FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2001 Commission File Number 1-13179

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

NEW YORK
(State or other jurisdiction of incorporation or organization)

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

222 W. LAS COLINAS BLVD., SUITE 1500, IRVING, TEXAS 75039
(Address of principal executive offices) (Zip Code)

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

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

YES X NO
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SHARES OF COMMON STOCK, $1.25 PAR VALUE,
OUTSTANDING AS OF JULY 25, 2001 37,813,033

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FLOWSERVE CORPORATION
(UNAUDITED)

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Three Months Ended June 30,	
	2001	2000

Sales	$464,579	$299,153
Cost of sales	308,901	195,990
Gross profit	155,678	103,163
Selling, general and administrative expense	103,572	76,788
Integration expense	16,944	--
Operating income	35,162	26,375
Net interest expense	31,361	6,682
Other (income) expense, net	(265)	428
Net earnings before income taxes	4,066	19,265
Provision for income taxes	1,464	6,647
Net earnings	$ 2,602	$ 12,618
Net earnings per share (basic and diluted)	$ 0.07	$ 0.33
Average shares outstanding - basic	38,058	37,796
Average shares outstanding - diluted	38,796	37,809

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)	Three Months Ended June 30,	
	2001	2000
Net earnings	$ 2,602	$ 12,618
Other comprehensive expense:		
Foreign currency translation adjustments	14,296	6,952
Fair market adjustment of derivative instruments, net of tax benefit of $308 and other adjustments (See footnote 4)	487	--
Other comprehensive expense	14,783	6,952
Comprehensive (loss) income	$(12,181)	$ 5,666

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
(UNAUDITED)

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Six Months Ended June 30,	
	2001	2000
Sales	$908,614	$584,462
Cost of sales	615,362	382,070
Gross profit	293,252	202,392
Selling, general and administrative expense	203,676	154,573
Integration expense	36,083	--

Operating income	53,493	47,819
Net interest expense	63,172	12,888
Other income, net	(400)	(2,473)
Net (loss) earnings before income taxes	(9,279)	37,404
(Benefit) provision for income taxes	(3,341)	12,905
Net (loss) earnings	$ (5,938)	$ 24,499
Net (loss) earnings per share (basic and diluted)	$ (0.16)	$ 0.65
Average shares outstanding - basic	37,912	37,801
Average shares outstanding - diluted	38,468	37,810

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)	Six Months Ended June 30,	
	2001	2000
Net (loss) earnings	$ (5,938)	$ 24,499
Other comprehensive (income) expense:		
Foreign currency translation adjustments	53,440	16,202
Cumulative effect of change in accounting principle, net of tax of $472 (Adoption of SFAS 133 - See footnote 4)	(840)	--
Fair market adjustment of derivative instruments, net of tax benefit of $2,401 and other adjustments (See footnote 4)	4,207	--
Other comprehensive expense	56,807	16,202
Comprehensive (loss) income	$(62,745)	$ 8,297

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)	June 30, 2001 (UNAUDITED)	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,150	$ 42,341
Accounts receivable, net	454,826	487,274
Inventories	341,593	305,958
Current deferred tax asset	42,551	39,726
Prepaid expenses	25,579	22,753
Total current assets	881,699	898,052
Property, plant and equipment, net	380,923	405,412
Goodwill, net	515,394	514,441
Other intangible assets, net	128,389	131,330
Other assets	161,881	160,908
Total assets	$ 2,068,286	$ 2,110,143

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 175,324	$ 172,366
Accrued liabilities	209,518	243,553
Long-term debt due within one year	28,668	18,098
Total current liabilities	413,510	434,017
Long-term debt due after one year	1,151,366	1,111,108
Post-retirement benefits and deferred items	253,680	260,107
Commitments and contingencies		
Shareholders' equity:		
Serial preferred stock, $1.00 par value		
Shares authorized - 1,000	--	--
Shares issued and outstanding - None		
Common stock, $1.25 par value		
Shares authorized - 120,000		
Shares issued and outstanding - 41,484	51,856	51,856
Capital in excess of par value	65,585	65,785
Retained earnings	351,557	357,495
	468,998	475,136
Treasury stock at cost - 3,725 and 4,048 shares	(85,209)	(92,545)
Deferred compensation obligation	6,972	6,544
Accumulated other comprehensive loss	(141,031)	(84,224)
Total shareholders' equity	249,730	304,911
Total liabilities and shareholders' equity	$ 2,068,286	$ 2,110,143

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
(Unaudited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Six Months Ended June 30, 2001	2000
CASH FLOWS - OPERATING ACTIVITIES:		
Net (loss) earnings	$ (5,938)	$ 24,499
Adjustments to reconcile net (loss) earnings to net cash used by operating activities:		
Depreciation	25,154	16,474
Amortization	12,187	3,902
Net gain on the sale of fixed assets	(322)	(148)
Change in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	17,000	(7,773)
Inventories	(54,942)	(19,651)
Prepaid expenses	(3,915)	9,191
Other assets	(3,669)	(6,935)
Accounts payable	(317)	(6,537)
Accrued liabilities	(49,907)	(30,946)
Income taxes	(679)	5,071
Post-retirement benefits and deferred items	(5,110)	6,773
Net deferred taxes	(2,548)	(474)
Net cash flows used by operating activities	(73,006)	(6,554)
CASH FLOWS - INVESTING ACTIVITIES:		
Capital expenditures	(22,417)	(12,502)
Disposal of assets	7,361	68
Payment for acquisitions, net of cash acquired and dispositions	--	(21,703)

Net cash flows used by investing activities	(15,056)	(34,137)
CASH FLOWS - FINANCING ACTIVITIES:		
Net repayments of short-term debt	--	(3,079)
Payments of long-term debt	(11,781)	(96,405)
Proceeds from long-term debt	71,000	125,134
Proceeds from other	7,650	239
Net cash flows provided by financing activities	66,869	25,889
Effect of exchange rate changes	(3,998)	(1,166)
Net change in cash and cash equivalents	(25,191)	(15,968)
Cash and cash equivalents at beginning of year	$ 42,341	$ 30,463
Cash and cash equivalents at end of period	$ 17,150	$ 14,495

See accompanying notes to consolidated financial statements.

