 both for the expense and as a percentage of sales was generally due to expenses related to the implementation of a consolidated benefit program and other personnel related costs as well as lower sales.

Research, engineering and development expense was $24.8 million in 2000, compared with $25.6 million in 1999 and $26.4 million in 1998. The slight decline in expenses in 2000 included the negative effect of currency translation. The decline in these expenses in 1999 is related to reallocation of some resources to assist in project engineering and cost controls. Despite reductions of expense, the Company remains committed to research, engineering, and development projects.

Net interest expense was $70.3 million in 2000, compared with $14.7 million in 1999 and $11.4 million in 1998. The 2000 amount reflects the increased interest costs associated with the financing of the Invatec and IDP acquisitions.

The effective tax rate, including special items, was 33.6% in 2000, compared with 33.3% in 1999 and 34.9% in 1998. The increased tax rate in 2000 reflects the acquisition of IDP which has a higher mix of business in higher taxed foreign countries. The decrease in 1999 was due to the geographic mix of earnings while the higher rate in 1998 was due to the geographic mix of earnings and post-merger restructuring of operations.

EARNINGS PER SHARE

	2000	1999	1998
After Special Items	$0.35	$0.32	$1.23
Special Items Effect	$1.00	$0.72	$0.65
	$1.35	$1.04	$1.88

Earnings after special items were $13.2 million ($0.35 per share) in 2000, compared with $12.2 million ($0.32 per share) in 1999 and $48.9 million ($1.23 per share) in 1998. Special items include extraordinary items, restructuring expenses, integration and merger expenses, inventory and fixed asset impairments, costs associated with obligations under executive employment and separation agreements and the cumulative effective of a change in accounting principle. Earnings before special items were $51.0 million ($1.35 per share) in 2000, compared with $39.5 million ($1.04 per share) in 1999 and $74.9 million ($1.88 per share) in 1998. The increase in earnings in 2000 was due to the acquisitions during the year as well as the benefits of Flowserve's restructuring program announced at the end of 1999. Net earnings were negatively impacted by currency translation by 15% in 2000 and 7% in 1999.

In 2000 a restructuring charge of $19.4 million was realized as part of the IDP integration program. The 1999 restructuring charge of $15.9 million was related to the 1999 restructure program. Integration and merger expense was $35.2 million in 2000, $14.2 million in 1999, and $38.3 million in 1998. Integration and merger expense in 2000 related to the acquisition of IDP whereas the expense in 1999 related solely to the Flowserver program, which was an extension of the 1997 and 1998 integration program. Integration and merger expense in 1998 was principally related to the Flowserve merger. As part of the

1999 restructure program, the Company also recorded special items of $5.1 million in cost of sales for inventory and fixed asset impairments and special items of $5.8 million in selling and administrative expense for executive separation contracts and certain costs relating to fourth-quarter 1999 facility closures. In 1998, the Company also recognized an obligation under an executive employment agreement of $3.8 million recorded in selling and administrative expense. A change in accounting principle resulted in a one-time cumulative net-of-tax benefit of $1.2 million in 1998. The accounting change was due to the

required adoption of EITF 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested."

In 2000, the Company recognized extraordinary items which totaled $0.05 per share, net of tax, related to the prepayment of its outstanding indebtedness which was required as part of the financing to acquire IDP.

RESTRUCTURING

In August 2000, in conjunction with the acquisition of IDP, the Company initiated a restructuring program designed to reduce costs and to eliminate excess capacity by consolidating operations. The Company's actions, approved and committed to in the third quarter of 2000, are expected to result in the net reduction of approximately 1,100 positions and are expected to result in at least $75 million in annual synergy savings upon estimated completion before the end of 2001. The Company expects the cost of achieving these synergies will be no more than $150 million. The program includes the closure of IDP's former headquarters, the closure or significant downsizing of a number of pump manufacturing facilities and service and repair centers, and reduction of sales and sales support personnel. The Company currently estimates that the costs associated with the restructuring portion of the program will be approximately $68 million. The Company had originally estimated these costs to be approximately $61 million. This increase from the original estimate is primarily due to updated actuarial information for post-retirement and pension expense relating to a plant closure. This increase was offset by a non-cash reclassification from the restructuring accrual to post-retirement benefits and pension liabilities that resulted in a net reduction to the accrual of $8.8 million.

Approximately $44 million of the restructuring relates to the IDP operations acquired and $28 million has been capitalized in goodwill as part of the purchase price of IDP ($44 million of estimated costs less deferred tax effect of $16 million). The remaining cost of $24 million relates to the Flowserve operations and was recorded as restructuring expense. The balance of the $150 million in costs is expected to be recorded as integration expense when incurred.

During the last five months of 2000, the Company incurred $35.2 million in integration costs in conjunction with this program. Included in the integration costs was a $3.0 million loss on the sale of the Tulsa facility in the fourth quarter of 2000. The facility sale was required as part of an agreement with the Department of Justice in order to acquire IDP. Since this facility had previously been targeted for closure in the fourth quarter of 1999, this resulted in a non-cash reduction of the existing 1999 restructuring reserve of $5.3 million. This balance was applied against restructuring expense during the current year.

As of December 31, 2000, the program had resulted in a net reduction of 879 employees.

Expenditures charged to the 2000 restructuring reserve were:

	SEVERANCE	OTHER EXIT COSTS	TOTAL
Balance at August 16, 2000	$ 45,980	$ 14,832	$ 60,812
Cash expenditures	(18,645)	(2,434)	(21,079)
Net non-cash reduction	(8,849)	--	(8,849)
Balance at December 31, 2000	$ 18,486	$ 12,398	$ 30,884

In the fourth quarter of 1999, the Company initiated a restructuring program. This $26.7 million program consisted of a one-time charge of $15.9 million recorded as restructuring expense and $10.8 million of other special items. The restructuring charge related to the planned closure of 10 facilities and a reduction in workforce at those and other locations. The other costs of the program relate to impairments of inventory and fixed assets totaling $5.1 million, and executive separation contracts and certain costs related to fourth-quarter 1999 facility closures of $5.8 million. The impairment amounts are included in cost of sales, while the remaining items are recorded as selling and administrative expenses.

During the third quarter of 2000, the restructuring reserve was reduced by $5.3 million. This was the result of plans to sell the aforementioned Tulsa facility that had been previously targeted for closure. This balance was applied against restructuring expense during the current year.

The Company expects to realize ongoing annual operating income benefits of approximately $17 million per year effective in 2001. In 2000, the Company realized operating income benefits of $5.7 million as period costs related to the implementation of the program partially offset the benefit to operating income.

The restructuring program is expected to result in a net reduction of approximately 290 employees at a cost of $12.9 million upon estimated completion during the second quarter of 2001. Other exit costs associated with the facilities closings were $3.0 million. As of December 31, 2000, the program has resulted in a net reduction of 230 employees.

Expenditures charged to the 1999 restructuring reserve were:

	Severance	Other Exit Costs	Total
Balance at December 24, 1999	$ 12,900	$ 2,960	$ 15,860
Cash expenditures	(102)	--	(102)
Balance at December 31, 1999	12,798	2,960	15,758
Cash expenditures	(6,766)	(1,932)	(8,698)
Non-cash reduction	(4,364)	(1,028)	(5,392)

Balance at December 31, 2000	$ 1,668	$ --	$ 1,668

BUSINESS PROCESS IMPROVEMENT INITIATIVE

In 1998, the Company's Board of Directors approved a $120 million expenditure for Flowserver. This business process improvement program was planned to have costs and benefits incremental to the initial merger integration program. Flowserver included the standardization of the Company's processes and the implementation of a global information system to facilitate common practices.

In the fourth quarter of 1999, the Company re-evaluated the Flowserver project and determined that the scope of the program would be scaled back significantly and the overall duration of the program will extend beyond its original five-year plan.

In 2000, the Company incurred costs associated with the project of $7.2 million recorded as selling and administrative expense and $4.8 million as capital expenditures. In 1999, these costs were $14.2 million recorded as integration and merger expenses and $11.4 million as capital expenditures. In 1998, total expenditures were $5.1 million recorded as integration and merger expenses and $1.5 million as capital expenditures. Expenses prior to 2000 were recorded as merger integration expenses as they generally related to the development of a common, integrated business model for the Company.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATIONS
(In millions of dollars)

	2000	1999	1998
After Special Items	$17.4	$ 84.1	$54.1
Special Items Effect	$37.8	$ 27.3	$23.7
	$55.2	$111.4	$77.8

Cash flows from operations and financing available under the existing credit agreement are the Company's primary sources of short-term liquidity. Cash flows from operating activities in 2000 decreased to $17.4 million, compared with $84.1 million in 1999 and $54.1 million in 1998. The decrease in 2000 primarily resulted from an increase in accounts receivable due to the high volume of FPD shipments late in the year. FPD shipments, on a pro forma basis including IDP, have been historically weighted toward the fourth quarter each year. The increase in cash flows in 1999, compared with 1998 was primarily due to the Company's increased focus on capital utilization and the resulting decrease in working capital.

PAYMENTS FOR ACQUISITIONS

In January 2000, the Company acquired Invatec, a company principally engaged in providing comprehensive maintenance, repair, replacement and value-added distribution services for valves, piping systems, instrumentation and other process-system components for industrial customers.

The purchase involved acquiring all of the outstanding stock of Invatec and assuming Invatec's existing debt and related obligations. The transaction was accounted for under the purchase method of accounting and was financed by utilizing funds from the Company's working capital. The results of operations for Invatec are included in the Company's consolidated financial statements from the date of acquisition. The purchase price was approximately $16.6 million in cash for shares tendered. Net debt of $87.7 million was simultaneously paid off through borrowings under the Company's revolving credit agreement.

In August 2000, the Company completed the acquisition of Ingersoll-Dresser Pump Company (IDP), a leading manufacturer of pumps with a diverse mix of pump products and customers with operations in 30 countries, for $775 million in cash. As part of the purchase, the Company acquired $25 million in cash. The seller also agreed to provide for severance for certain employees and costs related to the accelerated closure of several U.S. facilities which we estimated at $52 million. The transaction, which was accounted for as a purchase, was financed with a combination of senior secured financing and senior subordinated notes. Upon closing of the transaction, the existing Company debt was also refinanced.

CAPITAL EXPENDITURES
(In millions of dollars)

2000	1999	1998
$27.7	$40.5	$38.2

Capital expenditures, net of disposals, were $27.7 million in 2000, compared with $40.5 million in 1999, and $38.2 million in 1998. Capital expenditures were funded primarily by operating cash flows. For each of the three years, capital expenditures were invested in machinery and equipment, replacements and upgrades and information technology. Capital expenditures included $4.8 million in 2000, $11.4 million in 1999, and $1.5 million in 1998 related to Flowserver.

FINANCING

During the third quarter of 2000, in connection with the acquisition of IDP, the Company entered into a Credit Agreement for senior secured credit facilities which includes a $275 million term loan due June 2006, a $475 million term loan due June 2008, and a $300 million revolving credit facility with a final maturity of June 2006. The term loans bear floating interest rates based on LIBOR plus a credit spread, or the Prime Rate plus a credit spread, at the option of the Company. At December 31, 2000 the interest rate(s) on the term loans were 9.31%, 9.50%, 10.06% and 10.25%. The term loans require scheduled principal payments beginning June 30, 2001. The senior secured credit facilities are secured by the domestic assets of the Company and a pledge of 65% of the stock of the foreign subsidiaries. As of December 31, 2000, none of the revolving credit was drawn and the full amount of the term loans were outstanding.

The scheduled principal payments of the term loans outstanding at December 31, 2000 are summarized as follows: $18 million in 2001, $45 million in 2002, $60 million in 2003, $64 million in 2004, $68 million in 2005, $106.6 million in 2006, $258.7 million in 2007 and $129.7 million in 2008. Beginning in 2002, the Company is required to use a percentage of excess cash from operations, as defined in the Credit Agreement, to reduce the outstanding principal of the term loans.

The revolving credit facility allows the Company to issue up to $200 million in letters of credit. As of December 31, 2000, $32.2 million of letters of credit had been issued under the facility. As there were no borrowings against the revolving credit facility on December 31, 2000, the Company had $267.8 million remaining in unused borrowing capacity under the revolving credit facility.

The Company also issued 10 year, senior subordinated notes on August 8, 2000 in a U.S. dollar tranche and a Euro tranche, that are non-callable for 5 years. Proceeds of $285.9 million from the dollar tranche, and EUR 98.6 million from the Euro tranche equivalent to $89.2 million, were also used in completing the IDP acquisition. The notes, issued at a fixed rate of 12.25%, were originally priced at a discount to yield 12.50%, and have no scheduled principal payment prior to maturity in August 2010. At August 2005, the notes become callable at a redemption price of 106.125%. At August of each subsequent year, the notes are callable at 104.083%, 102.042% and 100.000% for 2006, 2007 and 2008 and thereafter, respectively. Interest on the notes is payable semi-annually, with the first payment commencing in February 2001.

The provisions of the Credit Agreement require the Company to meet or exceed specified financial covenants that are defined in the Credit Agreement. These covenants include a leverage ratio, an interest coverage ratio, and a fixed charge coverage ratio. Further, the provisions of the Credit Agreement and the senior subordinated notes require limitations or restrictions relating to new indebtedness, prepayment of subordinated debt, liens, sale and leaseback transactions, disposition of assets, payment of dividends or other distributions, and capital expenditures, among other things.

As a result of entering into the new credit agreement, the existing five-year $600 million revolving credit agreement was cancelled. Additionally, the remaining senior notes issued in 1992 and in 1996 totaling $50 million, along with a loan obligation related to a German acquisition were repaid in full.

