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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 3, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-14962

CIRCOR INTERNATIONAL, INC.
(A Delaware Corporation)

I.R.S. Identification No. 04-3477276

c/o Circor, Inc.
25 Corporate Drive, Suite 130, Burlington, MA 01803-4238
Telephone: (781) 270-1200

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of July 25, 2005, there were 15,715,909 shares of the Registrant's Common Stock, par value $0.01, outstanding.

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CIRCOR INTERNATIONAL, INC.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CIRCOR INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	July 3, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 29,269	$ 58,653
Investments	4,026	4,155
Trade accounts receivable, less allowance for doubtful accounts of $2,150 and $2,549, respectively	68,777	64,521
Inventories	114,491	105,150
Prepaid expenses and other current assets	4,746	2,414
Deferred income taxes	4,705	6,953
Assets held for sale	1,319	—
Total Current Assets	227,333	241,846
PROPERTY, PLANT AND EQUIPMENT, NET	59,871	59,302
OTHER ASSETS:		
Goodwill	143,755	120,307
Intangibles, net	4,840	1,424
Other assets	10,194	5,539
TOTAL ASSETS	$ 445,993	$ 428,418
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 48,018	$ 38,023
Accrued expenses and other current liabilities	23,452	22,519
Accrued compensation and benefits	9,768	7,971
Income taxes payable	2,432	1,362
Notes payable and current portion of long-term debt	15,550	15,051
Total Current Liabilities	99,220	84,926
LONG-TERM DEBT, NET OF CURRENT PORTION	28,116	27,829
DEFERRED INCOME TAXES	7,651	6,932
OTHER NON-CURRENT LIABILITIES	10,863	10,646
MINORITY INTEREST	—	4,650
COMMITMENTS AND CONTINGENCIES (See Note 11)		
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; 15,705,399 and 15,430,305 issued and outstanding at July 3, 2005 and December 31, 2004, respectively	157	154
Additional paid-in capital	212,966	208,392
Retained earnings	74,447	64,293
Accumulated other comprehensive income	12,573	20,596
Total Shareholders' Equity	300,143	293,435
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 445,993	$ 428,418

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

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CIRCOR INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 3, 2005	June 27, 2004	July 3, 2005	June 27, 2004
Net revenues	$ 118,657	$ 94,552	$ 220,895	$ 185,249
Cost of revenues	84,121	66,878	153,418	129,282
GROSS PROFIT	34,536	27,674	67,477	55,967
Selling, general and administrative expenses	24,043	20,557	48,134	41,082
Special charges	133	—	437	38
OPERATING INCOME	10,360	7,117	18,906	14,847
Other (income) expense:				
Interest income	(229)	(184)	(314)	(355)
Interest expense	896	1,156	1,768	2,347
Other (income) expense, net	204	(193)	23	(50)
Total other expense	871	779	1,477	1,942
INCOME BEFORE INCOME TAXES	9,489	6,338	17,429	12,905
Provision for income taxes	3,321	2,216	6,100	4,515
NET INCOME	$ 6,168	$ 4,122	$ 11,329	$ 8,390
Earnings per common share:				
Basic	$ 0.39	$ 0.27	$ 0.73	$ 0.55
Diluted	$ 0.38	$ 0.26	$ 0.70	$ 0.53
Weighted average number of common shares outstanding:				
Basic	15,676	15,334	15,597	15,321
Diluted	16,171	15,908	16,089	15,946
Dividends paid per common share	$ 0.0375	$ 0.0375	$ 0.075	$ 0.075

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

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CIRCOR INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	July 3, 2005	June 27, 2004
OPERATING ACTIVITIES		
Net income	$ 11,329	$ 8,390
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,183	5,033
Amortization	265	115
Compensation expense of stock based plans	475	304
Gain on disposal of assets held for sale	—	(387)
Loss on disposal of property, plant and equipment	20	11
Loss on write-down of property, plant and equipment	—	100
Equity in undistributed income of affiliates	(105)	(44)
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Trade accounts receivable	(5,793)	1,785
Inventories	(9,745)	(5,624)
Prepaid expenses and other assets	(290)	(729)
Accounts payable, accrued expenses and other liabilities	18,793	4,593
Net cash provided by operating activities	20,132	13,547
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(6,804)	(2,869)
Proceeds from the disposal of property, plant and equipment	7	732
Proceeds from the sale of assets held for sale	—	3,030
Business acquisitions, net of cash acquired	(41,497)	(12,156)
Purchase price escrow release payments	(596)	(1,010)
Purchase of investments	—	(1,456)
Proceeds from sale of investments	—	1,456
Other	—	(15)
Net cash used in investing activities	(48,890)	(12,288)
FINANCING ACTIVITIES		
Proceeds from debt borrowings	2,645	125
Payments of debt	(3,135)	(3,462)
Dividends paid	(1,175)	(1,149)
Proceeds from the exercise of stock options	2,756	243
Net cash provided by (used in) financing activities	1,091	(4,243)
Effect of exchange rate changes on cash and cash equivalents	(1,717)	(691)
DECREASE IN CASH AND CASH EQUIVALENTS	(29,384)	(3,675)
Cash and cash equivalents at beginning of year	58,653	58,202
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 29,269	$ 54,527
Supplemental Cash Flow Information:		
Cash paid during the six months for:		
Income taxes	$ 1,723	$ 1,943
Interest	$ 1,677	$ 2,182