FLOWSERVE CORPORATION
(UNAUDITED)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

1. ACCOUNTING POLICIES - BASIS OF PRESENTATION

The accompanying consolidated balance sheet as of June 30, 2001, and the related consolidated statements of income and comprehensive income for the three months and six months ended June 30, 2001 and 2000, and the consolidated statements of cash flows for the six months ended June 30, 2001 and 2000, are unaudited. In management's opinion, all adjustments comprising normal recurring adjustments necessary for a fair presentation of such consolidated financial statements have been made. The accompanying consolidated financial statements and notes in this Form 10-Q are presented as permitted by Regulation S-X and do not contain certain information included in the Company's annual financial statements and notes to the financial statements. Accordingly, the accompanying consolidated financial information should be read in conjunction with the Company's 2000 Annual Report. Interim results are not necessarily indicative of results to be expected for a full year. Certain amounts in 2000 have been reclassified or restated to conform with the 2001 presentation.

2. INVENTORIES

Inventories are stated at 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.

Inventories and the method of determining costs were:

	June 30, 2001	December 31, 2000
Raw materials	$ 53,736	$ 51,981
Work in process and finished goods	360,633	330,060
Less: Progress		

billings	(34,700)	(38,605)
	379,669	343,436
LIFO reserve	(38,076)	(37,478)
Net inventory	$ 341,593	$ 305,958

Percent of inventory accounted for by LIFO	69%	67%
Percent of inventory accounted for by FIFO	31%	33%

3. RECENT ACCOUNTING DEVELOPMENTS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method. Additionally, SFAS No. 141 establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and is effective for the Company on January 1, 2002. The most significant changes made by SFAS No. 142 require that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least on an annual basis. Additionally, the amortization period of

intangible assets with finite lives will no longer be limited to forty years.

The Company is currently assessing the impact of SFAS 141 and 142 and has not yet determined the effects these statements will have on its consolidated financial position or results of operations.

4. ADOPTION OF SFAS NO. 133 - ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and the corresponding amendments on January 1, 2001. In accordance with the transition provisions of SFAS 133, the Company recorded a cumulative-effect adjustment in other comprehensive income as of January 1, 2001 of $0.8 million, net of deferred tax of $0.5 million representing the current fair-value of hedging instruments. Of the gross asset amount of $1.3 million, $3.4 million related to foreign currency forward contracts, offset by a liability of $2.1 million related to interest rate swap agreements.

The Company reclassified the transition adjustment relating to foreign currency forward contracts to earnings during the first quarter of 2001 as those contracts settled. At June 30, 2001, the fair-value of the hedging instruments is a liability of $6.3 million.

Hedging related transactions recorded to other comprehensive income during 2001 were:

	Other Comprehensive (Income) Loss
Record fair market value of hedges, as of January 1, 2001, net of deferred taxes of $472	$ (840)

Reclassify to earnings amount necessary to offset foreign currency gains for six months ended June 30, 2001, net of deferred taxes of $400	(603)
Record change in fair market value of swap agreements as of June 30, 2001, net of deferred taxes of $545	928
Record change in fair market value of foreign currency forward contracts as of June 30, 2001, net of deferred taxes of $2,254	3,882
Balance as of June 30, 2001	$ 3,367

The Company expects that within the next twelve months it will reclassify as expense $1.5 million, net of deferred tax of the amount recorded in accumulated other comprehensive income for contracts that will settle during the period.

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. As of June 30, 2001, the Company has approximately $75 million of notional amount in outstanding contracts with third parties. The maximum length of the contracts currently in place as of June 30, 2001 is about 19 months.

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.

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. As of June 30, 2001, the Company had $150 million of notional amount in outstanding interest rate swaps with third parties. The maximum length of the interest rate swaps currently in place as of June 30, 2001 is approximately 5 1/2 years.

All derivatives are recognized on the balance sheet at their fair-value. On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge); or (2) a foreign-currency fair-value or cash flow hedge (a "foreign currency" hedge). Changes in the fair-value of a derivative that is highly effective as - and that is designated and qualifies as - a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. Any hedge ineffectiveness (which represents the amount by which the changes in the fair-value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings. Changes in the fair-value of a derivative that is highly effective as - and that is designated and qualifies as - a foreign-currency hedge is recorded in other comprehensive income, since it satisfies the criteria for a cash-flow hedge. As of June 30, 2001, all hedges outstanding were highly effective.

The Company formally documents all relationships between hedging instruments and hedge items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether

those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair-value or cash flows of a hedge item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remaining in accumulated other comprehensive income is reclassified into earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair-value on the balance sheet, recognizing changes in the fair-value in current-period earnings.

5. ACQUISITION

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.

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 $385.0 million recorded as goodwill. The purchase price allocation for this acquisition is preliminary and further refinements are likely to be made based on the final determination of the fair-value of the assets acquired and the resolution of remaining contingencies.

The operating results of IDP have been included in the consolidated statements of income from the date of acquisition.

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

PRO FORMA
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)

	Six Months Ended June 30, 2000
Net sales	$ 947,871
Operating income	53,041
Net loss	(4,745)
Net loss per share (basic and diluted)	$ (0.13)

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.

6. 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 1,200 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. The 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 during the fourth quarter of 2000.

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 in 2000.

During the first six months of 2001, the Company incurred $36.1 million in integration costs in conjunction with this program.

As of June 30, 2001, the program had resulted in a net reduction of 1,139 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
Cash expenditures	(5,729)	(4,029)	(9,758)
Balance at March 31, 2001	$ 12,757	$ 8,369	$ 21,126
Cash expenditures	(3,277)	(2,505)	(5,782)
Balance at June 30, 2001	$ 9,480	$ 5,864	$ 15,344

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.

The 1999 restructuring program is expected to result in a net reduction of approximately 288 employees at a cost of $12.9 million upon estimated completion during the third quarter of 2001. In addition, exit costs associated with the facilities closings were $3.0 million. As of June 30, 2001, the program has resulted in a net reduction of 261 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
Cash expenditures	(495)	--	(495)
Balance at March 31, 2001	$ 1,173	$ --	$ 1,173
Cash expenditures	(682)	--	(682)
Balance at June 30, 2001	$ 491	$ --	$ 491

7. 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 by the end of 2002. The remaining assets not yet sold, totaling $1.3 million, have been identified separately within property, plant and equipment as Assets Held for Sale and have been recorded at their estimated net realizable value.

8. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
Net earnings	$ 2,602	$ 12,618
Denominator for basic earnings per share - weighted average shares	38,058	37,796
Effect of diluted securities - employee stock options	738	13
Denominator for diluted earnings per share - weighted average shares adjusted for dilutive securities	38,796	37,809
Earnings per share - basic	$ 0.07	$ 0.33

Earnings per share -

diluted	$ 0.07	$ 0.33

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Net (loss) earnings	$ (5,938)	$ 24,499
Denominator for basic earnings per share - weighted average shares	37,912	37,801
Effect of diluted securities - employee stock options	557	9
Denominator for diluted earnings per share - weighted average shares adjusted for dilutive securities	38,468	37,810
(Loss) earnings per share - basic	$ (0.16)	$ 0.65
(Loss) earnings per share - diluted	$ (0.16)	$ 0.65

Options to purchase 435,849 and 3,225,684 shares of common stock were outstanding at June 30, 2001 and June 30, 2000, respectively, but were not included in the computation of diluted EPS for the three month periods ended June 30, 2001 and June 30, 2000 because the options' exercise price was greater than the average market price of the common stock.

For the six months ended June 30, 2001, the computation of diluted net loss per ordinary share was antidilutive, and therefore, the amounts reported for basic and diluted net loss per ordinary share were the same.

Options to purchase 3,381,517 shares of common stock were outstanding at June 30, 2000 but were not included in the computation of diluted EPS for the six month period ended June 30, 2000 because the options' exercise price was greater than the average market price of the common stock.

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 U.S. dollar-denominated senior subordinated notes (the U.S. dollar Notes and the Euro Notes), in private placements pursuant to Rule 144A and Regulation S. The U.S. 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 consolidating financial information presents:

(1) Consolidating balance sheet as of June 30, 2001 and the related statements of income and cash flows for the six months ended June 30, 2001 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) Consolidating balance sheet as of December 31, 2000 and the related statements of income and cash flows for the six months ended June 30, 2000, of (a) Flowserve Corporation, the parent, (b) the guarantor subsidiaries, (c) the non-guarantor subsidiaries, and the Company on a consolidated basis, and

(3) Elimination entries necessary to consolidate Flowserve Corporation, the parent, with Flowserve Finance, B.V., guarantor and non-guarantor subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting. The guarantor and non-guarantor 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.

Effective January 1, 2001, the Company effected a domestic legal reorganization. This primarily resulted in a reclassification between the Parent and Guarantor Subsidiaries.

FLOWSERVE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS)
CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2001

	PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Sales	$ --	$ --	$ 588,121	$ 376,581	$ (56,088)	$ 908,614
Cost of sales	--	--	414,591	256,859	(56,088)	615,362
Gross profit	--	--	173,530	119,722	--	293,252
Selling, general and administrative expense	--	--	141,539	62,137	--	203,676
Integration expense	--	--	28,968	7,115	--	36,083
Operating income	--	--	3,023	50,470	--	53,493
Net interest expense	12,012	435	44,486	6,310	(71)	63,172
Other (income) expense, net	(273)	3	(13,971)	13,770	71	(400)
Equity in loss of subsidiaries	5	--	--	--	(5)	--
Net (loss) earnings before income taxes	(11,744)	(438)	(27,492)	30,390	5	(9,279)
(Benefit) provision for income taxes	(5,806)	--	(12,786)	15,251	--	(3,341)
Net (loss) earnings	$ (5,938)	$ (438)	$ (14,706)	$ 15,139	$ 5	$ (5,938)

FLOWSERVE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS)
CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2000

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Sales	$ 83,031	$ 336,255	$ 207,945	$ (42,769)	$ 584,462
Cost of sales	53,698	234,367	136,774	(42,769)	382,070
Gross profit	29,333	101,888	71,171	--	202,392
Selling, general and administrative expense	27,017	81,908	45,648	--	154,573
Operating income	2,316	19,980	25,523	--	47,819
Net interest expense (income)	(943)	12,411	1,326	94	12,888
Other (income) expense, net	(2,545)	(4,340)	4,506	(94)	(2,473)
Equity in earnings of subsidiaries	(20,181)	--	--	20,181	--
Net earnings before income taxes	25,985	11,909	19,691	(20,181)	37,404
Provision for income taxes	1,486	4,716	6,703	--	12,905
Net earnings	$ 24,499	$ 7,193	$ 12,988	$ (20,181)	$ 24,499

FLOWSERVE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
CONSOLIDATING BALANCE SHEET
JUNE 30, 2001

	PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Current assets:						
Cash and cash equivalents	$ --	$ --	$ --	$ 30,252	$ (13,102)	$ 17,150
Intercompany receivables	54,559	--	53,528	79,230	(187,317)	--
Accounts receivable, net	--	--	253,500	201,326	--	454,826
Inventories	--	--	220,265	121,328	--	341,593
Current deferred tax asset	--	--	39,914	2,637	--	42,551
Prepaid expenses	--	--	16,895	8,684	--	25,579
Total current assets	54,559	--	584,102	443,457	(200,419)	881,699
Property, plant and equipment, net	(14)	--	214,197	166,740	--	380,923
Investment in subsidiaries	415,708	--	500,822	--	(916,530)	--
Intercompany receivables	861,982	81,313	12,375	30,399	(986,069)	--
Goodwill, net	--	--	455,542	59,852	--	515,394
Other intangible assets, net	--	--	109,694	18,695	--	128,389
Other assets	36,585	4,162	115,555	5,579	--	161,881
Total assets	$ 1,368,820	$ 85,475	$ 1,992,287	$ 724,722	$(2,103,018)	$ 2,068,286
Current liabilities:						
Accounts payable	$ 2,277	$ --	$ 103,569	$ 82,580	$ (13,102)	$ 175,324
Intercompany payables	3,529	2,059	139,767	41,962	(187,317)	--
Income taxes	(638)	--	(803)	1,441	--	--
Accrued liabilities	17,856	229	107,993	83,440	--	209,518
Long-term debt due within one year	28,701	--	(33)	--	--	28,668
Total current liabilities	51,725	2,288	350,493	209,423	(200,419)	413,510
Long-term debt due after one year	1,067,365	83,942	1	58	--	1,151,366
Intercompany payables	--	--	844,316	141,753	(986,069)	--
Post-retirement benefits and deferred items	--	--	198,224	55,456	--	253,680
Shareholders' equity:						

