

CSW INDUSTRIALS, INC.
CONSOLIDATED BALANCE SHEETS

| (Amounts in thousands, except per share amounts) | March 31, | |
|--|-------------------|-------------------|
| | 2017 | 2016 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 23,146 | \$ 25,987 |
| Bank time deposits | 1,776 | 13,278 |
| Accounts receivable, net | 63,782 | 52,637 |
| Inventories, net | 50,401 | 51,634 |
| Prepaid expenses and other current assets | 7,178 | 11,985 |
| Total current assets | 146,283 | 155,521 |
| Property, plant and equipment, net | 63,897 | 64,357 |
| Goodwill | 80,863 | 67,757 |
| Intangible assets, net | 90,610 | 88,727 |
| Other assets | 16,011 | 15,898 |
| Total assets | <u>\$ 397,664</u> | <u>\$ 392,260</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,419 | \$ 9,912 |
| Accrued and other current liabilities | 22,756 | 21,090 |
| Current portion of long-term debt | 561 | 561 |
| Total current liabilities | 37,736 | 31,563 |
| Long-term debt | 72,646 | 89,121 |
| Retirement benefits payable | 1,464 | 1,746 |
| Other liabilities | 13,380 | 11,820 |
| Total liabilities | 125,226 | 134,250 |
| Equity: | | |
| Common shares, \$0.01 par value | 157 | 156 |
| Shares authorized - 50,000 | | |
| Shares issued - 15,846 and 15,659, respectively | | |
| Preferred shares, \$0.01 par value | — | — |
| Shares authorized - 10,000 | | |
| Shares issued - 0 | | |
| Additional paid-in capital | 38,701 | 31,597 |
| Treasury shares, at cost | (1,011) | — |
| Retained earnings | 245,026 | 233,955 |
| Accumulated other comprehensive loss | (10,435) | (7,698) |
| Total equity | 272,438 | 258,010 |
| Total liabilities and equity | <u>\$ 397,664</u> | <u>\$ 392,260</u> |

See accompanying notes to consolidated financial statements.

CSW INDUSTRIALS, INC.
CONSOLIDATED STATEMENTS OF INCOME

| (Amounts in thousands, except per share amounts) | Fiscal Years Ended March 31, | | |
|--|------------------------------|------------|------------|
| | 2017 | 2016 | 2015 |
| Revenues, net | \$ 327,084 | \$ 319,831 | \$ 261,834 |
| Cost of revenues | (193,247) | (171,967) | (135,409) |
| Gross profit | 133,837 | 147,864 | 126,425 |
| Selling, general and administrative expense | (107,241) | (100,378) | (81,681) |
| Impairment loss | (4,115) | — | (710) |
| Operating income | 22,481 | 47,486 | 44,034 |
| Interest expense, net | (2,695) | (3,035) | (611) |
| Other (expense) income, net | 1,758 | (226) | 1,505 |
| Income before income taxes | 21,544 | 44,225 | 44,928 |
| Provision for income taxes | (10,473) | (18,754) | (15,223) |
| Net income | \$ 11,071 | \$ 25,471 | \$ 29,705 |

| | | | | |
|--------------------------------|---------|---------|---------|--|
| Net earnings per common share: | | | | |
| Basic | \$ 0.70 | \$ 1.63 | \$ 1.91 | |
| Diluted | 0.70 | 1.62 | 1.90 | |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Amounts in thousands) | Fiscal Years Ended March 31, | | |
|---|------------------------------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Net income | \$ 11,071 | \$ 25,471 | \$ 29,705 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (2,884) | (1,371) | (5,277) |
| Cash flow hedging activity, net of taxes of \$(441), \$8 and \$649, respectively | 819 | (15) | (1,206) |
| Pension and other post retirement effects, net of taxes of \$311, \$(2,145) and \$3,396, respectively | (672) | 3,981 | (6,307) |
| Other comprehensive income (loss) | (2,737) | 2,595 | (12,790) |
| Comprehensive income | \$ 8,334 | \$ 28,066 | \$ 16,915 |

See accompanying notes to consolidated financial statements.