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

CIRCOR INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited, consolidated financial statements have been prepared according to the rules and regulations of the United States Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows of CIRCOR International, Inc. ("CIRCOR" or the "Company" or "we") for the periods presented. We prepare our interim financial information using the same accounting principles as we use for our annual audited financial statements. Certain information and note disclosures normally included in the financial statements have been condensed or omitted in accordance with prescribed SEC rules. We believe that the disclosures made in our consolidated financial statements and the accompanying notes are adequate to make the information presented not misleading.

The consolidated balance sheet at December 31, 2004 is as reported in our audited financial statements at that date. Our accounting policies are described in the notes to our December 31, 2004 financial statements, which were included in our Annual Report filed on Form 10-K. We recommend that the financial statements included in this Quarterly Report on Form 10-Q be read in conjunction with the financial statements and notes included in our Annual Report filed on Form 10-K for the year ended December 31, 2004.

We operate and report financial information using a 52-week fiscal year ending December 31. The data periods contained within our Quarterly Reports on Form 10-Q reflect the results of operations for the 13-week, 26-week and 39-week periods which generally end on the Sunday nearest the calendar quarter-end date. Operating results for the three and six months ended July 3, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

(2) Summary of Significant Accounting Policies

Stock-Based Compensation

We measure compensation cost in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no accounting recognition is given to stock options granted to our employees at fair market value until the options are exercised. Upon exercise, we credit the net proceeds, including income tax benefits realized, if any, to equity. During the quarter ended March 28, 2004, we began granting restricted stock units ("RSUs") in lieu of a portion of employee stock option awards. We account for these RSUs by expensing their weighted average fair-value to selling, general and administrative expenses ratably over the three-year vesting period.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FASB Statement No. 123, "*Accounting for Stock-Based Compensation*", and SFAS No 148 *"Accounting for Stock Based Compensation-Transaction and Disclosure"* to stock based employee compensation (In thousands, except per share data):

	Three Months Ended	
	July 3, 2005	June 27, 2004
Net income	$ 6,168	$ 4,122
Add stock-based compensation expense included in reported net income, net of tax	175	53
Less stock-based employee compensation cost, that would have been included in the determination of net income under a fair value based method, net of tax	(361)	(293)
Pro forma net income as if the fair value based method had been applied to all awards	$ 5,982	$ 3,882
Earnings per common share (as reported):		
Basic	$ 0.39	$ 0.27
Diluted	$ 0.38	$ 0.26
Pro forma earnings per common share:		
Basic	$ 0.38	$ 0.25
Diluted	$ 0.37	$ 0.24

	Six Months Ended	
	July 3, 2005	June 27, 2004
Net income	$ 11,329	$ 8,390
Add stock-based compensation expense included in reported net income, net of tax	309	198
Less stock-based employee compensation cost, that would have been included in the determination of net income under a fair value based method, net of tax	(758)	(668)
Pro forma net income as if the fair value based method had been applied to all awards	$ 10,880	$ 7,920
Earnings per common share (as reported):		
Basic	$ 0.73	$ 0.55
Diluted	$ 0.70	$ 0.53
Pro forma earnings per common share:		
Basic	$ 0.70	$ 0.52
Diluted	$ 0.68	$ 0.50

The fair value of the options grants were estimated as of the date of the grants using the Black-Scholes option-pricing model with the following assumptions for each of the respective years:

	July 3, 2005	June 27, 2004
Risk-free interest rate	3.9%	3.8%
Expected life (years)	6.4	7.0
Expected stock volatility	40.8%	32.8%
Expected dividend yield	0.6%	0.9%

New Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (R) "*Share Based Payment: an amendment of FASB Statements No. 123 and 95*". FASB Statement 123 (R) requires companies to recognize in the income statement, effective for annual periods beginning after December 15, 2005, the grant-date fair value of stock options and other equity-based compensation issued to employees, but expresses no preference for a type of valuation model. Our financial position and results of operations will be impacted in periods subsequent to 2005. See Note 11 to the consolidated financial statements filed with our Annual Report filed on form 10-K for the year ended December 31, 2004 for further information.