Serial preferred stock, $1.00 par value	--	--	--	--	--	--
Common shares, $1.25 par value	51,856	--	2	182,330	(182,332)	51,856
Capital in excess of par value	65,585	--	349,411	72,990	(422,401)	65,585
Retained earnings	351,557	(780)	245,925	132,212	(377,357)	351,557
	468,998	(780)	595,338	387,532	(982,090)	468,998
Treasury stock at cost	(85,209)	--	--	--	--	(85,209)
Deferred compensation obligation	--	--	6,972	--	--	6,972
Accumulated other comprehensive (loss) income	(134,059)	25	(3,057)	(69,500)	65,560	(141,031)
Total shareholders' equity	249,730	(755)	599,253	318,032	(916,530)	249,730
Total liabilities and shareholders' equity	$ 1,368,820	$ 85,475	$ 1,992,287	$ 724,722	$(2,103,018)	$ 2,068,286

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2000

	PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
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)
Deferred compensation obligation	--	--	6,544	--	--	6,544
Accumulated other comprehensive (loss) income	(77,680)	(29)	(18,227)	(142,483)	154,195	(84,224)
Total shareholders' 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

FLOWSERVE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS)
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2001

	PARENT	FLOWSERVE FINANCE B.V.	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
CASH FLOWS-OPERATING ACTIVITIES:						
Net (loss) earnings	$ (5,938)	$(438)	$(14,706)	$ 15,139	$ 5	$ (5,938)
Adjustments to reconcile net earnings to cash provided (used) by operating activities:						
Depreciation	14	--	15,046	10,094	--	25,154
Amortization	--	--	10,400	1,787	--	12,187
Net (gain) loss on sale of fixed assets	--	--	(101)	(221)	--	(322)
Change in operating assets and liabilities:						
Accounts receivable	(200)	--	(9,368)	26,568	--	17,000
Inventories	(5,759)	--	(21,844)	(27,339)	--	(54,942)
Intercompany receivable and payable	34,216	(218)	64,468	(98,456)	(10)	--
Prepaid expenses	877	--	(813)	(3,979)	--	(3,915)
Other assets	6,042	240	(12,032)	2,081	--	(3,669)
Accounts payable	4,376	--	17,648	(18,100)	(4,241)	(317)
Accrued liabilities	10,936	135	(26,156)	(34,822)	--	(49,907)
Income taxes	(5,619)	--	(1,673)	6,613	--	(679)
Post-retirement benefits and deferred items	(16,982)	--	(2,503)	14,375	--	(5,110)
Net deferred taxes	(238)	--	(2,969)	659	--	(2,548)
Net cash (used) provided by operating activities	21,725	(281)	15,397	(105,601)	(4,246)	(73,006)
CASH FLOWS-INVESTING ACTIVITIES:						
Capital expenditures	(266)	--	(12,355)	(9,796)	--	(22,417)
Disposal of assets	--	--	5,854	1,507	--	7,361
Net cash flows used by investing activities	(266)	--	(6,501)	(8,289)	--	(15,056)
CASH FLOWS-FINANCING ACTIVITIES:						
Payments on long-term debt	(11,781)	--	(123)	123	--	(11,781)
Proceeds from long-term debt	71,681	--	(2)	(679)	--	71,000
Other activity	(81,359)	281	(8,771)	98,457	(958)	7,650
Net cash flows provided (used) by financing activities	(21,459)	281	(8,896)	97,901	(958)	66,869
Effect of exchange rate changes	--	--	--	(3,998)	--	(3,998)
Net change in cash and cash equivalents	--	--	--	(19,987)	(5,204)	(25,191)
Cash and cash equivalents at beginning of year	$ --	$ --	$ --	$ 50,239	$ (7,898)	$ 42,341
Cash and cash equivalents at end of period	$ --	$ --	$ --	$ 30,252	$(13,102)	$ 17,150

FLOWSERVE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS)
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2000

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
CASH FLOWS - OPERATING ACTIVITIES:					
Net earnings	$ 24,499	$ 7,193	$ 12,988	$(20,181)	$ 24,499
Adjustments to reconcile net earnings to cash provided (used) by operating activities:					
Depreciation	3,193	8,669	4,612	--	16,474
Amortization	220	2,536	1,146	--	3,902
Net (gain) loss on sale of fixed assets	--	4	(152)	--	(148)
Change in operating assets and liabilities, net of effects of					

acquisitions and dispositions:					
Accounts receivable	(6,102)	2,656	(4,327)	--	(7,773)
Inventories	3,891	(22,846)	(696)	--	(19,651)
Intercompany receivable and payable	6,956	(30,011)	48,655	(25,600)	--
Prepaid expenses	(12,594)	22,974	3,839	(5,028)	9,191
Other assets	5,309	133	(12,377)	--	(6,935)
Accounts payable	(7,650)	5,084	2,790	(6,761)	(6,537)
Accrued liabilities	1,595	(28,844)	(3,697)	--	(30,946)
Income taxes	(3,573)	4,643	2,782	1,219	5,071
Post-retirement benefits and deferred items	12,705	(5,357)	(575)	--	6,773
Net deferred taxes	--	(973)	499	--	(474)
Net cash (used) provided by operating activities	28,449	(34,139)	55,487	(56,351)	(6,554)
CASH FLOWS - INVESTING ACTIVITIES:					
Capital expenditures	(5,651)	(2,976)	(3,875)	--	(12,502)
Disposal of assets	--	68	--	--	68
Payments for acquisitions, net of cash acquired and dispositions	(21,703)	--	--	--	(21,703)
Net cash flows used in investing activities	(27,354)	(2,908)	(3,875)	--	(34,137)
CASH FLOWS-FINANCING ACTIVITIES:					
Net repayments of short-term debt	(1,589)	86	(1,576)	--	(3,079)
Payment on long-term debt	(4,520)	(88,716)	(3,169)	--	(96,405)
Proceeds from long-term debt	--	123,009	2,125	--	125,134
Other stock activity	239	2,370	(2,370)	--	239
Dividends Paid	--	286	(286)	--	--
Other activity	(13,063)	(11,905)	(20,813)	45,781	--
Net cash flows provided (used) by financing activities	(18,933)	25,130	(26,089)	45,781	25,889
Effect of exchange rate changes on cash	17,838	11,028	(30,032)	--	(1,166)
Net change in cash and cash equivalents	--	(889)	(4,509)	(10,570)	(15,968)
Cash and cash equivalents at beginning of year	--	889	29,966	(392)	30,463
Cash and cash equivalents at end of period	$ --	$ --	$ 25,457	$(10,962)	$ 14,495

10. SEGMENT INFORMATION

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 and other members of upper management use financial information generated and reported at the division level. The Company also has a corporate headquarters that does not constitute a separate division or business segment.