At December 31, 2000, total net debt was 78.1% of the Company's capital structure, compared with 35.7% at

December 31, 1999 and 34.2% at December 31, 1998. The ratio increased due to the financing incurred for the 2000 acquisitions.

The interest coverage ratio of the Company's indebtedness was 2.0 times interest at December 31, 2000, compared with 4.3 times interest at December 31, 1999 and 9.5 times interest at December 31, 1998.

The return on average net assets before special items based on results for 2000 was 8.9%, compared with 7.7% for 1999. Including the impact of special items, the return on average net assets was 5.5% for 2000, compared with 3.4% for 1999. The return on average shareholders' equity before special items was 16.7% in 2000, compared with 11.7% in 1999. Return on shareholders' equity, including special items, was 4.4% for 2000 and 3.6% for 1999.

Inflation during the past three years had little impact on the Company's consolidated financial performance. Foreign currency translation had the effect of reducing the Company's sales by 5% and earnings by 15% in 2000 and sales by 1% and earnings by 7% in 1999.

MARKET RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company has market risk exposure arising from changes in interest rates and foreign currency exchange rate movements.

The Company's earnings are affected by changes in short-term interest rates as a result of borrowings under its senior secured credit facilities which bear interest based on floating rates. At December 31, 2000, given the effect of interest rate swaps held by the Company, the Company had approximately $675 million of variable-rate debt obligations outstanding with a weighted average interest rate of 9.875%. A hypothetical increase of 100-basis points in the interest rate for these borrowings, assuming debt levels at December 31, 2000, would change interest expense by approximately $6.75 million for the twelve months ended December 31, 2000.

The Company, as part of its risk management program, is party to interest rate swap agreements for the purpose of hedging its exposure to floating interest rates on certain portions of its debt. Gains and losses on these swap agreements are recognized in interest expense as they are realized. The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it expects all counterparties to meet their obligations given their high credit ratings. As of December 31, 2000, the Company had $75 million of notional amount in outstanding interest rate swaps with third parties.

The Company employs a foreign currency hedging strategy to minimize potential losses in earnings or cash flows from unfavorable foreign currency exchange rate movements. Foreign currency exposures arise from transactions, including firm commitments and anticipated transactions, denominated in a currency other than an entity's functional currency and from foreign-denominated revenues and profits translated back into U.S. dollars. Based on the sensitivity analysis at December 31, 2000, a 10% adverse change in the foreign currency exchange rates would impact the Company's results of operation by $1.7 million. The primary currencies to which the Company has exposure are the Euro, German mark, British pound, Dutch guilder and other European currencies; the Canadian dollar; the Mexican peso; the Japanese yen; the Singapore dollar; and the Australian dollar.

Exposures are hedged primarily with foreign currency forward contracts that generally have maturity dates less than one year. Company policy allows foreign currency coverage only for identifiable foreign currency exposures and, therefore, the Company does not enter into foreign currency contracts for trading purposes where the objective is to generate profits. As of December 31, 2000, the Company had an U.S. dollar equivalent of $103.9 million in outstanding hedges or forward contracts with third parties.

As a rule, the Company generally views its investments in foreign subsidiaries from a long-term perspective, and therefore, does not hedge these investments. The Company uses capital structuring techniques to manage its investment in foreign subsidiaries as deemed necessary.

EURO CONVERSION

On January 1, 1999, 11 European Union member states (Germany, France, The Netherlands, Austria, Italy, Spain, Finland, Ireland, Belgium, Portugal and Luxembourg) adopted the Euro as their common national currency. Until January 1, 2002, either The Euro or a participating country's national currency will be accepted as legal tender. Beginning on January 1, 2002, Euro-denominated bills and coins will be issued, and by July 1, 2002, only the Euro will be accepted as legal tender. The Company does not expect future balance sheets, statement of earnings or statement of cash flows to be materially impacted by the Euro conversion.

ACCOUNTING DEVELOPMENTS

In 1999, the Financial Accounting Standards Board issued one Statement of

Financial Accounting Standard (SFAS) that was applicable to the Company - SFAS No. 137, "Deferral of the Effective Date of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities." Changes in the fair value of derivative instruments that are not designated as hedges or that do not meet the hedge accounting criteria in SFAS No. 133, are required to be reported in earnings. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. In June 2000, in conjunction with this standard, the Board also issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 138 amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities, which have caused implementation difficulties. The Company adopted SFAS No. 133 on January 1, 2001. In conjunction with this adoption, the Company will recognize the fair value of these instruments of $1.3 million as an asset and other comprehensive income during the first quarter of 2001.

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." This SAB does not change any of the existing rules on revenue recognition. Rather, the SAB provides additional guidance for transactions not addressed by existing rules. The Company adopted SAB No. 101 in the fourth quarter of 2000, retroactive to January 1, 2000. The adoption of the SAB had no material impact on the Company's results of operations in 2000 or for each quarter period.

In addition, in June 2000, the Emerging Issues Task Force (EITF) issued EITF 00-10, "Accounting for Shipping and Handling Fees and Costs," which required that shipping and handling costs billed to a customer as part of a sales transaction should be classified as revenue. The Company adopted this EITF in the fourth quarter of 2000, retroactive to January 1, 2000. The Company has not restated any prior periods presented due to immateriality.

FORWARD-LOOKING INFORMATION IS SUBJECT TO RISK AND UNCERTAINTY

This Annual Report and other written reports and oral statements made from time-to-time by the Company contain various forward-looking statements and include 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 many factors that could cause actual results to differ materially from the forward-looking statements are: further changes in the already competitive environment for the Company's products or competitors' responses to Flowserve's strategies; the Company's ability to integrate past and future acquisitions into its management and operations; 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; continued economic growth within the United States; unanticipated difficulties or costs associated with the implementation of systems, including software; and the recognition of significant expenses associated with adjustments to realign the combined Company's facilities and other capabilities with its strategic and business conditions, including, without limitation, expenses incurred in restructuring the Company's operations to incorporate IDP facilities, and the Company's ability to meet the financial covenants and other requirements of its financing agreements. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Year ended December 31, 2000	1999	1998
Sales	$ 1,538,293	$ 1,061,272	$ 1,083,086
Cost of sales	1,031,381	697,928	667,753
Gross profit	506,912	363,344	415,333
Selling and administrative expense	335,506	275,884	265,556
Research, engineering and development expense	24,800	25,645	26,372
Restructuring expenses	19,364	15,860	--
Integration and merger expenses	35,211	14,207	38,326
Operating income	92,031	31,748	85,079
Net interest expense	70,321	14,677	11,378
Other (income) expense, net	(1,474)	(1,174)	544
Earnings before income taxes	23,184	18,245	73,157
Provision for income taxes	7,876	6,068	25,502
Earnings before extraordinary items and cumulative effect of change in accounting principle	15,308	12,177	47,655
Extraordinary items, net of income taxes	2,067	--	--
Cumulative effect of change in accounting principle, net of income taxes	--	--	(1,220)
Net earnings	$ 13,241	$ 12,177	$ 48,875
Earnings per share (basic and diluted):			
Before extraordinary items and cumulative effect of change in accounting principle	$ 0.40	$ 0.32	$ 1.20
Extraordinary items, net of income taxes	0.05	--	--
Cumulative effect of change in accounting principle, net of income taxes	--	--	(0.03)
Net earnings per share	$ 0.35	$ 0.32	$ 1.23
Average shares outstanding	37,842	37,856	39,898

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Amounts in thousands)	Year ended December 31, 2000	1999	1998
Net earnings	$ 13,241	$ 12,177	$ 48,875
Other comprehensive expense:			
Foreign currency translation adjustments	20,724	20,874	9,861
Nonqualified pension plan adjustments	1,149	842	--
Other comprehensive expense	21,873	21,716	9,861
Comprehensive (loss) income	$ (8,632)	$ (9,539)	$ 39,014

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	December 31, 2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,341	$ 30,463
Accounts receivable, net	487,274	213,625
Inventories	305,958	168,356
Current deferred tax asset	39,726	25,097
Prepaid expenses	22,753	16,247

Total current assets	898,052	453,788
Property, plant and equipment, net	405,412	209,976
Goodwill, net	514,441	90,198
Other intangible assets, net	131,330	6,237
Other assets	160,908	77,952
Total assets	$ 2,110,143	$ 838,151
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 172,366	$ 72,103
Notes payable	--	734
Income taxes	--	7,878
Accrued liabilities	243,553	111,820
Long-term debt due within one year	18,098	3,125
Total current liabilities	434,017	195,660
Long-term debt due after one year	1,111,108	198,010
Post-retirement benefits and deferred items	260,107	136,207
Commitments and contingencies		
Shareholders' equity		
Serial preferred stock, $1.00 par value, no shares issued	--	--
Common shares, $1.25 par value	51,856	51,856
Shares authorized - 120,000		
Shares issued and outstanding - 41,484		
Capital in excess of par value	65,785	67,963
Retained earnings	357,495	344,254
	475,136	464,073
Treasury stock, at cost - 4,048 and 4,071 shares	(92,545)	(93,448)
Deferred compensation obligation	6,544	--
Accumulated other comprehensive loss	(84,224)	(62,351)
Total shareholders' equity	304,911	308,274
Total liabilities and shareholders' equity	$ 2,110,143	$ 838,151

See accompany notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands)	2000 SHARES	2000 AMOUNT	1999 Shares	1999 Amount	1998 Shares	1998 Amount
COMMON SHARES						
Beginning balance - January 1	41,484	$ 51,856	41,484	$ 51,856	41,484	$ 51,856
Ending balance - December 31	41,484	$ 51,856	41,484	$ 51,856	41,484	$ 51,856
CAPITAL IN EXCESS OF PAR VALUE						
Beginning balance - January 1		$ 67,963		$ 70,698		$ 70,655
Stock activity under stock plans		(2,178)		(2,735)		43
Ending balance - December 31		$ 65,785		$ 67,963		$ 70,698
RETAINED EARNINGS						
Beginning balance - January 1		$ 344,254		$ 353,249		$ 326,681
Net earnings		13,241		12,177		48,875
Cash dividends declared		--		(21,172)		(22,307)
Ending balance - December 31		$ 357,495		$ 344,254		$ 353,249
TREASURY STOCK						

Beginning balance - January 1	(4,071)	$ (93,448)	(3,817)	$ (90,404)	(881)	$ (23,145)
Stock activity under stock plans	49	1,244	154	3,903	184	4,782
Treasury stock repurchases	--	--	(315)	(5,250)	(2,841)	(64,508)
Rabbi Trust adjustment	(26)	(341)	(93)	(1,697)	(279)	(7,533)
Ending balance - December 31	(4,048)	$ (92,545)	(4,071)	$ (93,448)	(3,817)	$ (90,404)
DEFERRED COMPENSATION OBLIGATION						
Beginning balance - January 1		$ --		$ --		$ --
Increases to obligation		6,544		--		--
Ending balance - December 31		$ 6,544		$ --		$ --
ACCUMULATED OTHER COMPREHENSIVE LOSS						
Beginning balance - January 1		$ (62,351)		$ (40,635)		$ (30,774)
Foreign currency translation adjustments		(20,724)		(20,874)		(9,861)
Nonqualified pension plan adjustments		(1,149)		(842)		--
Ending balance - December 31		$ (84,224)		$ (62,351)		$ (40,635)
TOTAL SHAREHOLDERS' EQUITY						
Beginning balance - January 1	37,413	$ 308,274	37,667	$ 344,764	40,603	$ 395,273
Net changes in shareholders' equity	23	(3,363)	(254)	(36,490)	(2,936)	(50,509)
Ending balance - December 31	37,436	$ 304,911	37,413	$ 308,274	37,667	$ 344,764

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
(Amounts in thousands)	2000	1999	1998
Cash flows - Operating activities:			
Net earnings	$ 13,241	$ 12,177	$ 48,875
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	42,676	35,045	35,110
Amortization	14,361	4,554	4,189
Loss on the sale of fixed assets	150	440	57
Loss on impairment of facilities and equipment	3,673	2,834	--
Cumulative effect of change in accounting principle, net of income taxes	--	--	(1,220)
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	(70,102)	12,723	3,015
Inventories	(1,963)	28,359	(11,507)
Prepaid expenses	7,968	(12,910)	8,718
Other assets	(19,654)	2,619	(11,066)
Accounts payable	18,084	(1,919)	5,654
Accrued liabilities	(18,215)	6,333	(25,848)
Income taxes	(7,639)	(12,395)	1,051
Post-retirement benefits and deferred items	32,916	8,072	(3,709)
Net deferred taxes	1,922	(1,817)	1,033
Other	--	--	(248)
Net cash flows provided by operating activities	17,418	84,115	54,104
Cash flows - Investing activities:			
Capital expenditures, net of disposals	(27,733)	(40,535)	(38,249)
Payments for acquisitions, net of cash acquired and dispositions	(765,396)	(5,743)	(19,951)
Other	--	--	(427)
Net cash flows used by investing activities	(793,129)	(46,278)	(58,627)
Cash flows - Financing activities:			
Net repayments under lines of credit	(91,011)	(13,645)	(2,314)
Payments of long-term debt	(358,488)	(6,370)	(20,212)
Payment of debt issuance costs	(46,474)	(2,183)	--
Proceeds from long-term debt	1,284,469	18,776	76,950
Repurchase of common stock	--	(5,250)	(64,508)
Proceeds from issuance of common stock	615	(529)	4,764
Dividends paid	--	(21,172)	(22,307)
Other	--	(842)	--
Net cash flows provided (used) by financing activities	789,111	(31,215)	(27,627)
Effect of exchange rate changes	(1,522)	(1,087)	(1,524)
Net change in cash and cash equivalents	11,878	5,535	(33,674)
Cash and cash equivalents at beginning of year	30,463	24,928	58,602
Cash and cash equivalents at end of year	$ 42,341	$ 30,463	$ 24,928
Taxes paid	$ 19,880	$ 19,336	$ 23,579
Interest paid	$ 45,704	$ 16,128	$ 11,190

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except per share data.)