CSW INDUSTRIALS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

| (Amounts in thousands) | Common Stock | Treasury Shares | Additional Paid-In Capital | Retained Earnings | Net Investment of Capital Southwest | Accumulated Other Comprehensive Income | Total Equity |
|---|-------------------------|----------------------------|---------------------------------------|------------------------------|--|---|---------------------|
| Balance at April 1, 2014 | \$ — | \$ — | \$ — | \$ 187,373 | \$ 6,316 | \$ 2,497 | \$ 196,186 |
| Net Income | — | — | — | 29,705 | — | — | 29,705 |
| Dividends | — | — | — | (8,294) | — | — | (8,294) |
| Repurchases of common shares | — | — | — | — | (206) | — | (206) |
| Other comprehensive income, net of tax | — | — | — | — | — | (12,790) | (12,790) |
| Balance at March 31, 2015 | \$ — | \$ — | \$ — | \$ 208,784 | \$ 6,110 | \$ (10,293) | \$ 204,601 |
| Share-based and other executive compensation | — | — | 2,231 | — | — | — | 2,231 |
| Stock activity under stock plans | — | — | 96 | — | — | — | 96 |
| Tax benefit associated with share-based compensation | — | — | 212 | — | — | — | 212 |
| Net income | — | — | — | 25,471 | — | — | 25,471 |
| Dividends | — | — | — | (300) | — | — | (300) |
| Other comprehensive income, net of tax | — | — | — | — | — | 2,595 | 2,595 |
| Contributions from Capital Southwest | 156 | — | 29,058 | — | (6,110) | — | 23,104 |
| Balance at March 31, 2016 | \$ 156 | \$ — | \$ 31,597 | \$ 233,955 | \$ — | \$ (7,698) | \$ 258,010 |
| Share-based and other executive compensation | — | — | 4,641 | — | — | — | 4,641 |
| Stock activity under stock plans | 1 | (1,011) | 2,169 | — | — | — | 1,159 |
| Tax benefit associated with share-based compensation | — | — | 294 | — | — | — | 294 |
| Net income | — | — | — | 11,071 | — | — | 11,071 |
| Other comprehensive income, net of tax | — | — | — | — | — | (2,737) | (2,737) |
| Balance at March 31, 2017 | <u>\$ 157</u> | <u>\$ (1,011)</u> | <u>\$ 38,701</u> | <u>\$ 245,026</u> | <u>\$ —</u> | <u>\$ (10,435)</u> | <u>\$ 272,438</u> |

See accompanying notes to consolidated financial statements.

CSW INDUSTRIALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Amounts in thousands) | Fiscal Years Ended March 31, | | |
|---|------------------------------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Cash flows from operating activities: | | | |
| Net income | \$ 11,071 | \$ 25,471 | \$ 29,705 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation | 7,857 | 7,032 | 5,922 |
| Amortization of intangible and other assets | 7,939 | 7,129 | 4,593 |
| Provision for inventory reserves | 1,644 | — | — |
| Provision for doubtful accounts | 178 | (282) | 1,515 |
| Share-based and other executive compensation | 4,641 | 2,231 | — |
| Acquisition-related non-cash gain | (376) | (1,950) | — |
| Net loss (gain) on disposals of property, plant and equipment | 221 | 60 | (1,627) |
| Pension plan curtailment benefit | — | (8,020) | — |
| Net pension expense (benefit) | (1,092) | 3,506 | 3,392 |
| Impairment of assets | 4,115 | — | 710 |
| Net deferred taxes | 528 | 7,262 | (7,887) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable, net | (5,762) | 2,522 | (37) |
| Inventories, net | (36) | 5,056 | (6,655) |
| Prepaid expenses and other current assets | 1,132 | (4,945) | 4,351 |
| Other assets | (115) | (3,275) | 109 |
| Accounts payable and other current liabilities | 4,706 | 910 | 1,086 |
| Retirement benefits payable and other liabilities | 2,385 | (1,177) | 291 |
| Net cash provided by operating activities | 39,036 | 41,530 | 35,468 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (9,369) | (11,053) | (8,672) |
| Proceeds from sale of assets held for investment | 349 | — | 3,494 |
| Proceeds from sale of assets | 263 | 46 | 6,393 |
| Net change in bank time deposits | 10,968 | (1,978) | 3,353 |
| Cash paid for acquisitions, net of cash acquired | (28,179) | (97,236) | (7,193) |
| Net cash used by investing activities | (25,968) | (110,221) | (2,625) |
| Cash flows from financing activities: | | | |
| Borrowings on lines of credit | 30,000 | 179,040 | 12,229 |
| Repayments on lines of credit | (46,476) | (116,061) | (30,622) |
| Payments of deferred loan costs | — | (1,081) | — |
| Purchase of treasury shares | (1,011) | — | (206) |
| Cash contribution from Capital Southwest | — | 13,000 | — |
| Proceeds from stock option activity | 2,169 | 96 | — |
| Dividends paid to Capital Southwest | — | (300) | (8,294) |
| Net cash (used) provided by financing activities | (15,318) | 74,694 | (26,893) |
| Effect of exchange rate changes on cash and equivalents | (591) | (464) | (913) |
| Net change in cash and cash equivalents | (2,841) | 5,539 | 5,037 |
| Cash and cash equivalents, beginning of period | 25,987 | 20,448 | 15,411 |
| Cash and cash equivalents, end of period | \$ 23,146 | \$ 25,987 | \$ 20,448 |
| Supplemental non-cash disclosure: | | | |
| Cash paid during the year for interest | \$ 2,623 | \$ 3,074 | \$ 1,053 |
| Cash paid during the year for income taxes | 9,793 | 18,298 | 16,721 |
| Pension plan assets contributed by Capital Southwest | — | 10,357 | — |

See accompanying notes to consolidated financial statements.