Amounts classified as All Other include Corporate Headquarters costs and other minor entities that are not considered separate segments. The results for IDP are included in the Flowserve Pump Division and a portion of its service business in Flow Solutions Division from the date of acquisition. The Company evaluates segment performance and allocates resources based on profit or loss excluding integration expense, interest expense, other income or expense and income taxes. Intersegment sales and transfers are recorded at cost plus a profit margin. Minor reclassifications have been made to certain previously reported information to conform to the current business configuration.

Three months ended June 30, 2001	Flowserve Pump	Flow Solutions	Flow Control	All Other	Consolidated Total
Sales to external customers	$237,107	$159,859	$ 66,097	$ 1,516	$464,579
Intersegment sales	1,528	5,581	2,430	(9,539)	--
Segment operating income (before integration expense)	29,856	22,655	8,489	(8,894)	52,106

Three months ended June 30, 2000	Flowserve Pump	Flow Solutions	Flow Control	All Other	Consolidated Total
Sales to external customers	$80,266	$ 152,810	$64,493	$ 1,584	$ 299,153
Intersegment sales	2,046	6,742	2,940	(11,728)	--
Segment operating income	6,176	18,699	8,420	(6,920)	26,375

Reconciliation of the total segment operating income before integration expense to consolidated earnings before income taxes follows:

	Three Months Ended June 30, 2001	2000
Total segment operating income (before integration expense)	$ 61,000	$ 33,295
Corporate expenses and other	8,894	6,920
Integration expense	16,944	--
Net interest expense	31,361	6,682
Other (income) expense	(265)	428
Net earnings before income taxes	$ 4,066	$ 19,265

Six months ended June 30, 2001	Flowserve Pump	Flow Solutions	Flow Control	All Other	Consolidated Total
Sales to external customers	$ 460,604	$ 311,740	$ 133,748	$ 2,522	$ 908,614
Intersegment sales	2,729	10,639	4,151	(17,519)	--
Segment operating income (before integration expense)	47,972	40,706	16,874	(15,976)	89,576
Identifiable assets	$1,292,897	$ 447,927	$ 204,180	$ 123,282	$2,068,286

Six months ended June 30, 2000	Flowserve Pump	Flow Solutions	Flow Control	All Other	Consolidated Total
Sales to external customers	$ 152,854	$ 298,732	$ 129,754	$ 3,122	$ 584,462
Intersegment sales	2,891	9,700	5,448	(18,039)	--
Segment operating income	10,108	35,350	16,195	(13,834)	47,819
Identifiable assets	$ 238,745	$ 428,899	$ 210,143	$ 84,289	$ 962,076

Reconciliation of the total segment operating income before integration expense to consolidated earnings before income taxes follows:

	Six Months Ended June 30, 2001	2000
Total segment operating income (before integration expense)	$ 105,552	$ 61,653

Corporate expenses and other	15,976	13,834
Integration expense	36,083	--
Net interest expense	63,172	12,888
Other income	(400)	(2,473)
Net (loss) earnings before income taxes	$ (9,279)	$ 37,404

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2001

In general, results for the second quarter of 2001 were higher than the corresponding period in the previous year due to the Company's acquisition of Ingersoll-Dresser Pump Company (IDP), on August 8, 2000. This acquisition is discussed in further detail in the Liquidity and Capital Resources section of this Management Discussion and Analysis.

Sales increased 55.3% to $464.6 million for the three months ended June 30, 2001, compared with $299.2 million for the same period in 2000. Pro forma sales in the second quarter of 2000, including the results of IDP, were $487.6 million. Sales for the quarter compared with last year on a pro forma basis were adversely affected by an unfavorable currency translation of approximately 3%, temporary inefficiencies resulting from the integration of IDP, the divestiture of product lines in 2000 to comply with the Department of Justice consent decree to acquire IDP and the closure or sale of several service operations. The change in sales is discussed further in the following section on Business Segments. Net sales to international customers, including export sales from the U.S., were similar to the second quarter of 2000 at 45%.

Bookings, or incoming orders for which there are purchase commitments, were $540.8 million, 74.8% higher than the second quarter of 2000 when bookings were $309.4 million. Excluding negative currency translation, bookings increased approximately 4% compared with last year's second quarter pro forma of $533.7 million. Second quarter 2001 bookings also increased 9.0% over first quarter 2001. Bookings were relatively strong in the petroleum, power and water markets and reflect increasing project activity. Bookings activity was mixed-to-slightly weaker in chemicals. At June 30, 2001, backlog was $738.7 million, up 7.0% compared with the first quarter and up 12.0% compared to year end 2000.

BUSINESS SEGMENTS

Flowserve manages its operations through three business segments: Flowserve Pump Division (FPD), 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 valves, nuclear valves and valve actuators.

Sales and operating income before integration expense for each of the three business segments are:

	Flowserve Pump Division	
	Three Months Ended June 30,	
(In millions of dollars)	2001	2000
Sales	$ 238.6	$ 82.3
Operating income (before integration expense)	29.9	6.2

The sales increase in 2001 was due to the acquisition of IDP. On a pro forma

basis, revenues were $254.9 million in the second quarter of 2000. The sales decrease on a pro forma basis resulted from unfavorable currency translation which reduced sales by about 4% quarter-over-quarter, temporary inefficiencies associated with the integration of IDP, and divestiture of product lines in late 2000 to comply with the Department of Justice consent decree.

Operating income before integration expense, increased 382% from prior period of $6.2 million and 299% from pro forma results of $7.5 million. Operating income as a percentage of sales increased to 12.5% in 2001 from about 7.5% in the prior-year period and 2.9% in 2000 on a pro forma basis. The increase primarily resulted from the synergy savings realized from the IDP integration activities.

	Flow Solutions Division	
	Three Months Ended June 30,	
(In millions of dollars)	2001	2000
Sales	$ 165.4	$ 159.6
Operating income (before integration expense)	22.7	18.7

Sales were higher than the prior-year period primarily due to the inclusion of a portion of IDP's service repair business in 2001. Pro forma sales were $175.5 million in the second quarter of 2000. The decrease from pro forma sales was due to unfavorable currency translation and the closure or sale of several service operations.