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries. Intercompany profits, transactions and balances have been eliminated. Investments in unconsolidated affiliated companies, which represent all nonmajority ownership interests, are carried on the equity basis, which approximates the Company's equity interest in their underlying net book value.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

BASIS OF COMPARISON

Certain amounts in 1999 and 1998 have been reclassified or restated to conform with the 2000 presentation.

BUSINESS COMBINATIONS

Business combinations accounted for under the purchase method of accounting include the results of operations of the acquired business from the date of acquisition. Net assets of the companies acquired are recorded at their fair value to the Company at the date of acquisition and any excess of purchase price over fair value of the identifiable net assets is recorded as goodwill.

REVENUE RECOGNITION

In the fourth quarter of 2000, the Company adopted Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," retroactive to January 1, 2000.

Revenues and costs are generally recognized based on the shipping terms agreed to with the customer and fulfillment of all but inconsequential or perfunctory actions required of the Company. Revenue for certain longer-term contracts is recognized based on the percentage of completion. Progress billings are generally shown as a reduction of inventory unless such billings are in excess of accumulated costs, in which case such balances are included in accrued liabilities.

SHORT-TERM INVESTMENTS AND CREDIT RISK

The Company places its temporary cash investments with financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. These investments, with an original maturity of three months or less when purchased, are classified as cash equivalents. They are highly liquid with principal values not subject to significant risk of change due to interest rate fluctuations. Credit risk is also limited due to the large number of customers in the Company's customer base, the Company's diverse product line and the dispersion of the Company's customers across many different geographic regions. As of December 31, 2000, the Company does not believe that it had significant concentrations of credit risk.

ACCOUNTS RECEIVABLE

Accounts receivable are stated net of the allowance for doubtful accounts of $18,481 and $5,705 at December 31, 2000 and 1999, respectively.

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.

PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION

Property, plant and equipment are stated on the basis of cost. Depreciation is computed by the straight-line method based on the estimated useful lives of the depreciable assets for financial statement purposes and by accelerated methods for income tax purposes. The estimated useful lives of the assets are:

Buildings, improvements, furniture and fixtures	5 to 35 years
Machinery and equipment	3 to 12 years
Capital leases	3 to 25 years

GOODWILL

The excess cost over the fair value of net assets acquired (goodwill) is amortized on a straight-line basis over 20-40 years. The carrying value of goodwill is reviewed if the facts and circumstances suggest that it may be impaired. If this review indicates that goodwill will not be recoverable, as determined based on the undiscounted cash flows of the entity acquired over the remaining amortization period, the Company's carrying value of the goodwill will be adjusted accordingly. Accumulated amortization was $29,699 and $18,593 as of December 31, 2000 and 1999, respectively.

INTANGIBLES

Intangible assets consist primarily of engineering drawings, trademarks, assembled workforce and patents which are being amortized over their useful lives generally ranging from 9 to 40 years. Accumulated amortization was $6,976 and $2,938 as of December 31, 2000 and 1999, respectively.

LONG-LIVED ASSETS

The Company periodically reviews the net realizable value of its long-lived assets, including goodwill and other intangible and tangible assets, through an assessment of the estimated future cash flows related to such assets. In the event that assets are found to be carried at amounts which are in excess of estimated gross future cash flows, then the assets will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying assets. The Company believes no impairment of long-lived assets exists at December 31, 2000.

HEDGING/FORWARD CONTRACTS

The Company is party to forward contracts for purposes of hedging certain transactions denominated in foreign currencies. The Company has a risk-management and derivatives policy statement outlining the conditions in which the Company can enter into hedging or forward transactions. Gains and losses on forward contracts qualifying as hedges are deferred and included in the measurement of the related foreign currency transaction. Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to hedges of anticipated transactions are recognized in income as the transactions occur.

The Company, as part of its risk management program, is party to interest rate swap agreements for the purpose of hedging its exposure to floating interest rates on certain portions of its debt. Gains and losses on these swap agreements are recognized in interest expense as they are realized. As of December 31, 2000, the Company had $75 million of notional amount in outstanding interest rate swaps with third parties.

As of December 31, 2000, the Company had a U.S. dollar equivalent of $103.9 million in outstanding foreign currency hedges or forward contracts with third parties.

The Company is exposed to credit related losses in the event of nonperformance by counterparties to financial instruments, but it expects all counterparties to meet their obligations given their high credit ratings.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments approximate fair value as defined under Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments."

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of the Company's foreign affiliates, other than those located in highly inflationary countries, are translated at current exchange rates, while income and expenses are translated at average rates for the period. For entities in highly inflationary countries, a combination of current and historical rates is used to determine currency gains and losses resulting from financial statement translation and those resulting from transactions. Translation gains and losses are reported as a component of shareholders' equity, except for those associated with highly inflationary countries, which are reported directly in the consolidated statements of income.

EARNINGS PER SHARE

Earnings per share is presented in accordance with SFAS No. 128, "Earnings Per Share." The Company's potentially dilutive common stock equivalents have been immaterial for all periods presented. Options to purchase 3,413,411, 2,521,623, and 1,043,802 shares of common stock were outstanding at December 31, 2000, 1999, and 1998, respectively, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common stock. Accordingly, basic earnings per share is equal to diluted earnings per share and is presented on the same line for income statement presentation.

INCOME TAXES

The Company accounts for income taxes under the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes."

STOCK-BASED COMPENSATION

The Company follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and related interpretations in accounting for its employee stock options. Under APB No. 25, no compensation expense is recorded if the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Accordingly, no compensation expense has been recorded.

ACCOUNTING DEVELOPMENTS

In 1999, the Financial Accounting Standards Board issued one SFAS that was applicable to the Company - SFAS No. 137, "Deferral of the Effective Date of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities." Changes in the fair value of derivative instruments that are not designated as hedges or that do not meet the hedge accounting criteria in SFAS No. 133, are required to be reported in earnings. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. In June 2000, in conjunction with this standard, the Board also issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 138 amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities, which have caused implementation difficulties. The Company adopted SFAS No. 133 on January 1, 2001. In conjunction with this adoption, the Company will recognize the fair value of these instruments of $1.3 million as an asset and other comprehensive income during the first quarter of 2001.

In December 1999, the Securities and Exchange Commission staff issued SAB No. 101, "Revenue Recognition in Financial Statements." This SAB does not change any of the existing rules on revenue recognition. Rather, the SAB provides additional guidance for transactions not addressed by existing rules. The Company adopted SAB No. 101 in the fourth quarter of 2000, retroactive to January 1, 2000. The adoption of the SAB had no material impact on the Company's results of operations in 2000 or for each quarter period.

In addition, in June 2000, the Emerging Issues Task Force (EITF) issued EITF 00-10, "Accounting for Shipping and Handling Fees and Costs," which required that shipping and handling costs billed to a customer as part of a sales transaction should be classified as revenue. The Company adopted this EITF in the fourth quarter of 2000, retroactive to January 1, 2000. The Company has not restated any prior periods presented due to immateriality.

NOTE 2: ACQUISITIONS

In January, 2000, the Company acquired Innovative Valve Technologies, Inc. (Invatec), a company principally engaged in providing comprehensive maintenance, repair, replacement and value-added distribution services for valves, piping systems, instrumentation and other process-system components for industrial customers.

The purchase involved acquiring all of the outstanding stock of Invatec and assuming Invatec's existing debt and related obligations. The transaction was accounted for under the purchase method of accounting and was financed by utilizing funds from the Company's working capital. The results of operations for Invatec are included in the Company's consolidated financial statements from the date of acquisition. The purchase price was approximately $16.6 million in cash for shares tendered. Net debt of $87.7 million was simultaneously paid off through borrowings under the Company's revolving credit agreement.

In August 2000, the Company completed the acquisition of Ingersoll-Dresser Pump Company (IDP), a leading manufacturer of pumps with a diverse mix of pump products and customers with operations in 30 countries, for $775 million in cash. The transaction, which was accounted for as a purchase, was financed with a combination of senior secured financing and senior subordinated notes. Upon closing of the transaction, the existing Company debt was also refinanced. (See Note 8: Debt and Lease Obligations for information on the debt incurred to finance the acquisition).

The purchase price has been allocated to assets acquired and liabilities assumed based on estimated fair market value at the date of the acquisition. These allocations include $137.6 million for intangibles and $372.5 million recorded as goodwill. The purchase price allocation for this acquisition is preliminary and further refinements are likely to be made based on the resolution of remaining contingencies.

The operating results of these acquired businesses have been included in the consolidated statements of income from the dates of acquisition.

The table below reflects unaudited pro forma results of the Company, Invatec and IDP as if the acquisitions had taken place at the beginning of fiscal years 2000 and 1999, including purchase accounting adjustments and estimated financing costs.

PRO FORMA

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,	
	2000	1999
Net sales	$ 1,960,121	$ 2,060,653
Operating income (before special items)	147,418	128,576
Net (loss) earnings before extraordinary items	(24,281)	(22,657)
Net (loss) earnings	(26,348)	(22,657)
Net (loss) earnings per share (basic and diluted):		
Before extraordinary items	$ (0.64)	$ (0.60)
Net (loss) earnings	(0.70)	(0.60)

The pro forma information does not purport to represent what the Company's results of operations actually would have been had such transactions or events occurred on the dates specified, or to project the Company's results of operations for any future period. The pro forma results in 2000 included integration expense of $35.2 million and restructuring expense of $15.9 million related to integrating the IDP businesses into Flowserve.

In October 1999, the Company purchased certain assets and liabilities of Honeywell's European industrial control-valve product line and production equipment. The Company completed the phased move of this operation to its existing control-valve manufacturing facilities in Europe in March of 2000. This business generated revenues of about $7 million in 1999. In October 1999, the Company also acquired R&C Valve Service, Inc. The assets of this company were integrated into the Company's existing service center network during the fourth quarter of 1999.

In July 1998, the Company purchased certain assets and liabilities of the Valtek Engineering Division of Allen Power Engineering, Ltd., 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.

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. Also in 1998, the Company acquired the outstanding shares of ARS Lokeren NV, a Belgian company, and ZAR Beheer BV, a Dutch company, which specialize in the service and repair of industrial valves, with service and repair facilities near Rotterdam, The Netherlands, and Ghent and Antwerp, Belgium.

NOTE 3: RESTRUCTURING AND ACQUISITION RELATED CHARGES

In August 2000, in conjunction with the acquisition of IDP, the Company initiated a restructuring program designed to reduce costs and to eliminate excess capacity by consolidating facilities. The Company's actions, approved and committed to in the third quarter of 2000, are expected to result in the net reduction of approximately 1,100 positions upon estimated completion before the end of 2001. The program includes the closure of IDP's former headquarters, the closure or significant downsizing of a number of pump manufacturing facilities, service and repair centers, and reduction of sales and sales support personnel. The Company currently estimates that the costs associated with the restructuring portion of the program will be approximately $68 million. The Company had originally estimated these costs to be approximately $61 million. This increase from the original estimate is primarily due to updated actuarial information for post-retirement and pension expense relating to a plant closure. This increase was offset by a non-cash reclassification from the restructuring accrual to post-retirement benefits and pension liabilities which resulted in a net reduction to the accrual of $8.8 million.

Approximately $44 million of the total cost relates to the IDP operations acquired and $28 million has been capitalized in goodwill as part of the purchase price of IDP ($44 million of estimated costs less deferred tax effect of $16 million), while the remaining cost of $24 million relates to the Flowserve operations and was recorded as restructuring expense.

During the last five months of 2000, the Company incurred $35.2 million in integration costs in conjunction with this program. Included in the integration costs was a $3.0 million loss on the sale of the Tulsa facility in the fourth quarter of 2000. The facility sale was required as part of an agreement with the Department of Justice in order to acquire IDP. Since this facility had previously been targeted for closure in the fourth quarter of 1999, this resulted in a non-cash reduction of the existing 1999 restructuring reserve of $5.3 million. This balance was applied against restructuring expense during the current year.

As of December 31, 2000, the program had resulted in a net reduction of 879 employees.

Expenditures charged to the 2000 restructuring reserve were:

	Severance	Other Exit Costs	Total

Balance at August 16, 2000	$ 45,980	$ 14,832	$ 60,812
Cash expenditures	(18,645)	(2,434)	(21,079)
Net non-cash reduction	(8,849)	--	(8,849)
Balance at December 31, 2000	$ 18,486	$ 12,398	$ 30,884

In the fourth quarter of 1999, the Company initiated a restructuring program that included a one-time charge of $15.9 million recorded as restructuring expense. The restructuring charge related to the planned closure of 10 facilities and a reduction in workforce at those and other locations.

During the third quarter of 2000, the reserve for these restructuring costs was reduced by $5.3 million. This was the result of plans to sell the aforementioned Tulsa facility that had been previously targeted for closure. This balance was applied against restructuring expense during the current year.

The 1999 restructuring program is expected to result in a net reduction of approximately 290 employees at a cost of $12.9 million upon estimated completion during the second quarter of 2001. In addition, exit costs associated with the facilities closings were $3.0 million. As of December 31, 2000, the program has resulted in a net reduction of 230 employees.

