



March 29, 2018

To Our Stockholders:

We made strong progress last year in our mission to transform CIRCOR International, Inc. (“CIRCOR”) into a world-class company. In 2017, we:

- Executed a transformative acquisition
- Aggressively removed structural costs as part of our simplification program
- Scaled up our manufacturing facilities in Mexico, Morocco, and India
- Drove operational excellence through our CIRCOR Operating System
- Continued to increase new product launches across the company
- Developed talent across the organization

These strategic actions position CIRCOR for improved long-term growth and profitability.

In December 2017, we completed the largest acquisition in CIRCOR’s history by acquiring the fluid handling business (“FH”) from Colfax Corporation. FH is a world leader in the engineering, development, manufacturing, distribution, and service of specialty pumps. With a history dating back to 1860, FH is a leading supplier of screw and specialty centrifugal pumps for high demand, severe-service applications across a range of end markets including general industry, commercial marine, defense, power, and oil & gas. FH maintains leading positions in niche markets by leveraging differentiated technology and providing critical aftermarket customer support.

The strategic and financial benefits of acquiring FH are compelling. We expanded our product portfolio with complementary and differentiated technologies while diversifying our end markets. We increased the scale of CIRCOR and significantly improved our exposure to high margin aftermarket business.

We have a full-time global integration team in place and have started executing our plan to reduce combined costs, consolidate systems and processes, and drive growth synergies. We expect to realize cost synergies of \$23 million by year four, primarily driven by improved supply chain efficiency, SG&A cost reductions, and manufacturing rationalization. We anticipate that FH will deliver earnings accretion with strong margins that will generate a return on invested capital that exceeds CIRCOR’s cost of capital by year three. We begin 2018 well positioned to capitalize on the growth opportunities in a diversified range of favorable end markets.

In February 2018, we announced that we will be aligning our businesses with end markets, thereby simplifying the business, clarifying customer and channel relationships, and helping us exploit growth synergy opportunities across the organization. The new groups are Energy,

Aerospace & Defense (“A&D”) and Industrial. Erik Wiik, who joined CIRCOR in 2015, is continuing to lead our Energy group. Our A&D group is led by Tony Najjar, who joined CIRCOR in 2015 and most recently served as the Vice President and General Manager of the Aerospace business as part of our Advanced Flow Solutions (“AFS”) group. The Industrial group is led by Sumit Mehrotra, who joined CIRCOR in 2013 and most recently served as the President of our AFS group.

### ***Strategic Initiatives***

#### **Easy to Do Business.**

We remain committed to making it easy for customers to do business with CIRCOR. Company-wide on-time delivery averaged 85% for 2017 despite the supply chain challenges we faced while ramping up our Distributed Valves business in North America. During 2017, we enhanced our website to provide our customers with easy access to product information as well as to configure and price some of our products online. In A&D, we were selected by Airbus for a Silver Award as a Best Performing Supplier in 2017 as a recognition for our on-time delivery and quality performance. In addition, we improved lead times in our supply chain agreements across the company. Further improving quality, lead times, and customer service remain top priorities for us in 2018.

#### **New Products.**

We continue to increase the cadence of new products launched across CIRCOR. In our Instrumentation and Sampling business, we launched our new “Gyrolok XP” product line, a new fitting that delivers higher pressure capability while mistake proofing common installation errors. In our Engineered Valves business, we introduced a “Cryogenic Ball Valve” that operates at temperatures as low as minus 320 degrees Fahrenheit, allowing us to further penetrate the Liquid Natural Gas market. In our A&D business, we designed, patented and launched a miniature surface mount kinetic switch for missile applications. This switch design enables our customers to automate the assembly process, which saves assembly time and provides a higher quality end product. Finally, with the acquisition of FH, we inherited a strong pipeline of new products. FH plans to launch twelve new product in 2018, bringing its vitality index to approximately 10%.