Operating income before integration expense of $22.7 million increased 21.4% compared with prior year and 5.6% compared with pro forma results. Operating income before integration expense, as a percentage of sales, increased to 13.7% from 11.7% in 2000 on an as reported basis and 12.3% on a pro forma basis. This improvement reflects the benefits of the integration of service operations and the consolidation of the North American seal business.

	Flow Control Division	
	Three Months Ended June 30,	
(In millions of dollars)	2001	2000
Sales	$ 68.5	$ 67.4
Operating income (before integration expense)	8.5	8.4

Sales increased slightly over the prior year despite an unfavorable currency translation which reduced sales by about 3%.

Operating income of $8.5 million improved slightly from the prior year. Operating income as a percentage of sales was 12.4% in the second quarter of 2001, virtually unchanged when compared with 12.5% in 2000.

CONSOLIDATED RESULTS

The gross profit margin was 33.5% for the three months ended June 30, 2001, compared with 34.5% for the same period in 2000. The decrease was primarily due to the acquisition of IDP as IDP's margins historically are lower than the balance of the Company. The Company's margin increased 300 basis points when compared to the second quarter 2000 pro forma margin of 30.5%. This improvement primarily resulted from manufacturing integration synergies.

Selling, general and administrative expense as a percentage of net sales was 22.3% for the quarter ended June 30, 2001, compared with 25.7% in the prior-year period and 24.2% in 2000 on a pro forma basis. The decrease from the prior year percentages was generally due to IDP integration savings.

Operating income before integration expense of $52.1 million increased 97.3% over reported and 70.8% over pro forma quarterly comparisons. The improvement principally reflects synergy benefits related to the acquisition and integration of IDP.

Net interest expense during the second quarter of 2001 was $31.4 million, compared with $6.7 million in the same period in 2000 due to the increased borrowing levels required to acquire IDP and the amortization of deferred financing fees related to the new debt.

The Company's effective tax rate for the second quarter of 2001 was 36.0% compared with 34.5% in the second quarter of 2000. The increase was due to the IDP acquisition.

Earnings before integration expense for the second quarter of 2001 were $13.4 million or $0.35 per share compared to a loss of $0.8 million or $0.02 per share in the second quarter of 2000 on a pro forma basis. During the second quarter of 2001, integration expense of $16.9 million related to period costs associated with the integration of the IDP acquisition. Net earnings for the second quarter of 2001 were $2.6 million or $0.07 per share, compared to income of $12.6 million or $0.33 per share for the same period in 2000.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2001

In general, results for the first-half of 2001 were higher than the corresponding period in the previous year due to the Company's acquisition of IDP, on August 8, 2000. This acquisition is discussed in further detail in the Liquidity and Capital Resources section of this Management Discussion and Analysis.

Sales increased 55.4% to $908.6 million for the six months ended June 30, 2001, compared with $584.5 million for the same period in 2000. Pro forma sales in 2000, including the results of IDP, were $947.9 million. Sales for the year compared to last year on a pro forma basis were adversely affected by an unfavorable currency translation of approximately 3%, temporary inefficiencies resulting from the integration of IDP, the divestiture of product lines in 2000 to comply with the Department of Justice consent decree to acquire IDP and the closure or sale of several service operations. The change in sales is discussed further in the following section on Business Segments. Net sales to international customers, including export sales from the U.S., were similar to the prior year at 45%.

Bookings, or incoming orders for which there are purchase commitments, were $1,037.1 million, 67.2% higher than the prior year when bookings were $620.1 million. Pro forma bookings in the prior year were $1,073.4 million. The decline in bookings from prior year pro forma reflects unfavorable currency translation impacts of approximately 3%. Year-to-date bookings were relatively strong in the petroleum, power and water markets and reflect increasing project activity. Bookings activity was mixed-to-slightly weaker in chemicals. Backlog was $738.7 million at June 30, 2001, up 12.0% compared to year end 2000.

BUSINESS SEGMENTS

Flowserve manages its operations through three business segments: Flowserve Pump Division (FPD), 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 valves, nuclear valves and valve actuators.

Sales and operating income before integration expense for each of the three business segments are:

	Flowserve Pump Division	
	Six Months Ended June 30,	
(In millions of dollars)	2001	2000
Sales	$ 463.3	$ 155.7
Operating income (before integration expense)	48.0	10.1

The sales increase in 2001 was due to the acquisition of IDP. On a pro forma basis, revenues were $488.3 million in 2000. The sales decrease on a pro forma basis resulted from unfavorable currency translation which reduced sales by about 3% year-over-year, temporary inefficiencies associated with the integration of IDP and divestiture of product lines in late 2000 to comply with the Department of Justice consent decree.

Operating income before integration expense, increased 375% from prior period of $10.1 million and 353% from pro forma results of $10.6 million. Operating income as a percentage

of sales increased to approximately 10.4% in 2001 from about 6.5% in the prior-year period and 2.2% in 2000 on a pro forma basis. The increase primarily resulted from the synergy savings realized from the IDP integration activities.

	Flow Solutions Division	
	Six Months Ended June 30,	
(In millions of dollars)	2001	2000
Sales	$ 322.4	$ 308.4
Operating income (before integration expense)	40.7	35.4

Sales were higher than the prior-year period primarily due to the inclusion of a portion of IDP's service repair business in 2001. Pro forma sales were $339.2 million in 2000. The decrease from pro forma sales was due to unfavorable currency translation, the closure or sale of several service operations and temporary integration dissynergies.

Operating income before integration expense of $40.7 million was 15.0% above prior year and 1.5% above pro forma results. Operating income before integration expense, as a percentage of sales, increased to 12.6% from 11.5% in 2000 on an as reported basis and 11.8% on a pro forma basis. The improvement in the operating margin reflects the benefits of the integration of the service operations and the consolidation of the North American seal business. Partially offsetting the improvements were integration inefficiencies at the service operations and period costs related to the previously announced restructure of the seal business.

(In millions of dollars)	Flow Control Division Six Months Ended June 30, 2001	2000
Sales	$137.9	$135.2
Operating income (before integration expense)	16.9	16.2

Sales increased slightly over the prior year despite an unfavorable currency translation which reduced sales by about 3%.