Expenditures charged to the 1999 restructuring reserve were:

	Severance	Other Exit Costs	Total
Balance at December 24, 1999	$ 12,900	$ 2,960	$ 15,860
Cash expenditures	(102)	--	(102)
Balance at December 31, 1999	12,798	2,960	15,758
Cash expenditures	(6,766)	(1,932)	(8,698)
Non-cash reduction	(4,364)	(1,028)	(5,392)
Balance at December 31, 2000	$ 1,668	--	$ 1,668

NOTE 4: MERGER

On July 22, 1997, shareholders of Durco International Inc. (Durco) and BW/IP, Inc. (BW/IP) voted to approve a merger between Durco and BW/IP in a stock-for-stock merger of equals that was accounted for as a pooling of interests transaction. As part of the merger agreement, the Company changed its name from Durco to Flowserve Corporation. The Company issued approximately 16,914,000 shares of common stock in connection with the merger. BW/IP shareholders received 0.6968 shares of the Company's common stock for each previously owned share of BW/IP stock.

In 1997, the Company developed a merger integration program that includes facility rationalizations in North America and Europe, organizational realignments at the corporate and division levels, procurement initiatives, investments in training, and support for the service and repair operations. In the fourth quarter of 1997, the Company recognized a one-time restructuring charge of $32,600 related to this program. Other nonrecurring expenses related to the merger (merger integration expense) were incurred in 1999, 1998 and 1997 in order to achieve the planned synergies. These expenses of $14,200, $38,300 and $7,000, respectively were principally for costs for consultants, relocation and training.

As of June 30, 1999, the restructuring portion of the merger integration had been completed. The Company paid severance to approximately 331 employees at a cost of $22,400.

NOTE 5: STOCK PLANS

The Company maintains shareholder-approved stock option plans to purchase shares of the Company's common stock. At December 31, 2000, approximately 711,800 options were available for grant. Options under these plans have been granted to officers and employees to purchase shares of common stock at or above the fair market value at the date of grant. Generally, these options, whether granted from the current or prior plans, become exercisable over staggered periods, but expire after 10 years from the date of the grant. The plan provides that any option may include a stock appreciation right; however, none has been granted since 1989. The aggregate number of shares exercisable was 2,195,599 at December 31, 2000, 2,117,816 at December 31, 1999 and 1,703,171 at December 31, 1998.

Information concerning stock options issued to officers and other employees is presented in the following table:

	2000		1999		1998	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Number of shares under option:						
Outstanding at beginning of year	3,672,327	$ 21.56	2,689,420	$ 23.33	2,246,557	$ 25.05
Granted	337,700	17.38	1,249,500	17.96	765,169	18.50
Exercised	(71,036)	14.40	(31,599)	11.93	(167,867)	20.32
Cancelled	(160,611)	22.26	(234,994)	24.31	(154,439)	29.04
Outstanding at end of year	3,778,380	$ 21.29	3,672,327	$ 21.56	2,689,420	$ 23.33

The weighted average remaining contractual life of options outstanding is 7.0 years. Additional information relating to the ranges of options outstanding at December 31, 2000, is as follows:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices Per Share	Weighted Average Remaining Contractual Life	Number Outstanding	Weighted Average Exercise Price Per Share	Number Exercisable at December 31, 2000	Weighted Average Exercise Price Per Share
$ 5.95-11.76	2.4	14,656	$ 9.09	14,656	$ 9.09
$11.76-27.44	7.4	3,120,428	$19.33	1,537,647	$20.71
$27.44-39.20	5.2	643,296	$31.14	643,296	$31.14
		3,778,380		2,195,599	

Pro forma information regarding net earnings and earnings per share is required by SFAS No. 123, which also requires that the information be determined as if the Company had accounted for its stock options granted subsequent to December 31, 1994, under the fair value method of that Statement. The "fair value" for these options at the date of grant was estimated using a binomial option pricing model (a modified Black-Scholes model). The assumptions used in this valuation are as follows:

For the year ended December 31,	2000	1999	1998
Risk-free interest rate	5.4%	6.1%	5.6%
Dividend yield	--	3.3%	3.3%
Stock volatility	32.9%	32.5%	34.1%
Average expected life (years)	7.8	9.1	8.6

The options granted had a weighted average "fair value" per share on date of grant of $8.63 in 2000, $5.75 in 1999, and $6.14 in 1998. For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting periods.

The Company's pro forma information (in thousands except for per share information) is as follows:

For the year ended December 31,	2000	1999	1998
Net earnings			
As reported	$ 13,241	$ 12,177	$ 48,875
Pro forma	9,423	8,671	47,030
Earnings per share (diluted and basic):			
As reported	$ 0.35	$ 0.32	$ 1.23
Pro forma	0.25	0.23	1.18

Because the determination of the fair value of all options granted includes an expected volatility factor and, because additional option grants are expected to be made each year, the above pro forma disclosures are not representative of pro forma effects for future years.

The Company also has a restricted stock plan that authorizes the grant of up to 250,000 shares of the Company's common stock. In general, the shares cannot be transferred for a period of at least one but not more than 10 years and are subject to forfeiture during the restriction period. The intrinsic value of the shares is amortized to compensation expense over the periods in which the restrictions lapse. Restricted stock grants were 26,645 shares in 2000, 181,213 in 1999, and 10,165 shares in 1998. The weighted average value of the restricted stock grants, based on the stock price at date of grant, was $13.42 in 2000, $18.66 in 1999 and $24.07 in 1998. Total compensation expense recognized in the income statement for all stock based awards was $1,041 in 2000, $878 in 1999, and $485 in 1998.

NOTE 6: ASSETS HELD FOR SALE

The Company is in the process of selling certain facilities, machinery and equipment and other fixed assets as part of its plan to eliminate excess capacity by consolidating facilities. The Company is in the process of negotiating the sale of these facilities and fixed assets and expects the sale of such items to be completed within two years. These assets, totaling $14,852, have been identified separately within property, plant and equipment as Assets Held For Sale (See Note 7: Details of Certain Consolidated Balance Sheet Captions), and have been recorded at their estimated net realizable value.

NOTE 7: DETAILS OF CERTAIN CONSOLIDATED BALANCE SHEET CAPTIONS

INVENTORIES

Inventories and the method of determining cost were:

December 31,	2000	1999
Raw materials	$ 51,981	$ 29,674
Work in process and finished goods	330,060	182,493
Less: Progress billings	(38,605)	(5,746)
	343,436	206,421
LIFO reserve	(37,478)	(38,065)
Net inventory	$ 305,958	$ 168,356
Percent of inventory accounted for by LIFO	67%	64%
Percent of inventory accounted for by FIFO	33%	36%

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were:

December 31,	2000	1999
Land	$ 48,350	$ 16,311
Buildings, improvements, furniture and fixtures	311,686	189,561
Machinery, equipment, capital leases and construction in progress	275,967	293,310
	636,003	499,182
Less: Accumulated depreciation	(245,443)	(289,206)
	390,560	209,976
Assets held for sale	14,852	--
Net property, plant and equipment	$ 405,412	$ 209,976

OTHER ASSETS

Other assets were:

December 31,	2000	1999
Deferred tax assets	$ 66,977	$ 33,914
Investments in unconsolidated affiliates	20,377	7,091
Prepaid financing fees	44,331	2,882
Deferred compensation funding	17,743	13,773
Other	11,480	20,292

Total	$ 160,908	$ 77,952

ACCRUED LIABILITIES

Accrued liabilities were:

December 31,	2000	1999
Wages, compensation, and other benefits	$ 100,774	$ 56,285
Accrued restructuring	32,552	15,758
Accrued interest	29,489	2,312
Accrued commissions and royalties	6,916	8,876
Progress billings in excess of accumulated costs	9,529	6,115
Other	64,293	22,474
Total	$ 243,553	$ 111,820

POST-RETIREMENT BENEFITS AND DEFERRED ITEMS

Post-retirement benefits and deferred items were:

December 31,	2000	1999
Post-retirement benefits	$ 122,153	$ 65,359
Deferred taxes	78,379	26,233
Deferred compensation	12,977	19,251
Other	46,598	25,364
Total	$ 260,107	$ 136,207

NOTE 8: DEBT AND LEASE OBLIGATIONS

Long-term debt, including capital lease obligations, consisted of:

December 31,	2000	1999
Term Loan Tranche A, interest at 9.31% and 9.50% in 2000	$ 275,000	$ --
Term Loan Tranche B, interest at 10.06% and 10.25% in 2000	475,000	--

Senior Subordinated Notes, interest at 12.25% in 2000	379,021	--
Senior Notes, interest at 7.14% and 7.17% in 1999	--	50,000
Loan, due annually through 2002, interest at 8.94% in 1999	--	10,156
Revolving credit agreement, interest at 7.07% in 1999	--	140,000
Capital lease obligations and other	185	979
	1,129,206	201,135
Less amounts due within one year	18,098	3,125
Total long-term debt	$1,111,108	$ 198,010

Maturities of long-term debt, including capital lease obligations, for the next five years are:

2001	$ 18,098
2002	45,087
2003	60,000
2004	64,000
2005	68,000
Thereafter	874,021
Total	$1,129,206

In August 2000, in connection with the acquisition of IDP, the Company entered into a Credit Agreement for senior secured credit facilities which includes a $275 million term loan due June 2006, a $475 million term loan due June 2008, and a $300 million revolving credit facility with a final maturity of June 2006. The term loans bear interest based on LIBOR plus a credit spread, or the Prime Rate plus a credit spread, at the option of the Company. The term loans require scheduled principal payments beginning June 30, 2001. The senior secured credit facilities are collateralized by the domestic assets of the Company and a pledge of 65% of the stock of the foreign subsidiaries. As of December 31, 2000 none of the revolving credit facility was drawn and the full amount of the term loans were outstanding.

The scheduled principal payments of the term loans outstanding at December 31, 2000 are summarized as follows: $18 million in 2001, $45 million in 2002, $60 million in 2003, $64 million in 2004, $68 million in 2005, $106.6 million in 2006, $258.7 million in 2007 and $129.7 million in 2008. Beginning in 2002, the Company is required to use a percentage of excess cash from operations, as defined in the Credit Agreement, to reduce the outstanding principal of the term loans.

The revolving credit facility allows the Company to issue up to $200 million in letters of credit. As of December 31, 2000, $32.2 million of letters of credit had been issued under the facility. As there were no borrowings against the revolving credit facility on December 31, 2000, the Company had $267.8 million remaining in unused borrowing capacity under the revolving credit facility.

The Company also issued 10 year, senior subordinated notes on August 8, 2000 in a U.S. dollar tranche and a Euro tranche. Proceeds of $285.9 million from the dollar tranche ($290.0 million face amount less premium of $4.1 million), and EUR 98.6 million from the Euro tranche (EUR 100.0 million face amount less premium of EUR 1.4 million), were also used in completing the IDP acquisition. The notes were issued at a fixed rate of 12.25%, were originally priced at a discount to yield 12.50%, and have no scheduled principal payments prior to maturity in August 2010. At August 2005, the notes become callable at a redemption price of 106.125%. At August of each subsequent year, the notes are callable at 104.083%, 102.042% and 100.000% for 2006, 2007 and 2008 and thereafter, respectively. Interest on the notes is payable semi-annually, with the first payment commencing in February 2001.

The provisions of the Credit Agreement require the Company to meet or exceed specified financial covenants that are defined in the Credit Agreement. These covenants include a leverage ratio, an interest coverage ratio, and a fixed charge coverage ratio. Further, the provisions of the Credit Agreement and the senior subordinated notes contain limitations or restrictions relating to new indebtedness, prepayment of subordinated debt, liens, sale and leaseback transactions, disposition of assets, payment of dividends or other distributions, and capital expenditures, among other things.

As a result of entering into the new credit agreement, the existing five-year $600 million revolving credit agreement was cancelled. Additionally, the remaining senior notes issued in 1992 and in 1996 totaling $50 million, along with the existing loan obligation related to a German acquisition were repaid in full.

As a result of the cancellation of the existing credit agreement and the prepayment of the existing senior notes, the Company recorded extraordinary items of $2.1 million, net of tax of $1.2 million, which represents prepayment penalties on the senior notes and the write-off of deferred financing fees associated with the credit agreement.

The Company has noncancelable operating leases for certain offices, service and quick response centers, certain manufacturing and operations facilities, and machinery, equipment and automobiles. Rental expense relating to operating leases was $13,020 in 2000, $11,648 in 1999 and $11,798 in 1998.

The future minimum lease payments under noncancelable operating leases are:

2001	$11,923
2002	9,119
2003	4,962
2004	3,441
2005	3,204
Thereafter	17,493
Total	$50,142

NOTE 9: GUARANTOR AND NONGUARANTOR FINANCIAL STATEMENTS

In connection with the IDP acquisition and as part of the related financing, the Company and newly formed Dutch subsidiary, Flowserve Finance B.V., issued an aggregate of $375 million of dollar-denominated senior subordinated notes (the dollar Notes and the Euro Notes), in private placements pursuant to Rule 144A and Regulation S. The dollar Notes and the Euro Notes are general unsecured obligations of the Company and Flowserve Finance B.V., respectively, subordinated in right of payment to all existing and future senior indebtedness of the Company and Flowserve Finance B.V., respectively, and guaranteed on a full, unconditional, joint and several basis by the Company's wholly owned domestic subsidiaries and, in the case of the Euro Notes, by the Company.

The following condensed consolidating financial information presents:

(1) Condensed consolidating balance sheet as of December 31, 2000 and the related statements of income and cash flows for the twelve months ended December 31, 2000 of (a) Flowserve Corporation, the parent, (b) Flowserve Finance B.V., (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries, and the Company on a consolidated basis, and

(2) Condensed consolidating balance sheet as of December 31, 1999 and the related statements of income and cash flows for the twelve months ended December 31, 1999, of (a) Flowserve Corporation, the parent, (b) the guarantor subsidiaries, (c) the nonguarantor subsidiaries, and the Company on a consolidated basis, and

(3) Consolidated statements of income and cash flows for the twelve months ended December 31, 1998, of (a) Flowserve Corporation, the parent, (b) the guarantor subsidiaries, (c) the nonguarantor subsidiaries, and the Company on consolidated basis, and

(4) Elimination entries necessary to consolidate Flowserve Corporation, the parent, with Flowserve Finance, B.V., guarantor and nonguarantor subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting. The guarantor and nonguarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements for the guarantor subsidiaries and the nonguarantor subsidiaries are not presented because management believes such financial statements would not be meaningful to investors.

CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31, 2000					
(Amounts in thousands)	PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Sales	$ 151,825	$ --	$ 857,475	$ 611,117	$ (82,124)	$ 1,538,293
Cost of sales	116,703	--	582,238	414,564	(82,124)	1,031,381
Gross profit	35,122	--	275,237	196,553	--	506,912
Selling and administrative expense	48,948	--	175,790	110,768	--	335,506
Research, engineering and development expense	5,951	--	15,199	3,650	--	24,800
Restructuring expenses	9,064	--	2,564	7,736	--	19,364
Integration and merger expenses	6,346	--	16,822	12,043	--	35,211
Operating income	(35,187)	--	64,862	62,356	--	92,031
Net interest expense	26,980	343	34,799	5,862	2,337	70,321
Other (income) expense, net	(2,918)	--	(36,881)	40,662	(2,337)	(1,474)
Equity in (earnings) loss of subsidiaries	(51,709)	--	--	--	51,709	--
(Loss) earnings before income taxes	(7,540)	(343)	66,944	15,832	(51,709)	23,184
(Benefit) provision for income taxes	(21,910)	--	26,618	3,168	--	7,876
Earnings (loss) before extraordinary items	14,370	(343)	40,326	12,664	(51,709)	15,308
Extraordinary items, net of income taxes	1,129	--	938	--	--	2,067
Net earnings (loss)	$ 13,241	$ (343)	$ 39,388	$ 12,664	$ (51,709)	$ 13,241

CONSOLIDATED STATEMENT OF INCOME

(Amounts in thousands)	Parent	Subsidiaries	Guarantor Subsidiaries	Nonguarantor Eliminations	Consolidated Total
	Year ended December 31, 1999				
Sales	$ 140,710	$ 519,035	$ 472,563	$ (71,036)	$ 1,061,272
Cost of sales	72,042	380,302	316,620	(71,036)	697,928
Gross profit	68,668	138,733	155,943	--	363,344
Selling and administrative expense	61,195	121,417	93,272	--	275,884
Research, engineering and development expense	5,265	16,546	3,834	--	25,645
Restructuring expenses	--	13,674	2,186	--	15,860
Integration and merger expenses	--	13,514	693	--	14,207
Operating income	2,208	(26,418)	55,958	--	31,748
Net interest expense	2,007	11,939	1,437	(706)	14,677
Other (income) expense, net	(1,878)	(10,584)	10,582	706	(1,174)
Equity in (earnings) loss of subsidiaries	(10,915)	--	--	10,915	--
Earnings (loss) before income taxes	12,994	(27,773)	43,939	(10,915)	18,245
Provision (benefit) for income taxes	817	(8,027)	13,278	--	6,068
Net earnings (loss)	$ 12,177	$ (19,746)	$ 30,661	$ (10,915)	$ 12,177

CONSOLIDATED STATEMENT OF INCOME

(Amounts in thousands)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	Year ended December 31, 1998				
Sales	$ 153,292	$ 582,691	$ 441,701	$ (94,598)	$ 1,083,086
Cost of sales	104,383	374,684	283,284	(94,598)	667,753
Gross profit	48,909	208,007	158,417	--	415,333
Selling and administrative expense	41,076	135,887	88,593	--	265,556
Research, engineering and development expense	5,361	16,618	4,393	--	26,372
Integration and merger expenses	5,976	24,325	8,025	--	38,326
Operating (loss) income	(3,504)	31,177	57,406	--	85,079
Net interest expense	1,976	9,675	2,053	(2,326)	11,378
Other (income) expense, net	(3,201)	(8,867)	10,286	2,326	544
Equity in (earnings) loss of subsidiaries	(49,287)	--	--	49,287	--
Earnings (loss) before income taxes	47,008	30,369	45,067	(49,287)	73,157
(Benefit) provision for income taxes	(647)	9,663	16,486	--	25,502
Earnings (loss) before cumulative effect of change in accounting principle	47,655	20,706	28,581	(49,287)	47,655
Cumulative effect of change in accounting principle, net of income taxes	(1,220)	--	--	--	(1,220)
Net earnings (loss)	$ 48,875	$ 20,706	$ 28,581	$ (49,287)	$ 48,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

(Amounts in thousands)	PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
	December 31, 2000					
Current assets:						
Cash and cash equivalents	$ --	$ --	$ --	$ 50,239	$ (7,898)	$ 42,341
Intercompany receivables	23,530	--	33,252	104,836	(161,618)	--
Accounts receivable, net	20,767	--	224,746	241,761	--	487,274

Inventories	10,432	--	181,258	114,268	--	305,958
Current deferred tax asset	--	--	38,765	961	--	39,726
Prepaid expenses	6,261	--	12,216	4,276	--	22,753
Total current assets	60,990	--	490,237	516,341	(169,516)	898,052
Property, plant and equipment, net	34,332	--	189,978	181,102	--	405,412
Investment in subsidiaries	791,437	--	443,092	--	(1,234,529)	--
Intercompany receivables	501,286	90,112	10,849	21,598	(623,845)	--
Goodwill, net	7,814	--	459,983	46,644	--	514,441
Other intangible assets, net	--	--	114,129	17,201	--	131,330
Other assets	52,991	4,865	97,861	5,191	--	160,908
Total assets	$ 1,448,850	$ 94,977	$ 1,806,129	$ 788,077	$ (2,027,890)	$ 2,110,143
Current liabilities:						
Accounts payable	$ 5,588	$ 1	$ 76,910	$ 97,766	$ (7,899)	$ 172,366
Intercompany payables	33,973	2,279	20,704	104,658	(161,614)	--
Income taxes	4,679	--	2,928	(7,607)	--	--
Accrued liabilities	13,443	111	120,729	110,202	(932)	243,553
Long-term debt due within one year	18,000	--	90	8	--	18,098
Total current liabilities	75,683	2,391	221,361	305,027	(170,445)	434,017
Long-term debt due after one year	1,018,063	92,958	2	85	--	1,111,108
Intercompany payables	131	--	468,840	154,873	(623,844)	--
Post-retirement benefits and deferred items	50,062	--	166,187	42,926	932	260,107
Shareholders' equity:						
Serial preferred stock, $1.00 par value	--	--	--	--	--	--
Common shares, $1.25 par value	51,856	--	2	197,582	(197,584)	51,856
Capital in excess of par value	65,785	--	676,035	89,489	(765,524)	65,785
Retained earnings	357,495	(343)	285,998	138,332	(423,987)	357,495
	475,136	(343)	962,035	425,403	(1,387,095)	475,136
Treasury stock, at cost	(92,545)	--	(613)	2,246	(1,633)	(92,545)
Accumulated other comprehensive (loss) income	(84,224)	(29)	(11,683)	(142,483)	154,195	(84,224)
Deferred compensation obligation	6,544	--	--	--	--	6,544
Total shareholder's equity	304,911	(372)	949,739	285,166	(1,234,533)	304,911
Total liabilities and shareholders' equity	$ 1,448,850	$ 94,977	$ 1,806,129	$ 788,077	$ (2,027,890)	$ 2,110,143

CONSOLIDATED BALANCE SHEET

(Amounts in thousands)	December 31, 1999				
	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Current assets:					
Cash and cash equivalents	$ --	$ 889	$ 29,966	$ (392)	$ 30,463
Intercompany receivables	194,594	930	7,640	(203,164)	--
Accounts receivable, net	16,702	94,639	102,284	--	213,625
Inventories	17,811	76,580	73,965	--	168,356
Current deferred tax asset	--	23,921	1,176	--	25,097
Prepaids expenses	--	10,718	10,557	(5,028)	16,247
Total current assets	229,107	207,677	225,588	(208,584)	453,788
Property, plant and equipment, net	33,223	118,356	58,397	--	209,976
Investment in subsidiaries	403,643	273,430	--	(677,073)	--
Intercompany receivables	60,432	209,138	20,674	(290,244)	--
Goodwill, net	2,744	33,004	54,450	--	90,198
Other intangible assets, net	--	6,041	196	--	6,237
Other assets	40,954	35,175	1,823	--	77,952
Total assets	$ 770,103	$ 882,821	$ 361,128	$ (1,175,901)	$ 838,151
Current liabilities:					
Accounts payable	$ 12,481	$ 31,659	$ 32,164	$ (4,201)	$ 72,103
Intercompany payables	159,578	21,494	22,092	(203,164)	--
Notes payable	734	--	--	--	734
Income taxes	3,592	--	5,505	(1,219)	7,878
Accrued liabilities	11,813	64,963	35,044	--	111,820
Long-term debt due within one year	870	387	1,868	--	3,125
Total current liabilities	189,068	118,503	96,673	(208,584)	195,660
Long-term debt due after one year	4,610	190,000	3,400	--	198,010
Intercompany payables	233,473	16,479	40,292	(290,244)	--
Post-retirement benefits and deferred items	34,678	86,640	14,889	--	136,207
Shareholders' equity:					
Serial preferred stock, $1.00 par value	--	--	--	--	--
Common shares, $1.25 par value	51,856	1	71,933	(71,934)	51,856
Capital in excess of par value	67,963	168,495	91,238	(259,733)	67,963
Retained earnings	344,254	357,605	46,468	(404,073)	344,254
	464,073	526,101	209,639	(735,740)	464,073

Treasury stock, at cost	(93,448)	(612)	1,837	(1,225)	(93,448)
Accumulated other comprehensive (loss) income	(62,351)	(54,290)	(5,602)	59,892	(62,351)
Total shareholders' equity	308,274	471,199	205,874	(677,073)	308,274
Total liabilities and shareholders' equity	$ 770,103	$ 882,821	$ 361,128	$ (1,175,901)	$ 838,151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year ended December 31, 2000 PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Cash flows - Operating activities:						
Net earnings	$ 13,241	$ (343)	$ 39,388	$ 12,664	$ (51,709)	$ 13,241
Adjustments to reconcile net earnings to net cash provided by operating activities:						
Depreciation	6,221	--	25,778	10,677	--	42,676
Amortization	461	--	11,088	2,812	--	14,361
Loss (gain) on the sale of fixed assets	--	--	(260)	410	--	150
Loss on impairment of facilities and equipment	--	--	3,673	--	--	3,673
Change in assets and liabilities, net of effects of acquisitions and dispositions:						
Accounts receivable	(4,065)	--	(32,305)	(33,732)	--	(70,102)
Inventories	7,380	--	(16,558)	7,215	--	(1,963)
Intercompany receivable and payable	(589,288)	(87,832)	560,455	117,050	(385)	--
Prepaid expenses	(403)	--	(2,729)	15,737	(4,637)	7,968
Other assets	(14,679)	(53)	(5,672)	750	--	(19,654)
Accounts payable	(6,891)	--	6,840	21,831	(3,696)	18,084
Accrued liabilities	4,544	111	(19,280)	(2,658)	(932)	(18,215)
Income taxes	173	--	665	(9,696)	1,219	(7,639)
Post-retirement benefits and deferred items	15,385	--	21,042	(4,443)	932	32,916
Net deferred taxes	(6,533)	--	10,214	(1,759)	--	1,922
Net cash flows (used) provided by operating activities	(574,454)	(88,117)	602,339	136,858	(59,208)	17,418
Cash flows - Investing activities:						
Capital expenditures, net of disposals	(7,330)	--	(9,250)	(11,153)	--	(27,733)
Payments for acquisitions, net of cash acquired and dispositions	(387,793)	--	(235,701)	(699,357)	557,455	(765,396)
Net cash flows (used) provided by investing activities	(395,123)	--	(244,951)	(710,510)	557,455	(793,129)
Cash flows - Financing activities:						
Net repayments under lines of credit	--	--	(88,903)	(2,108)	--	(91,011)
Payment of long-term debt	(161,663)	--	(189,997)	(6,828)	--	(358,488)
Payment of debt issuance costs	(41,663)	(4,811)	--	--	--	(46,474)
Proceeds from long-term debt	1,191,511	92,958	--	--	--	1,284,469
Proceeds from issuance of common stock	615	--	--	--	--	615
Other	(19,223)	--	(79,377)	604,353	(505,753)	--
Net cash flows provided (used) by financing activities	969,577	88,147	(358,277)	595,417	(505,753)	789,111
Effect of exchange rate changes	--	(30)	--	(1,492)	--	(1,522)
Net change in cash and cash equivalents	--	--	(889)	20,273	(7,506)	11,878
Cash and cash equivalents at beginning of year	--	--	889	29,966	(392)	30,463
Cash and cash equivalents at end of year	$ --	$ --	$ --	$ 50,239	$ (7,898)	$ 42,341