#### **New Channels and Markets.**

In 2017, our aggressive growth strategy in our commercial aerospace maintenance, repair, and overhaul business continued to succeed. We increased our commercial aerospace revenue by 18% from 2016 by achieving shorter lead times, utilizing a dedicated sales team, and leveraging our installed base. We have applied these principles to our businesses in other groups and are seeing early signs of success. Our industrial businesses in Europe signed 18 new channel partners in North America. In Energy, we increased sales and engineering capacity in the US and in the Middle East. We added local aftermarket service facilities in Canada, the US, and India, enabling us to provide more comprehensive aftermarket support for our up and downstream product lines. Our A&D business was selected by a major engine supplier to provide high temperature bleed air valves, which we are currently developing. This opens a new

market for us with significant growth potential. The acquisition of FH enhances our position in the industrial, defense, and oil & gas end markets, while expanding our reach into commercial marine. We are pursuing synergy opportunities across the portfolio in oil & gas, defense, and emerging markets.

### **Exceptional Sales and Marketing.**

In 2017, CIRCOR focused on Sales Operational Excellence and developed a consistent approach to sales and marketing activities throughout the company. Our approach emphasizes standardization, training, and accountability. We created the CIRCOR Sales Operating System as a subset of our CIRCOR Operating System and trained our sales representatives in strategic selling. We have developed and deployed channel partner scorecards and consolidated our distribution channels to focus on fewer, larger partners with stronger commitments to CIRCOR’s growth. We continue to deploy CRM tools, which will automate our sales and marketing efforts, increase sales representative productivity, and provide data-driven, actionable business insights to our management team.

### ***A Simpler Company***

Back in 2013, we started our journey of transitioning CIRCOR from a holding company to an operating company. The table below summarizes actual 2013 data, our 2018 simplification goals established in 2013, and our progress as of year-end 2017 (in each case, excluding acquisitions):

	<b>2013 Actual</b>	<b>Goal by 2018</b>	<b>2017 Actual</b>
Factories	24	15	14
P&Ls	22	12	14
ERP Systems	24	15	13
Suppliers	~5,000	~1,200	~2,000

In 2017, we divested our French non-core aerospace build-to-print business within our AFS group as part of our simplification strategy. This allowed us to focus on higher margin products in France, which are now produced in our low-cost Morocco facility.

We continued to simplify our operations and enhance our bottom line by leveraging our low-cost manufacturing locations in Mexico, Morocco, and India. In Mexico, we continued to scale up the new facility with Distributed Valve production. In India, we expanded our footprint and capability to allow the manufacture of Refinery Valve products. In 2018, we expect to continue to transition production hours from high-cost regions to our low-cost manufacturing locations.

We also remained engaged in an aggressive, company-wide strategic sourcing and supplier rationalization program. This initiative is a critical component of our simplification strategy, and seeks to mitigate supply risk by eliminating poorly performing suppliers. By leveraging aggregated demand for common materials and commodities, our goal is to deliver “best value”

material and components from a core group of high performing suppliers globally, supporting all CIRCOR manufacturing sites.

The CIRCOR Operating System expanded and matured across the company in 2017. We installed Quality Clinics, our problem solving centers of excellence, at all major manufacturing sites, and initiated our Six Sigma Green Belt training program company-wide. I am pleased to report that our Stuttgart site was the first in CIRCOR to achieve the Bronze certification level. All other major sites are executing on clear prescriptive actions to improve performance in 2018. We anticipate that approximately half of our sites will achieve Bronze certification in 2018.

### ***Disciplined Capital Deployment***

On December 31, 2017, we had a net debt position of \$684 million (total debt of \$795 million less \$110 million of cash and equivalents) and a leverage ratio of 5.2, which reflects the completion of the FH transaction. In addition to funding the FH transaction, we deployed approximately \$20 million on restructuring and internal capital projects in 2017. Investments focused on growth, accelerating our simplification program, and removing unnecessary structural costs. These internal projects are anticipated to provide an exceptional return on invested capital.

Our top capital allocation priority in 2018 is the reduction of our leverage position. As part of this effort, we formed a dedicated team across the company to drive better working capital and cash flow performance in 2018. The program includes an incentive and reward program for those accountable for working capital and cash management throughout the organization. In addition, cash flow performance will determine 35% of the bonus calculation under our 2018 short-term incentive plan. This is true for every leader eligible for a short term incentive in the company.

In 2018, we are committed to creating long-term value for our stockholders by investing in organic growth, expanding margins, generating strong free cash flow, and exercising discipline in deploying capital. On behalf of everyone at CIRCOR, I want to thank you, our stockholders, for your confidence in us in 2017. We are committed to rewarding that confidence in 2018 and beyond.

Sincerely,



Scott Buckhout  
President and Chief Executive Officer