Operating income of $16.9 million increased 4.3% compared with the prior year. Operating income as a percentage of sales was 12.2% in the first-half of 2001, compared with 12.0% in 2000. The improved operating margin in 2001 was primarily due to efficiency improvements.

CONSOLIDATED RESULTS

The gross profit margin was 32.3% for the six months ended June 30, 2001, compared with 34.6% for the same period in 2000. The decrease was primarily due to the acquisition of IDP as IDP's margins historically are lower than the balance of the Company. The Company's margin increased 220 basis points when compared to the 2000 pro forma margin of 30.1%. This improvement primarily resulted from manufacturing integration synergies.

Selling, general and administrative expense as a percentage of net sales was 22.4% for the six months ended June 30, 2001, compared with 26.4% in the prior-year period and 24.5% in 2000 on a pro forma basis. The decrease from the prior year percentages was due to IDP integration savings, productivity improvements and other cost reduction initiatives.

Operating income before integration expense of $89.6 million increased 87.4% over reported and 69.1% over pro forma yearly comparisons. The improvement generally reflects synergy benefits related to the acquisition and integration of IDP.

Net interest expense during the first six months of 2001 was $63.2 million, compared with $12.9 million in the same period in 2000 due to the increased borrowing levels required to acquire IDP and the amortization of deferred financing fees related to the new debt.

Other income was $0.4 million in the first six months of 2001 compared with $2.5 million of income in the same period in 2000. The 2000

amounts resulted primarily from the quarterly mark-to-market adjustment required at the time under the provisions of EITF No. 97-14 "Accounting for Deferred Compensation Agreements Where Amounts Earned are Held in a Rabbi Trust and Invested". Due to an amendment the Company made in the deferred compensation plans during the fourth quarter of 2000, this adjustment is no longer applicable.

The Company's effective tax rate for the first six months of 2001 was 36.0% compared with 34.5% in the prior year of 2000. The increase was due to the IDP acquisition.

Earnings before integration expense for the first six months of 2001 were $17.2 million or $0.45 per share compared to a loss of $4.7 million or $0.13 per share in the same period of 2000 on a pro forma basis. Integration expense of $36.1 million in 2001 related to period costs associated with the integration of the IDP acquisition. Net earnings for the first-half of 2001 were a loss of $5.9 million or $0.16 per share, compared to income of $24.5 million or $0.65 per share for the same period in 2000.

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 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 1,200 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, 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. The 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 during the fourth quarter of 2000.

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 in 2000. The balance of the $150 million in costs will be recorded as integration expense as incurred.

During the first six months of 2001, the Company incurred $36.1 million in integration costs in conjunction with this program.

As of June 30, 2001, the program had resulted in a net reduction of 1,139 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
Cash expenditures	(5,729)	(4,029)	(9,758)
Balance at March 31, 2001	$ 12,757	$ 8,369	$ 21,126
Cash expenditures	(3,277)	(2,505)	(5,782)
Balance at June 30, 2001	$ 9,480	$ 5,864	$ 15,344

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. The 1999 restructuring program is expected to result in a net reduction of approximately 288 employees at a cost of $12.9 million upon estimated completion during the third quarter of 2001. In addition, exit costs associated with the facilities closings were $3.0 million. As of June 30, 2001, the program has resulted in a net reduction of 261 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
Cash expenditures	(495)	--	(495)
Balance at March 31, 2001	$ 1,173	$ --	$ 1,173
Cash expenditures	(682)	--	(682)
Balance at June 30, 2001	$ 491	$ --	$ 491

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities for the first six months of 2001 were significantly below the same period in 2000. The decrease in overall cash flows in 2001 was primarily due to the payment of accrued interest, scheduled principal payments on the term loans, payments relating to the IDP restructuring and integration programs and an increase in inventory in support of shipments for the second-half of 2001.

Capital expenditures were $22.4 million during the first six months of 2001, compared with $12.5 million in the first six months of 2000. The spending was primarily related to integration activities and product development. Capital expenditures were funded by operating cash flows and external borrowings. Cash proceeds on the disposal of assets associated with the IDP integration activities were $7.4 million for the first six months of 2001.

On July 5, 2001, the Company's Form S-3 Registration Statement with the SEC utilizing a shelf registration process went effective for the offering and sale of up to $500 million of common stock, preferred stock, debt securities or guarantees of debt securities. When an offering is made under the shelf, the Company expects to use the net proceeds for general corporate purposes, which may include repaying indebtedness and funding future acquisitions. The amount and timing of the sales will depend on market conditions and the availability of other funds to the Company.

ACQUISITION

In August 2000, the Company completed the acquisition of 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 the Company 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.

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 included 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 June 30, 2001, the interest rate(s) on the term loans were 6.8125%, 6.75% and 6.50% relating to the Tranche A loan and 7.5625% and 7.25% relating to the Tranche B loan. The term loans scheduled principal payments began June 30, 2001. The scheduled payments, made by the Company in June 2001, totaled $5.9 million. 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 June 30, 2001, $71.0 million of the revolving credit was drawn and $738.8 million of the term loans were outstanding.

The scheduled principal payments of the term loans outstanding at June 30, 2001 are summarized as follows: $11.9 million in 2001, $44.5 million in 2002, $59.4 million in 2003, $63.3 million in 2004, $67.3 million in 2005, $105.9 million in 2006, $257.5 million in 2007 and $129.1 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 June 30, 2001, $29.6 million of letters of credit had been issued under the facility. This, coupled with the $71.0 million in borrowings under the facility, left the Company with $199.4 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 having occurred 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 of June 30, 2001, the Company is in full compliance with these covenants.

The Company believes that internally generated funds, including synergies from the IDP acquisition, will be adequate to service the debt.

At June 30, 2001, total net debt was 82.3% of the Company's capital structure, compared with 78.1% at December 31, 2000. The interest coverage ratio of the Company's indebtedness was 1.4 times interest at June 30, 2001, compared with 2.0 times interest at December 31, 2000.

RECENT ACCOUNTING DEVELOPMENTS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and

Other Intangible Assets". SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method. Additionally, SFAS No. 141 establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS No. 142 primarily addresses the

accounting for goodwill and intangible assets subsequent to their acquisition and is effective for the Company on January 1, 2002. The most significant changes made by SFAS No. 142 require that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least on an annual basis. Additionally, the amortization period of intangible assets with finite lives will no longer be limited to forty years.