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	Year ended December 31, 1999				
Cash flows - Operating activities:					
Net earnings	$ 12,177	$ (19,746)	$ 30,661	$ (10,915)	$ 12,177
Adjustments to reconcile net earnings to cash provided by operating activities:					
Depreciation	2,771	18,003	14,271	--	35,045
Amortization	450	1,484	2,620	--	4,554
Loss (gain) on the sale of fixed assets	232	294	(86)	--	440
Loss on impairment of facilities and equipment	2,834	--	--	--	2,834
Change in assets and liabilities, net of effects of acquisitions and dispositions:					
Accounts receivable	(2,159)	14,459	423	--	12,723
Inventories	13,276	18,047	(2,964)	--	28,359
Intercompany receivable and payable	161,256	(340,917)	(80,885)	260,546	--
Prepaid expenses	(15,236)	6,359	(4,033)	--	(12,910)
Other assets	20,415	(28,125)	10,329	--	2,619
Accounts payable	1,610	(13,123)	3,852	5,742	(1,919)
Accrued liabilities	(18,633)	24,460	506	--	6,333
Income taxes	24,051	(28,483)	(7,963)	--	(12,395)
Post-retirement benefits and deferred items	(29,941)	47,176	(9,163)	--	8,072
Net deferred taxes	13,037	(11,695)	(3,159)	--	(1,817)
Net cash flows provided (used) by operating activities	186,140	(311,807)	(45,591)	255,373	84,115
Cash flows - Investing activities:					
Capital expenditures, net of disposals	(3,940)	(14,580)	(22,015)	--	(40,535)
Payments for acquisitions, net of cash acquired	(5,743)	--	--	--	(5,743)
Net cash flows used by investing activities	(9,683)	(14,580)	(22,015)	--	(46,278)
Cash flows - Financing activities:					
Net borrowings (repayments) under lines of credit	638	(8,403)	(5,880)	--	(13,645)
Payment of long-term debt	(8,333)	--	1,963	--	(6,370)
Payment of debt issuance costs	(2,183)	--	--	--	(2,183)
Proceeds from long-term debt	(117,912)	138,397	(1,709)	--	18,776
Repurchase of common stock	(5,250)	--	--	--	(5,250)
Proceeds from issuance of common stock	(529)	--	--	--	(529)
Dividends paid	(21,172)	--	--	--	(21,172)
Other	--	241,460	7,329	(249,631)	(842)
Net cash flows (used) provided by financing activities	(154,741)	371,454	1,703	(249,631)	(31,215)
Effect of exchange rate changes	(21,716)	(44,178)	64,807	--	(1,087)
Net change in cash and cash equivalents	--	889	(1,096)	5,742	5,535
Cash and cash equivalents at beginning of year	--	--	31,062	(6,134)	24,928
Cash and cash equivalents at end of year	$ --	$ 889	$ 29,966	$ (392)	$ 30,463

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	Year ended December 31, 1998				
Cash flows - Operating activities:					
Net earnings	$ 48,875	$ 20,706	$ 28,581	$ (49,287)	$ 48,875
Adjustments to reconcile net earnings to cash provided by operating activities:					
Depreciation	3,213	16,647	15,250	--	35,110
Amortization	(1,153)	1,842	3,500	--	4,189
(Gain) loss on the sale of fixed assets	--	(71)	128	--	57
Cumulative effect of change in accounting principle	(1,220)	--	--	--	(1,220)
Change in assets and liabilities, net of effects of acquisitions and dispositions:					
Accounts receivable	7,530	(8,755)	4,240	--	3,015
Inventories	(769)	(10,458)	(280)	--	(11,507)
Intercompany receivable and payable	(48,682)	20,804	(54,576)	82,454	--
Prepaid expenses	3,233	1,377	4,108	--	8,718
Other assets	10,296	13,817	(35,179)	--	(11,066)
Accounts payable	315	16,780	(5,308)	(6,133)	5,654
Accrued liabilities	(20,102)	(10,349)	4,603	--	(25,848)
Income taxes	(1,820)	16,160	(13,289)	--	1,051
Post-retirement benefits and deferred items	23,063	(5,080)	(21,692)	--	(3,709)
Net deferred taxes	(12,353)	4,157	9,229	--	1,033
Other	--	--	(248)	--	(248)
Net cash flows provided (used) by operating activities	10,426	77,577	(60,933)	27,034	54,104
Cash flows - Investing activities:					
Capital expenditures, net of disposals	15,871	(16,804)	(37,316)	--	(38,249)
Payments for acquisitions, net of cash acquired	(19,951)	--	--	--	(19,951)
Other	--	--	(427)	--	(427)
Net cash flows used by investing activities	(4,080)	(16,804)	(37,743)	--	(58,627)
Cash flows - Financing activities:					

Net borrowings (repayments) under lines of credit	(4,678)	410	1,954	--	(2,314)
Payment of long-term debt	--	--	(20,212)	--	(20,212)
Proceeds from long-term debt	73,153	(14,600)	18,397	--	76,950
Repurchase of common stock	(64,508)	--	--	--	(64,508)
Proceeds from issuance of common stock	4,764	--	--	--	4,764
Dividends paid	(22,307)	--	--	--	(22,307)
Other	(6,492)	(44,968)	84,628	(33,168)	--
Net cash flows (used) provided by financing activities	(20,068)	(59,158)	84,767	(33,168)	(27,627)
Effect of exchange rate changes	(9,621)	(7,328)	15,425	--	(1,524)
Net change in cash and cash equivalents	(23,343)	(5,713)	1,516	(6,134)	(33,674)
Cash and cash equivalents at beginning of year	23,343	5,713	29,546	--	58,602
Cash and cash equivalents at end of year	$ --	$ --	$ 31,062	$ (6,134)	$ 24,928

NOTE 10: DEFERRED COMPENSATION - RABBI TRUST

In September 1998, 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." 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 $1,220, net of tax. Prior-year financial statements have not been restated to reflect the change in accounting principle.

Effective October 1, 2000, the Company amended the provisions of the deferred compensation plans. As amended, the stock deferred compensation plans do not allow diversification and require the obligation for the deferred compensation amounts held in Company stock be settled by the delivery of a fixed number of shares of Company stock. Accordingly, the deferred compensation obligation to be settled with stock has been reflected in shareholders' equity as of December 31, 2000. Prior to these amendments, the Company recorded net expense of $923 in 2000, an expense of $243 in 1999 and the cumulative effect of a change in accounting principle of $1,220, net of tax, in 1998 to reflect the change in fair value of the deferred compensation liability for Company stock.

NOTE 11: RETIREMENT BENEFITS

The Company sponsors several noncontributory defined benefit pension plans, covering substantially all domestic employees and certain foreign employees, which provide benefits based on years of service and compensation. Retirement benefits for all other employees are provided through defined contribution pension plans, cash balance pension plans, and government-sponsored retirement programs. All defined benefit pension plans are funded based on independent actuarial valuations to provide for current service and an amount sufficient to amortize unfunded prior service over periods not to exceed 30 years.

Net defined benefit pension expense for domestic pension plans (including both qualified and nonqualified plans) was:

Year ended December 31,	2000	1999	1998
Service cost-benefits earned during the period	$ 8,753	$ 7,585	$ 6,411

Interest cost on projected benefit obligations	15,396	14,637	14,704
Gain on plan assets	(19,996)	(18,638)	(18,086)
Amortization of unrecognized prior service (benefit) cost	(1,313)	(232)	537
Amortization of unrecognized net asset	(404)	(529)	(499)
Special termination expense	5,210	--	--
Net defined benefit pension expense	$ 7,646	$ 2,823	$ 3,067

Special termination expense represents costs relating to a plant closure and as such, were recorded as restructuring expense in the consolidated statement of income.

Net deferred benefit pension expense for foreign pension plans was:

Year ended December 31,	2000	1999	1998
Service cost-benefits earned during the period	$ 1,506	$ 232	$ --
Interest cost on projected benefit obligations	1,193	341	--
Gain on plan assets	(1,460)	(499)	--
Amortization of unrecognized prior service benefit	--	(79)	--
Amortization of unrecognized net asset	(55)	--	--
Net defined benefit pension expense	$ 1,184	$ (5)	$ --

The following table reconciles the domestic plans' funded status to amounts recognized in the Company's consolidated balance sheets:

December 31,	2000	1999
Projected benefit obligations	$ 225,564	$ 203,760
Plan assets, at fair value	225,659	233,722
Plan assets in excess of projected benefit obligations	95	29,962
Unrecognized net transition asset	--	(404)
Unrecognized net gain (loss)	6,884	(14,898)
Unrecognized prior service cost	(20,810)	(21,426)

Net pension liability	$ (13,831)	$ (6,766)
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	4.5%	4.5%
Long-term rate of return on assets	9.5%	9.5%

The following table reconciles the foreign plans' funded status to amounts recognized in the Company's consolidated balance sheets:

December 31,	2000	1999
Projected benefit obligations	$ 46,036	$ 4,984
Planned assets, at fair value	37,593	5,411
Planned assets (less than) in excess of projected benefit obligations	(8,443)	427
Unrecognized net transition asset	(55)	(312)
Unrecognized net gain	1,896	282
Net pension (liability) asset	$ (6,602)	$ 397
Discount rate	5.99%	7.50%
Rate of increase in compensation levels	3.4%	4.5%
Long-term rate of return on assets	7.7%	9.5%

Following is a reconciliation of the domestic plans' defined benefit pension obligations:

December 31,	2000	1999
Beginning benefit obligations	$ 203,761	$ 224,905
Service cost	8,753	7,585
Interest cost	15,396	14,637
Plan amendments	(842)	(24,385)
Actuarial loss (gain)	11,323	(4,586)
Benefits paid	(18,037)	(14,395)
Special termination expense	5,210	--
Ending benefit obligations	$ 225,564	$ 203,761

Following is a reconciliation of the foreign plans' defined benefit pension obligations:

December 31,	2000	1999
Beginning benefit obligations	$ 4,984	$ 1,558
Acquisitions	39,650	--
Service cost	1,507	232
Interest cost	1,193	341
Employee contributions	385	--
Plan amendments	--	2,768

Actuarial (gain) loss	(820)	293
Benefits paid	(1,162)	(208)
Foreign exchange impact	299	--
Ending benefit obligations	$ 46,036	$ 4,984

Following is a reconciliation of the domestic plants' defined benefit pension assets:

December 31,	2000	1999
Beginning plan assets	$ 233,722	$ 219,510
Return on plan assets	9,391	28,212
Company contributions	583	395
Benefits paid	(18,037)	(14,395)
Ending plan assets	$ 225,659	$ 233,722

Following is a reconciliation of the foreign plans' defined benefit pension assets:

December 31,	2000	1999
Beginning plan assets	$ 5,411	$ 5,750
Acquisitions	33,689	--
Employee contributions	385	--
Company contributions	904	--
Foreign exchange impact	(285)	--
Return on plan assets	(1,651)	(131)
Benefits paid	(860)	(208)
Ending plan assets	$ 37,593	$ 5,411

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $20,271, $19,411, and $213, respectively, as of December 31, 2000 and $6,374, $6,117, and $0, respectively as of December 31, 1999.

The Company sponsors several defined contribution pension plans covering substantially all domestic and Canadian employees and certain other foreign employees. Employees may contribute to these plans, and these contributions are matched

in varying amounts by the Company. The Company may also make additional contributions for eligible employees. Defined contribution pension expense for the Company was $7,324 in 2000, $7,712 in 1999, and $7,309 in 1998. Effective

July 1, 1999, three existing defined benefit programs for United States employees were consolidated into one program. The plan was amended to reflect the conversion of primarily final average pay methodologies into a cash balance design and resulted in lowering the defined benefit pension obligation by $21,617 in 1999. In conjunction with this change, new employee groups became eligible to participate in the plan.

The Company also sponsors several defined benefit post-retirement health care plans covering most current and future retirees in the United States. These plans are for medical and dental benefits and are provided through insurance companies and health maintenance organizations. The plans include participant contributions, deductibles, co-insurance provisions and other limitations, and are integrated with Medicare and other group plans. The plans are funded as insured benefits and health maintenance organization premiums are incurred.

Net post-retirement benefit expense comprised:

Year ended December 31,	2000	1999	1998
Service cost - benefits earned during the period	$ 869	$ 957	$ 882
Interest cost on accumulated post-retirement benefit obligations	4,707	3,841	3,749
Amortization of unrecognized prior service benefit	(2,002)	(1,333)	(1,497)
Curtailment	11,537	--	--
Net post-retirement benefit expense	$ 15,111	$ 3,465	$ 3,134

Following is a reconciliation of the accumulated post-retirement benefit obligations:

December 31,	2000	1999
Beginning accumulated post-retirement benefit obligation	$ 49,045	$ 57,313
Service cost	869	957
Interest cost	4,707	3,841
Curtailment	11,537	--
Plan amendments	(3,000)	(7,565)
Acquisition	25,000	--
Actuarial (gain) loss	5,441	(1,396)
Benefits paid	(4,268)	(4,105)
Ending accumulated post-retirement benefit obligations	$ 89,331	$ 49,045

Effective with the purchase of IDP on August 8, 2000, the Company assumed post-retirement liabilities for all former IDP active employees as of the date of the purchase. In connection with the restructuring plans announced in 2000, a curtailment liability of $11,537 was recognized to reflect termination related post-retirement obligations. This curtailment expense is included in restructuring expense in the consolidated statement of income.

The following table presents the components of post-retirement benefit amounts recognized in the Company's consolidated balance sheet:

December 31,	2000	1999
Accumulated post-retirement benefit obligations	$ 89,331	$ 49,045
Unrecognized prior service benefit	14,014	13,568
Unrecognized net (loss) gain	(4,205)	1,059
Accrued post-retirement benefits	$ 99,140	$ 63,672
Discount rate	7.50%	7.50%

The assumed ranges for the annual rates of increase in per capita costs for periods prior to Medicare were 7.5% for 2000 with a gradual decrease to 6.0% for 2002 and future years, and for periods after Medicare, 5.5% for 2000 with a gradual decrease to 5.0% for 2002 and future years.

Increasing the assumed rate of increase in post-retirement benefit costs by 1% in each year would increase net post-retirement benefit expense by approximately $401 and accumulated post-retirement benefit obligations by $6,386. Reducing the assumed rate of decrease in post-retirement benefit costs by 1% in each year would reduce net post-retirement benefit expense by approximately $371 and accumulated benefit obligations by $5,849.

The Company made contributions to the defined benefit post-retirement plan of $4,268 in 2000 and $4,105 in 1999.

