

CIRCOR INTERNATIONAL, INC.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 110,356	\$ 58,279
Trade accounts receivable, less allowance for doubtful accounts of \$4,791 and \$5,056, respectively	223,922	133,046
Inventories	244,896	149,584
Prepaid expenses and other current assets	59,219	29,557
Total Current Assets	638,393	370,466
PROPERTY, PLANT AND EQUIPMENT, NET	217,539	99,713
OTHER ASSETS:		
Goodwill	505,762	206,659
Intangibles, net	513,364	135,778
Deferred income taxes	22,334	4,824
Other assets	9,407	3,316
TOTAL ASSETS	\$ 1,906,799	\$ 820,756
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 117,329	\$ 46,767
Accrued expenses and other current liabilities	170,454	50,707
Accrued compensation and benefits	34,734	20,249
Total Current Liabilities	322,517	117,723
LONG-TERM DEBT	787,343	251,200
DEFERRED INCOME TAXES	26,122	13,657
PENSION LIABILITY, NET	150,719	13,131
OTHER NON-CURRENT LIABILITIES	18,124	20,635
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 29,000,000 shares authorized; 19,785,298 and 16,445,363 shares issued and outstanding at December 31, 2017 and 2016, respectively	212	178
Additional paid-in capital	438,721	289,423
Retained earnings	274,243	265,543
Common treasury stock, at cost (1,372,488 shares at December 31, 2017 and 2016)	(74,472)	(74,472)
Accumulated other comprehensive loss	(36,730)	(76,262)
Total Shareholders' Equity	601,974	404,410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,906,799	\$ 820,756

The accompanying notes are an integral part of these consolidated financial statements.

CIRCOR INTERNATIONAL, INC.

Consolidated Statements of Income

(in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Net revenues	\$ 661,710	\$ 590,259	\$ 656,267
Cost of revenues	460,890	407,144	456,935
GROSS PROFIT	200,820	183,115	199,332
Selling, general and administrative expenses	166,201	154,818	156,302
Impairment charges	—	208	2,502
Special and restructuring charges, net	14,051	17,171	14,354
OPERATING INCOME	20,568	10,918	26,174
Other expense (income):			
Interest expense, net	10,777	3,310	2,844
Other (income) expense, net	3,678	(2,072)	902
TOTAL OTHER EXPENSE, NET	14,455	1,238	3,746
INCOME BEFORE INCOME TAXES	6,113	9,680	22,428
(Benefit from) Provision for income taxes	(5,676)	(421)	12,565
NET INCOME	\$ 11,789	\$ 10,101	\$ 9,863
Earnings per common share:			
Basic	\$ 0.71	\$ 0.62	\$ 0.59
Diluted	\$ 0.70	\$ 0.61	\$ 0.58
Weighted average common shares outstanding:			
Basic	16,674	16,418	16,850
Diluted	16,849	16,536	16,913
Dividends paid per common share	\$ 0.15	\$ 0.15	\$ 0.15

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CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Net income	\$ 11,789	\$ 10,101	\$ 9,863
Other comprehensive income (loss):			
Foreign currency translation adjustments	34,119	(14,866)	(31,775)
Other net changes in post-retirement liabilities and assets - recognized actuarial gains (1)	4,877	1,441	262
Net periodic pension costs amortization (2)	535	3,152	(529)
Other comprehensive income (loss)	39,531	(10,273)	(32,042)
COMPREHENSIVE (LOSS) INCOME	\$ 51,320	\$ (172)	\$ (22,179)

(1) Net of an income tax effect of \$1.8 million, \$0.8 million, and \$(4.2) million for the years ended December 31, 2017, 2016 and 2015, respectively.

(2) Net of an income tax effect of \$0.5 million, \$(0.2) million, and \$(0.2) million for the years ended December 31, 2017, 2016 and 2015, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
OPERATING ACTIVITIES			
Net income	\$ 11,789	\$ 10,101	\$ 9,863
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	15,290	13,304	14,254
Amortization	14,747	12,316	9,681
Provision for bad debt expense	810	2,330	2,561
Loss on write down of inventory and amortization of fair value step-up	7,337	9,297	15,404
Impairment charges	—	208	2,502
Compensation expense of share-based plans	3,807	5,545	6,579
Debt extinguishment	1,810	—	—
Change in fair value of contingent consideration	(12,200)	—	—
Amortization of debt issuance costs	759	—	—
Tax effect of share-based plan compensation	—	145	(134)
Pension settlement charge	—	4,457	—
Deferred income tax expense (benefit)	(8,434)	(10,737)	781
Loss on disposal of property, plant and equipment	360	3,708	305
Loss (Gain) on sale of businesses	5,300	—	(1,044)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Trade accounts receivable	(5,734)	18,536	20,393
Inventories	(19,494)	36,092	(14,446)
Prepaid expenses and other assets	(8,578)	2,454	(4,786)
Accounts payable, accrued expenses and other liabilities	2,068	(48,357)	(34,771)
Net cash provided by operating activities	9,637	59,399	27,142
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(14,541)	(14,692)	(12,711)
Proceeds from the sale of property, plant and equipment	934	1,700	2,209
Proceeds from divestitures	—	—	2,759
Business acquisitions, net of cash acquired	(488,517)	(197,489)	(79,983)
Net cash used in investing activities	(502,124)	(210,481)	(87,726)
FINANCING ACTIVITIES			
Proceeds from long-term debt	1,090,883	323,200	261,394
Payments of long-term debt	(523,183)	(162,540)	(182,004)
Debt issuance costs	(30,366)	—	—
Dividends paid	(2,506)	(2,497)	(2,559)
Proceeds from the exercise of stock options	740	246	258
Tax effect of share-based plan compensation	—	(145)	134
Sales (purchases) of treasury stock	—	500	(74,972)
Net cash provided by financing activities	535,568	158,764	2,251
Effect of exchange rate changes on cash and cash equivalents	8,996	(3,944)	(8,498)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,077	3,738	(66,831)
Cash and cash equivalents at beginning of year	58,279	54,541	121,372
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 110,356	\$ 58,279	\$ 54,541
Cash paid during the year for:			
Income taxes	\$ 9,984	\$ 10,650	\$ 15,049
Interest	\$ 6,778	\$ 2,908	\$ 1,992
Non-cash supplemental information:			
Share issuance for business acquisition	\$ 143,767	\$ —	\$ —
Accrued purchase price	\$ 4,824	\$ —	\$ —
Payable to seller related to cash balances	\$ 65,314	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.