The Company is currently assessing the impact of SFAS 141 and 142 and has not yet determined the effects these statements will have on its consolidated financial position or results of operations.

FORWARD-LOOKING INFORMATION IS SUBJECT TO RISK AND UNCERTAINTY

This Report on Form 10-Q 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; changes in the rate of economic growth within the United States; unanticipated difficulties or costs associated with the implementation of systems, including software; currency fluctuations among the U.S. dollar and other currencies; 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

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 June 30, 2001, after the effect of interest rate swaps held by the Company, the Company had approximately $659.8 million of variable-rate debt obligations outstanding with a weighted average interest rate of 7.145%. A hypothetical increase of 100-basis points in the interest rate for these borrowings, assuming debt levels at June 30, 2001, would change interest expense by approximately $3.3 million for the six months ended June 30, 2001.

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 June 30, 2001, a 10% adverse change in the foreign currency exchange rates would impact the Company's year-to-date results of operation by $1.1 million. The primary currencies to which the Company has exposure are the Euro currencies, the British pound, the Brazilian real, the Canadian dollar, the Mexican peso, the Japanese yen, the Singapore dollar, and the Australian dollar.

The Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and corresponding amendments on January 1, 2001. In accordance with the transition provisions of SFAS 133, the Company recorded a cumulative-effect adjustment in other comprehensive income as of January 1, 2001 of $0.8 million, net of deferred tax of $0.5 million representing the current fair-value of hedging instruments. Of this gross asset amount of $1.3 million, $3.4 million related to foreign currency forward contracts, offset by a liability of $2.1 million related to interest rate swap agreements.

The Company reclassified the transition adjustment relating to foreign currency forward contracts to earnings during the first quarter of 2001 as those contracts settled. At June 30, 2001, the fair-value of the hedging instruments is a liability of $6.3 million.

Hedging related transactions recorded to other comprehensive income during 2001 were:

	Other Comprehensive (Income) Loss
Record fair market value of hedges, as of< January 1, 2001, net of deferred taxes of $472	$ (840)
Reclassify to earnings amount necessary to offset foreign currency gains for six months ended June 30, 2001, net of deferred taxes of $400	(603)
Record change in fair market value of swap agreements as of June 30, 2001, net of deferred taxes of $545	928
Record change in fair market value of foreign currency forward contracts as of June 30, 2001, net of deferred taxes of $2,254	3,882
BALANCE AS OF JUNE 30, 2001	$ 3,367

The Company expects that within the next twelve months it will reclassify as expense $1.5 million, net of deferred tax, of this amount recorded in accumulated other

comprehensive income for contracts that will settle during the period.

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. As of June 30, 2001, the Company has approximately $75 million of notional amount in outstanding contracts with third parties. The maximum length of the contracts currently in place as of June 30, 2001 is approximately 19 months.

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.

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. As of June 30, 2001, the Company had $150 million of notional amount in outstanding interest rate swaps with third parties. The maximum length of the interest rate swaps currently in place as of June 30, 2001 is approximately 5 1/2 years.

All derivatives are recognized on the balance sheet at their fair-value. On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge); or (2) a foreign-currency fair-value or cash flow hedge (a "foreign currency" hedge). Changes in the fair-value of a derivative that is highly effective as - and that is designated and qualifies as - a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. Any hedge ineffectiveness (which represents the amount by which the changes in the fair-value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings. Changes in the fair-value of a derivative that is highly effective as - and that is designated and qualifies as - a foreign-currency hedge is recorded in other comprehensive income, since it satisfies the criteria for a cash-flow hedge. As of June 30, 2001, all hedges outstanding were highly effective.

The Company formally documents all relationships between hedging instruments and hedge items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair-value or cash flows of a hedge item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remaining in accumulated other comprehensive income is reclassified into earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair-value on the balance sheet, recognizing changes in the fair-value in current-period earnings.

PART II OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) During the second quarter of 2001, the Company issued 9,700 shares of restricted common stock pursuant to an exemption from registration under Section 4 (2) of the Securities Act of 1933. Shares were issued for the benefit of outside directors and three key employees, subject to restrictions on transfer and vesting.

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

(a) The Annual Meeting of Shareholders of the Company was held on April 19, 2001.

(c) (b) A proposal to approve re-election of three Directors to the Board of Directors, in each case for a term of three years, was approved as follows with respect to each nominee for office:

	Votes For	Votes Withheld
Hugh K. Coble	34,998,706	398,913
George T. Haymaker, Jr.	35,000,624	396,995
William C. Rusnack	35,011,262	386,358

The other directors, whose terms continue after the Annual Meeting, were C. Scott Greer, Diane C. Harris, Michael F. Johnston, Charles M. Rampacek, James O. Rollans and Kevin E. Sheehan.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Amendment No. 4 to Flowserve Corporation 1998 Restricted Stock Plan.

(b) Reports on Form 8-K

A. Current report on Form 8-K, dated May 31, 2001, filed pursuant to Item 5 (Other Events) to furnish pro forma financial information pursuant to Item 7(b) for the acquisition of Ingersoll-Dresser Pump Company.

SIGNATURE

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

FLOWSERVE CORPORATION
(Registrant)

/s/ Renee J. Hornbaker

Renee J. Hornbaker
Vice President and Chief Financial Officer

Date: August 14, 2001

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.1	Amendment No. 4 to Flowserve Corporation 1998 Restricted Stock Plan.

EXHIBIT 10.1

AMENDMENT NO. 4 TO
FLOWSERVE CORPORATION
1998 RESTRICTED STOCK PLAN

Effective January 1, 2001, Paragraph (b) of Section 1 Forms of Deferral is hereby amended to read in its entirety:

(b) An Eligible Participant may defer the receipt of Restricted Shares issuable pursuant to the Plan by filing an appropriate notice with the Secretary of the Company. An election to defer Shares shall be effective upon such acceptance and shall apply only to Shares which either (i) have not yet been granted or awarded or (ii) which vest thereafter, provided, in the case of this clause (ii), such election is made and accepted in conformance with applicable IRS requirements, in the opinion of the Company's tax advisors. This election to defer to Restricted Shares (which shall be called "Deferred Shares" hereafter upon such election) shall remain in effect until terminated or changed as provided in this Plan.

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