NOTE 12: CONTINGENCIES

As of December 31, 2000, the Company was involved as a "potentially responsible party" (PRP) at four former public waste disposal sites that may be subject to remediation under pending government procedures. The sites are in various stages of evaluation by federal and state environmental authorities. The projected cost of remediating these sites, as well as the Company's alleged "fair share" allocation, is uncertain and speculative until all studies have been completed and the parties have either negotiated an amicable resolution or the matter has been judicially resolved. At each site, there are many other

parties who have similarly been identified, and the identification and location of additional parties is continuing under applicable federal or state law. Many of the other parties identified are financially strong and solvent companies that appear able to pay their share of the remediation costs. Based on the Company's preliminary information about the waste disposal practices at these sites and the environmental regulatory process in general, the Company believes that it is likely that ultimate remediation liability costs for each site will be apportioned among all liable parties, including site owners and waste transporters, according to the volumes and/or toxicity of the wastes shown to have been disposed of at the sites.

The Company is a defendant in numerous pending lawsuits (which include, in many cases, multiple claimants) that seek to recover damages for alleged personal injury allegedly resulting from exposure to asbestos-containing products formerly manufactured and/or distributed by the Company. All such products were used within self-contained process equipment, and management does not believe that there was any emission of ambient asbestos-containing fiber during the use of this equipment.

The Company is also a defendant in several other products liability lawsuits that are insured, subject to the applicable deductibles, and certain other noninsured lawsuits received in the ordinary course of business. Management believes that the Company has adequately accrued estimated losses for such lawsuits. No insurance recovery has been projected for any of the insured claims, because management currently believes that all will be resolved within applicable deductibles. The Company is also a party to other noninsured litigation that is incidental to its business, and, in management's opinion, will be resolved without a material adverse impact on the Company's financial statements.

Although none of the aforementioned potential liabilities can be quantified with any certainty, the Company has established reserves covering these possible exposures, which management believes are reasonable based on past experience and available facts. While additional exposures beyond these reserves could exist, none gives rise to any additional liability that can now be reasonably estimated, and the Company believes any such costs will not have a material adverse impact on the Company. The Company will continue to evaluate these potentially additional contingent loss exposures and, if they develop, recognize expense as soon as such losses can be reasonably estimated.

NOTE 13: SHAREHOLDERS' EQUITY

In 1997, the Company increased its authorized $1.25 par value common stock from 60,000,000 to 120,000,000 shares. The authorized shares were increased in connection with the merger of Durco and BW/IP resulting in the formation of Flowserve Corporation. At both December 31, 2000 and 1999, the Company had authorized 1,000,000 shares of $1.00 par value preferred stock.

Each share of the Company's common stock contains a preferred stock purchase right. These rights are not currently exercisable and trade in tandem with the common stock. The rights become exercisable and trade separately in the event of certain significant changes in common stock ownership or on the commencement of certain tender offers that, in either case, may lead to a change of control of the Company. Upon becoming exercisable, the rights provide shareholders the opportunity to acquire a new series of Company preferred stock to be then automatically issued at a pre-established price. In the event of certain forms of acquisition of the Company, the rights also provide Company shareholders the opportunity to purchase shares of the acquiring Company's common stock from the acquirer at a 50% discount from the current market value. The rights are redeemable for $0.022 per right by the Company at any time prior to becoming exercisable and will expire in August 2006.

NOTE 14: INCOME TAXES

The provision (benefit) for taxes on income consisted of the following:

Year ended December 31,	2000	1999	1998
Current:			
U.S. federal	$ 1,001	$ 1,179	$ 1,226
Non-U.S	8,775	8,836	13,798
State and local	1,160	1,630	438
Total current	10,936	11,645	15,462

Deferred:			
U.S. federal	(2,924)	(11,780)	7,915
Non-U.S	(455)	6,777	1,409
State and local	319	(574)	716
Total deferred	(3,060)	(5,577)	10,040
Total provision	$ 7,876	$ 6,068	$ 25,502

The provision for taxes on income was different from the statutory corporate rate due to the following:

Year ended December 31,	2000	1999	1998
U.S. federal income tax rate	35.0%	35.0%	35.0%
Non-U.S. tax rate differential and utilization of operating loss carryforwards	1.2	0.7	2.6
State and local income taxes, net	4.5	2.7	1.4
Utilization of tax credits	(6.5)	(1.6)	(1.5)
Foreign sales corporation	(4.8)	(2.2)	(2.6)
Goodwill	4.6	1.6	0.6
Other, net	--	(2.9)	(0.6)
Effective tax rate	34.0%	33.3%	34.9%

For the year ended December 31, 2000, the Company's effective income tax rate on continuing operations of 34.0% differed from the Company's effective income tax rate, including extraordinary items of 33.6% due to rate differences recorded on the extraordinary items.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's consolidated deferred tax assets and liabilities were:

December 31,	2000	1999
Deferred tax assets related to:		
Post-retirement benefits	$ 37,708	$ 23,989
Net operating loss carryforwards	11,207	4,837
Compensation accruals	13,266	9,773
Inventories	5,130	--
Credit carryforwards	20,491	5,410
Loss on dispositions	3,454	1,852
Warranty and accrued liabilities	10,637	2,542
Restructuring charge	9,797	9,013
Other	5,679	4,851

Total deferred tax assets	117,369	62,267
Less valuation allowances	14,036	7,763
Net deferred tax assets	103,333	54,504
Deferred tax liabilities related to:		
Property, plant and equipment	40,460	12,520
Goodwill	31,811	10,610
Other	1,865	2,183
Total deferred tax liabilities	74,136	25,313
Deferred tax assets, net	$ 29,197	$ 29,191

The Company has recorded valuation allowances to reflect the estimated amount of deferred tax assets that may not be realized due to the expiration of net operating loss and foreign tax credit carryforwards. The net changes in the valuation allowances were attributed to an increase in expected non-utilization of net operating loss and credit carryforwards. The company had approximately $33,500 of net operating loss carryforwards at December 31, 2000, the majority of which was generated in non-U.S. jurisdictions in which net operating losses do not expire.

Earnings before income taxes comprised:

Year ended December 31,	2000	1999	1998
U.S.	$ 1,114	$ (21,116)	$ 27,326
Non-U.S	22,070	39,361	45,831
Total	$ 23,184	$ 18,245	$ 73,157

Undistributed earnings of the Company's non-U.S. subsidiaries amounted to approximately $210,500 at December 31, 2000. These earnings are considered to be indefinitely reinvested and, accordingly, no additional United States income taxes or non-U.S. withholding taxes have been provided. Determination of the amount of additional taxes that would be payable if such earnings were not considered indefinitely reinvested is not practical.

NOTE 15: SEGMENT INFORMATION

Flowserve is principally engaged in the worldwide design, manufacture, distribution and service of industrial flow management equipment. The Company provides pumps, valves, and mechanical seals primarily for the petroleum industry, the chemical-processing industry, power-generation industry, water industry, general industry and other industries requiring flow management products.

The Company has three divisions, each of which constitutes a business segment. Each division manufactures different products and is defined by the type of products and services provided. Each division has a president, who reports directly to the Chief Executive Officer, and a Division Controller. For decision-making purposes, the Chief Executive Officer, Chief Financial Officer and other members of upper management use financial information generated and reported at the division level.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Flowserve Pump Division designs, manufactures and distributes pumps and related equipment. The Flow Solutions Division designs, manufactures and distributes mechanical seals and sealing systems and provides service and repair for flow control equipment used in process industries. The Flow Control Division designs, manufactures and distributes automated and manual quarter-turn valves, control valves and valve actuators, and related components. The Company also has a corporate headquarters that does not constitute a separate division or business segment. Amounts classified as All Other include Corporate Headquarter costs and other minor entities that are not considered separate segments. The results for Invatec and IDP are included in the Flow Solutions Division and Flowserve Pump Division, respectively, from the date of acquisition.

The Company evaluates segment performance and allocates resources based on profit or loss excluding merger transaction, integration, restructuring and interest expense, other income and income taxes. The accounting policies of the reportable segments are the same as described in Note 1 - Significant Accounting Policies. Intersegment sales and transfers are recorded at cost plus a profit margin. This intersegment profit is eliminated in consolidation. Minor reclassifications have been made to certain previously reported information to conform to the current business configuration.

Year ended December 31, 2000	FLOWSERVE PUMP	FLOW SOLUTIONS	FLOW CONTROL	ALL OTHER	CONSOLIDATED TOTAL
Sales to external customers	$ 674,340	$ 591,582	$ 266,368	$ 6,003	$ 1,538,293
Intersegment sales	13,104	17,200	9,916	(40,220)	--
Segment operating income(1)	80,603	66,422	28,811	(29,230)	146,606
Depreciation and amortization	26,517	17,631	9,035	3,854	57,037
Identifiable assets	$ 1,338,975	$ 410,198	$ 197,061	$ 163,909	$ 2,110,143
Capital expenditures	8,425	10,880	3,843	4,585	27,733

(1) Excludes integration and merger expense, restructuring, interest expense, other income and income taxes.

Year ended December 31, 1999	Flowserve Pump	Flow Solutions	Flow Control	All Other	Consolidated Total
Sales to external customers	$ 347,159	$ 423,658	$ 283,670	$ 6,785	$ 1,061,272
Intersegment sales	6,011	14,841	11,650	(32,502)	--
Segment operating income(1)	19,927	55,882	23,536	(37,530)	61,815
Segment operating income (before all special items)	23,095	56,148	25,069	(31,631)	72,681
Depreciation and amortization	10,246	12,998	9,824	6,531	39,599
Identifiable assets	$ 222,999	$ 292,015	$ 213,322	$ 109,815	$ 838,151
Capital expenditures	12,377	17,068	4,583	6,507	40,535

(1) Excludes integration and merger expense, restructuring, interest expense, other income and income taxes.

Year ended December 31, 1998	Flowserve Pump	Flow Solutions	Flow Control	All Other	Consolidated Total
Sales to external customers	$ 365,806	$ 412,076	$ 298,918	$ 6,286	$ 1,083,086
Intersegment sales	5,663	16,436	14,253	(36,352)	--
Segment operating income(1)	39,078	65,113	43,826	(24,612)	123,405
Depreciation and amortization	11,535	13,186	11,290	3,288	39,299

Identifiable assets	$ 285,618	$ 266,485	$ 233,120	$ 84,974	$ 870,197
Capital expenditures	13,416	15,049	9,284	500	38,249

(1) Excludes integration and merger expense, restructuring, interest expense, other income and income taxes.

RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED AMOUNTS

Significant items from the Company's reportable segments can be reconciled to the consolidated amounts as follows:

	Year Ended December 31,		
Sales	2000	1999	1998
Total sales for reportable segments	$ 1,532,290	$ 1,054,487	$ 1,076,800
Total intersegment sales for reportable segments	40,220	32,502	36,352
Other sales	6,003	6,785	6,286
Elimination of inter-segment sales	(40,220)	(32,502)	(36,352)
Total sales	$ 1,538,293	$ 1,061,272	$ 1,083,086

	Year Ended December 31,		
Profit or Loss	2000	1999	1998
Total segment operating income	$ 175,836	$ 99,345	$ 148,017
Corporate expenses and other	29,230	37,530	24,612
Restructuring expenses	19,364	15,860	--
Integration and merger expenses	35,211	14,207	38,326
Net interest expense	70,321	14,677	11,378
Other (income) expense, net	(1,474)	(1,174)	544
Earnings before income taxes	$ 23,184	$ 18,245	$ 73,157

Year Ended December 31,

Assets	2000	1999	1998
Total assets for reportable segments	$ 1,946,234	$ 728,336	$ 785,223
Other assets	231,983	141,911	106,552
Elimination of inter-segment receivables	(68,074)	(32,096)	(21,578)
Total assets	$ 2,110,143	$ 838,151	$ 870,197

GEOGRAPHIC INFORMATION

The Company attributes revenues to different geographic areas based on the facilities' location. Long-lived assets are classified based on the geographic area in which the assets are located. Sales related to and investment in identifiable assets by geographic area are as follows:

Year ended December 31, 2000	SALES	LONG-LIVED ASSETS
United States	$ 950,783	$ 877,322
Europe	372,442	231,530
Other(1)	215,068	36,262
Consolidated total	$1,538,293	$1,145,114

Year ended December 31, 1999	Sales	Long-lived Assets
United States	$ 611,374	$ 243,107
Europe	270,850	81,616
Other(1)	179,048	28,559
Consolidated total	$1,061,272	$ 353,282

Year ended December 31, 1998	Sales	Long-lived Assets
United States	$ 629,117	$ 250,999
Europe	279,117	81,058
Other(1)	174,852	28,751
Consolidated total	$1,083,086	$ 360,808

(1) Includes Canada, Latin America and Asia Pacific. No individual geographic segment within this group represents 10% or more of consolidated totals.

MAJOR CUSTOMER INFORMATION

The Company has not received revenues from any customer that represent 10% or more of consolidated revenues for any of the years presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16: UNAUDITED QUARTERLY FINANCIAL DATA

(Amounts in millions, except per share data)	2000(a)				1999(b)			
Quarter	4TH	3RD	2ND	1ST	4th	3rd	2nd	1st
Net sales	$ 541.7	$ 412.1	$ 299.2	$ 285.3	$ 262.7	$ 254.0	$ 275.2	$ 269.4
Gross profit	174.4	130.1	103.2	99.2	84.3	88.3	93.9	96.8
Earnings before special items	19.0	6.8	12.6	11.9	8.6	6.8	11.4	12.7
Earnings (loss) before extraordinary items	1.7	(10.9)	12.6	11.9	(11.6)	4.9	8.5	10.4
Net earnings (loss)	1.7	(13.0)	12.6	11.9	(11.6)	4.9	8.5	10.4
Earnings per share before special items (basic and diluted)	$ 0.50	$ 0.18	$ 0.33	$ 0.31	$ 0.23	$ 0.18	$ 0.30	$ 0.34
Earnings (loss) per share before extraordinary items (basic and diluted)	0.05	(0.29)	0.33	0.31	(0.31)	0.13	0.22	0.28
Earnings (loss) per share (basic and diluted)	0.05	(0.34)	0.33	0.31	(0.31)	0.13	0.22	0.28

(a) Net earnings in 2000 include IDP integration expenses of $35.2 million, IDP restructuring expenses of $19.4 million, and extraordinary items of $2.1 million net of tax, resulting in a reduction of net earnings of $37.8 million, or $1.00 per share after tax.

