

FLOWSERVE CORP  
Form 10-Q  
October 23, 2014

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

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. 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.)

5215 N. O'Connor Blvd., Suite 2300, Irving, Texas

75039

(Address of principal executive offices)

(Zip Code)

(972) 443-6500

(Registrant's telephone number, including area code)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  (do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of October 17, 2014, there were 136,308,350 shares of the issuer's common stock outstanding.



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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

## FLOWSERVE CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in thousands, except per share data)

	Three Months Ended September 30,	
	2014	2013
Sales	\$1,204,012	\$1,229,057
Cost of sales	(782,522	) (806,318
Gross profit	421,490	422,739
Selling, general and administrative expense	(230,872	) (231,569
Net earnings from affiliates	1,825	2,218
Operating income	192,443	193,388
Interest expense	(15,130	) (13,046
Interest income	400	325
Other income, net	5,612	1,733
Earnings before income taxes	183,325	182,400
Provision for income taxes	(52,725	) (55,870
Net earnings, including noncontrolling interests	130,600	126,530
Less: Net earnings attributable to noncontrolling interests	(2,038	) (259
Net earnings attributable to Flowserve Corporation	\$128,562	\$126,271
Net earnings per share attributable to Flowserve Corporation common shareholders:		
Basic	\$0.94	\$0.90
Diluted	0.93	0.90
Cash dividends declared per share	\$0.16	\$0.14

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Amounts in thousands)

	Three Months Ended September 30,	
	2014	2013
Net earnings, including noncontrolling interests	\$130,600	\$126,530
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of taxes of \$60,220 and \$(23,353), respectively	(100,195	) 38,581
Pension and other postretirement effects, net of taxes of \$(2,805) and \$(407), respectively	7,278	(373
Cash flow hedging activity, net of taxes of \$1,089 and \$(74), respectively	(2,797	) 152
Other comprehensive (loss) income	(95,714	) 38,360
Comprehensive income, including noncontrolling interests	34,886	164,890
Comprehensive income attributable to noncontrolling interests	(1,934	) (29
Comprehensive income attributable to Flowserve Corporation	\$32,952	\$164,861

See accompanying notes to condensed consolidated financial statements.



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FLOWSERVE CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)

(Amounts in thousands, except per share data)	Nine Months Ended September 30,	
	2014	2013
Sales	\$3,496,526	\$3,565,179
Cost of sales	(2,267,609)	(2,347,555)
Gross profit	1,228,917	1,217,624
Selling, general and administrative expense	(685,277)	(706,278)
Net earnings from affiliates (Note 2)	7,442	36,043
Operating income	551,082	547,389
Interest expense	(45,306)	(38,262)
Interest income	1,238	877
Other expense, net	(1,129)	(8,679)
Earnings before income taxes	505,885	501,325
Provision for income taxes	(141,533)	(154,998)
Net earnings, including noncontrolling interests	364,352	346,327
Less: Net earnings attributable to noncontrolling interests	(4,544)	(1,878)
Net earnings attributable to Flowserve Corporation	\$359,808	\$344,449
Net earnings per share attributable to Flowserve Corporation common shareholders:		
Basic	\$2.62	\$2.42
Diluted	2.60	2.41
Cash dividends declared per share	\$0.48	\$0.42

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(Amounts in thousands)	Nine Months Ended September 30,	
	2014	2013
Net earnings, including noncontrolling interests	\$364,352	\$346,327
Other comprehensive loss:		
Foreign currency translation adjustments, net of taxes of \$53,769 and \$17,254, respectively	(89,462)	(28,505)
Pension and other postretirement effects, net of taxes of \$(4,563) and \$(4,634), respectively	11,520	9,254
Cash flow hedging activity, net of taxes of \$1,031 and \$(399), respectively	(2,694)	627
Other comprehensive loss	(80,636)	(18,624)
Comprehensive income, including noncontrolling interests	283,716	327,703
Comprehensive income attributable to noncontrolling interests	(4,615)	(1,722)
Comprehensive income attributable to Flowserve Corporation		