(b) Net earnings in 1999 include integration and merger expenses of $14.2 million relating to the Company's Flowserver program, restructuring expenses of $15.9 million, other nonrecurring items for inventory and fixed asset impairment of $5.1 million (included in costs of sales), and executive separation contracts and certain costs related to fourth-quarter 1999 facility closures of $5.8 million (included in selling and administrative expense) resulting in a reduction in net earnings of $27.3 million, or $0.72 per share after tax.

FIVE-YEAR SELECTED FINANCIAL DATA

	December 31				
(Amounts in thousands, except per share data and ratios)	2000(a)	1999	1998	1997	1996
RESULTS OF OPERATIONS					
Sales	$ 1,538,293	$ 1,061,272	$ 1,083,086	$ 1,152,196	$ 1,097,645
Gross profit	506,912	363,344	415,333	448,877	428,927
Selling, gen. & admin. (including research & devel.)	360,306	301,529	291,928	312,783	307,882
Restructuring and merger transaction expenses	19,364	15,860	--	44,531	5,778
Integration and merger expenses	35,211	14,207	38,326	6,982	--
Operating income	92,031	31,748	85,079	84,581	115,267
Operating income (before special items)	146,606	72,681	127,208	136,094	121,045
Net interest expense	70,321	14,677	11,378	11,326	10,412
Earnings before income taxes	23,184	18,245	73,157	89,789	108,351
Provision for income taxes	7,876	6,068	25,502	38,223	37,254
Earnings before extraordinary items and cumulative effect of change in accounting principle	15,308	12,177	47,655	51,566	71,097
Cumulative effect of change in accounting principle	--	--	(1,220)	--	--
Extraordinary items, net of tax	2,067	--	--	--	--
Net earnings	13,241	12,177	48,875	51,566	71,097
Average shares outstanding	37,842	37,856	39,898	40,896	41,363

Net earnings per share (basic and diluted)	$ 0.35	$ 0.32	$ 1.23	$ 1.26	$ 1.72
Dividends paid per share	--	0.56	0.56	0.65	0.57
Bookings	1,521,561	1,039,262	1,082,484	1,172,431	1,141,614
Ending backlog	659,250	270,647	291,082	291,568	287,076
PERFORMANCE RATIOS (as a percent of sales)					
Gross profit margin	33.0%	34.2%	38.3%	39.0%	39.1%
Selling, gen. & admin. (including research & devel.)	23.4%	28.4%	26.9%	27.1%	28.0%
Operating income	6.0%	3.0%	7.9%	7.3%	10.5%
Operating income (before special items)	9.5%	6.8%	11.7%	11.8%	11.0%
Net earnings	0.9%	1.1%	4.5%	4.5%	6.5%
FINANCIAL CONDITION					
Working capital	$ 464,035	$ 258,128	$ 268,164	$ 284,220	$ 279,972
Net property, plant and equipment	405,412	209,976	209,032	209,509	211,738
Intangibles and other assets	806,679	174,387	173,875	155,852	149,003
Total assets	2,110,143	838,151	870,197	880,025	829,776
Capital expenditures, net	27,733	40,535	38,249	39,560	35,691
Depreciation and amortization	57,037	39,599	39,299	38,933	36,665
Long-term debt	1,111,108	198,010	186,292	128,936	143,962
Post-retirement benefits and deferred items	260,107	136,207	120,015	125,372	108,127
Shareholders' equity	304,911	308,274	344,764	395,273	388,624
FINANCIAL RATIOS					
Return on average shareholders' equity	4.4%	3.6%	13.1%	13.0%	18.6%
Return on average net assets	5.5%	3.4%	8.6%	9.0%	12.5%
Net debt to capital ratio	78.1%	35.7%	34.2%	18.2%	24.7%
Current ratio	2.1	2.3	2.2	2.2	2.5
Interest coverage ratio	2.0	4.3	9.5	10.7	12.9

a) Financial results in 2000 include Invatec and IDP from the date of the respective acquisitions. In conjunction with the IDP acquisition, the Company incurred IDP integration expenses of $35,211, IDP restructuring expenses of $19,364 and an extraordinary item of $2,067 net of tax, resulting in a reduction in net earnings of $37,752 or $1.00 per share after tax, for a net earnings per share before special items of $1.35.

SHAREHOLDER AND MARKET INFORMATION

CORPORATE HEADQUARTERS

222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039-5421
Telephone 972.443.6500
Facsimile 972.443.6800

TRANSFER AGENT

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

National City Bank, Dept. 5352
Corporate Trust Operations
P.O. Box 92301
Cleveland, Ohio 44193-0900
Telephone 800.622.6757

ANNUAL MEETING

The 2001 Annual Meeting of Shareholders will be held at 11 a.m. Central time on Thursday, April 19, 2001, at the Marriott Hotel - Las Colinas, 223 W. Las Colinas Blvd., Irving, Texas 75039.

STOCK EXCHANGE LISTING

Flowserve Corporation common stock is listed on the New York Stock Exchange and traded under the symbol FLS.

The company's records show that at February 15, 2001, approximately 37,886,809 shares of Flowserve common stock were outstanding. Based on these records, plus requests from brokers and nominees listed as shareholders of record, the company estimates there are approximately 10,300 shareholders of its common stock.

COMPOSITE TRADES

Year/Quarter	(Intraday Prices) High	Low	(Closing) Year-end	Cash Dividends Declared
2001				
First (2/16/01)	23.50	20.20		--
2000				
First	17.00	10.56		--
Second	17.69	12.00		--
Third	18.88	14.50		--
Fourth	23.50	16.13	21.38	--
1999				
First	17.50	15.00		$0.14
Second	21.56	15.31		$0.14
Third	20.00	15.50		$0.14
Fourth	17.88	15.38	17.00	$0.14

FORMS 10-K AND 10-Q

Shareholders may obtain without a charge a copy of Flowserve's Annual Report on Form 10-K and quarterly reports on Form 10-Q, as filed with the Securities and Exchange Commission. For copies or information about Flowserve's operating or financial performance, please address your communications to:

Michael E. Conley
Director, Investor Relations
Flowserve Corporation
222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039-5421
972.443.6500

For more information on Flowserve, please visit the company's Web site at www.flowserve.com

FIRMS PROVIDING RESEARCH COVERAGE ON FLOWSERVE INCLUDE:

Robert W. Baird & Co. Incorporated
Credit Suisse First Boston Corporation
Dresdner Kleinwort Wasserstein
ING Barings
Merrill Lynch & Co.
Ryan, Beck & Co. Southeast Research Group

EXHIBIT 21.1

FLOWSERVE CORPORATION
LIST OF SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION	PERCENTAGE OWNED
Flowserve S.A.	Argentina	100%
Flowserve FSD Pty. Ltd.	Australia	100%
Flowserve Australia Pty. Ltd.	Australia	100%
Flowserve Pty. Ltd.	Australia	100%
Flowserve Dichtungstechnik Gesellschaft m.b.H	Austria	100%
Ingersoll-Dresser Pumps GmbH	Austria	100%
Flowserve (Barbados), Ltd. Foreign Sales Corporation	Barbados	100%
ARS N.V.	Belgium	100%
ARS Loheren N.V.	Belgium	100%
Econ Services N.V.	Belgium	100%
Flowserve FSD N.V.	Belgium	100%
Flowserve RED S.A.	Belgium	100%
Flowserve SRD S.A.	Belgium	100%
Flowserve Ltda do Brazil	Brazil	100%
Ingersoll-Dresser Pumps do Brazil Industria e Comercio Ltda.	Brazil	100%
Flowserve Inc.	Canada	100%
Ingersoll-Dresser Pump Canada, Inc.	Canada	100%
Safe Seal Company Canada, Inc.	Canada	100%
Ingersoll-Dresser Pumps de Colombia, S.A.	Colombia	100%
Flowserve Europe Holding ApS	Denmark	100%
Flowserve Finance ApS	Denmark	100%
Flowserve S.A.S.	France	100%
IDP International	France	100%
IDP Pleuger	France	100%
Ingersoll-Dresser Pompes	France	100%
Flowserve Ahaus GmbH	Germany	100%
Flowserve Essen GmbH	Germany	100%
Flowserve Dortmund Verwaltungs GmbH	Germany	100%
Flowserve Dortmund GmbH & Co. KG	Germany	100%
Deutsche Ingersoll-Dresser Pumpen GmbH	Germany	100%
Deutsche Worthington GmbH	Germany	100%

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION	PERCENTAGE OWNED
Ingersoll-Dresser Pumpen GmbH	Germany	100%
IPSCO GmbH	Germany	100%
Pleuger Worthington GmbH	Germany	100%
Flowserve Microfinish Pumps Pvt. Ltd.	India	76%
Flowserve India Controls Pvt. Ltd.	India	95%
Flowserve Microfinish Valves Pvt. Ltd.	India	76%
PT Flowserve	Indonesia	75%
Flowserve Ireland Limited	Ireland	100%
Flowserve Spa	Italy	100%
Ingersoll-Dresser Pumps S.p.A.	Italy	100%
Worthington S.p.A.	Italy	100%
Flowserve Japan K.K.	Japan	100%
Flowserve SAAG Sdn. Bhd.	Malaysia	70%
Flowserve (Mauritius) Corporation	Mauritius	100%
Flowserve S.A. de C.V.	Mexico	100%
Flowserve B.V.	Netherlands	100%
Flowserve Services B.V.	Netherlands	100%
Flowserve International B.V.	Netherlands	100%
Econ Services B.V.	Netherlands	100%
Flowserve Finance B.V.	Netherlands	100%
Ingersoll-Dresser Pump Nederland B.V.	Netherlands	100%
ZAR Beheer B.V.	Netherlands	100%
Zeeuwse Appendage Revisie & Services B.V.	Netherlands	100%
Zuid Hollandse Appendage Revisie & Services B.V.	Netherlands	100%
Flowserve New Zealand Limited	New Zealand	100%
Flowserve Abahsain Co. Ltd.	Saudi Arabia	60%
Flowserve Pte. Ltd.	Singapore	100%
Ingersoll-Dresser Pump (Asia) Pte Ltd.	Singapore	100%
Valtek South Africa (Proprietary) Limited	South Africa	100%
Compania Ingersoll-Dresser Pump S.A.	Spain	100%
Flowserve, S.A.	Spain	100%
Flowserve S.A.	Switzerland	100%

ID Pump AG	Switzerland	100%
Ingersoll-Dresser Pump Services Sarl	Switzerland	100%

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION	PERCENTAGE OWNED
Ingersoll-Dresser Pump S.A.	Switzerland	100%
Flowserve Siam Co., Ltd.	Thailand	60%
Ingersoll-Dresser Pump (Thailand) Ltd.	Thailand	100%
Flowserve International Limited	United Kingdom	100%
Flowserve Limited	United Kingdom	100%
Flowserve Pumps Ltd.	United Kingdom	100%
Ingersoll-Dresser Pumps Newark Ltd.	United Kingdom	100%
IPSCO U.K. Limited	United Kingdom	100%
Flowserve International, Inc.	U.S. - Delaware	100%
Flowserve US Inc	U.S. - Delaware	100%
Flowserve FCD Corporation	U.S. - Delaware	100%
Flowserve RED Corporation	U.S. - Delaware	100%
Flowserve Holdings, Inc.	U.S. - Delaware	100%
Flowserve International LLC	U.S. - Delaware	100%
Flowserve Management Company (Business Trust)	U.S. - Delaware	100%
Ingersoll-Dresser Pump Company	U.S. - Delaware	100%
Durametallic Australia Holding Company	U.S. - Michigan	100%
Flowserve New Mexico, Inc.	U.S. - New Mexico	100%
Flowserve Venezuela S.A.	Venezuela	100%

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-28497, 333-82081, 33-28497, 333-50667, and 333-46234) of Flowserve Corporation of our report dated February 5, 2001 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 5, 2001 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 26, 2001

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Flowserve Corporation of our report dated February 10, 2000, with respect to the consolidated balance sheet of Flowserve Corporation and subsidiaries as of December 31, 1999 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1999, included in the 2000 Annual Report to Shareholders of Flowserve Corporation.

Our audits also included the financial statement schedule of Flowserve Corporation for each of the two years in the period ending December 31, 1999, listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-28497) pertaining to the 1989 Stock Option Plan, (Form S-8 No. 333-82081) and (Form S-8 No. 33-28497) pertaining to the Flowserve Corporation Retirement Savings Plan (formerly the Duriron Company, Inc. Savings and Thrift Plan), (Form S-8 No. 333-50667) pertaining to the BW/IP, Inc. 1996 Long-Term Incentive Plan, the BW/IP, Inc. 1996 Directors' Stock and Deferred Compensation Plan, the BW/IP International, Inc. 1992 Long-Term Incentive Plan and the BWIP Holding, Inc. Non-Employee Directors' Stock Option Plan and (Form S-8 No. 333-46234) pertaining to the 1997 and 1999 Stock Option Plans of our report dated February 10, 2000, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Flowserve Corporation.

/s/ Ernst & Young LLP
Dallas, Texas
March 26, 2001