In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107 regarding the Staff's interpretation of SFAS No. 123R. This interpretation provides the Staff's views regarding interactions between SFAS No. 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The interpretive guidance is intended to assist companies in applying the provisions of SFAS No. 123R and investors and users of the financial statements in analyzing the information provided. We will follow the guidance prescribed in SAB No. 107 in connection with our adoption of SFAS No. 123R.

In March 2005, the FASB issued Interpretation No. 47 *"Accounting for Conditional Asset Retirement Obligations"*. The Interpretation requires companies to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. The Interpretation is effective no later than the end of the fiscal year ending after December 15, 2005. The adoption of this interpretation is not expected to impact our financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting changes and error corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3," which changes the requirements for the accounting and reporting of a change in accounting principle. The Statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Company is required to adopt this statement starting in its fiscal 2006 reporting period. The adoption of this statement is not expected to have a material impact on the Company's financial condition or results of operations.

Advertising Expense

Our accounting policy is to expense advertising costs, principally in selling, general and administrative expenses, when incurred.

Reclassifications

Certain items in the prior period financial statements have been reclassified to conform to currently reported presentations. These reclassifications had no effect on reported results of operations or shareholders' equity.

(3) Investments

All investments are designated as available for sale and are shown below (In thousands):

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
July 3, 2005:				
Guaranteed investment contracts maturing in various periods to December 2005 at rate of 2.25%	$ 4,026	$ —	$ —	$ 4,026

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2004:				
Guaranteed investment contracts maturing in various periods to December 2005 at rate of 2.25%	$ 4,155	$ —	$ —	$ 4,155

(4) Inventories

Inventories consist of the following (In thousands):

	July 3, 2005	December 31, 2004
Raw materials	$ 43,331	$ 43,130
Work in process	35,969	33,221
Finished goods	35,191	28,799
	$ 114,491	$ 105,150

(5) Goodwill and Intangible Assets

The following table shows goodwill, by segment, net of accumulated amortization, as of July 3, 2005 (In thousands):

	Instrumentation & Thermal Fluid Controls Products	Energy Products	Consolidated Total
Goodwill as of December 31, 2004	$ 101,291	$19,016	$ 120,307
Business acquisitions	25,142	1,866	27,008
Purchase price escrow release payments	300	296	596
Adjustments to preliminary purchase price allocation	—	(2,459)	(2,459)
Currency translation adjustments	(1,597)	(100)	(1,697)
Goodwill as of July 3, 2005	$ 125,136	$18,619	$ 143,755

The table below presents gross intangible assets and the related accumulated amortization as of July 3, 2005 (In thousands):

	Gross Carrying Amount	Accumulated Amortization
Patents	$ 5,140	$ (5,013)
Trademarks and trade names	502	(146)
Land use rights	1,459	(344)
Customer relationships	1,727	(134)
Brand names	1,209	—
Other	555	(114)
Total	$10,591	$ (5,751)
Net carrying value of intangible assets	$ 4,840	

The table below presents estimated remaining amortization expense for intangible assets recorded as of July 3, 2005 (In thousands):

	2005	2006	2007	2008	2009	After 2009
Estimated amortization expense	$155	$314	$261	$261	$259	$2,381

(6) Segment Information

The following table presents certain reportable segment information (In thousands):

	Instrumentation & Thermal Fluid Controls Products	Energy Products	Corporate/ Eliminations	Consolidated Total
Three Months Ended July 3, 2005				
Net revenues	$ 62,908	$ 55,749	$ —	$ 118,657
Intersegment revenues	38	—	(38)	—
Operating income (loss)	7,695	5,771	(3,106)	10,360
Interest income				(229)
Interest expense				896
Other expense, net				204
Income before income taxes				9,489
Identifiable assets	356,331	197,934	(108,272)	445,993
Capital expenditures	1,293	1,832	11	3,136
Depreciation and amortization	1,669	1,107	37	2,813
Three Months Ended June 27, 2004				
Net revenues	$ 54,864	$ 39,688	$ —	$ 94,552
Intersegment revenues	89	—	(89)	—
Operating income (loss)	6,239	3,066	(2,188)	7,117
Interest income				(184)
Interest expense				1,156
Other expense, net				(193)
Income before income taxes				6,338
Identifiable assets	284,557	182,059	(35,557)	431,059
Capital expenditures	975	501	99	1,575
Depreciation and amortization	1,484	868	39	2,391

	Instrumentation & Thermal Fluid Controls Products	Energy Products	Corporate/ Eliminations	Consolidated Total
Six Months Ended July 3, 2005				
Net revenues	$ 123,933	$ 96,962	$ —	$ 220,895
Intersegment revenues	56	—	(56)	—
Operating income (loss)	16,394	9,061	(6,549)	18,906
Interest income				(314)
Interest expense				1,768
Other expense, net				23
Income before income taxes				17,429
Identifiable assets	356,331	197,934	(108,272)	445,993
Capital expenditures	4,425	2,363	16	6,804
Depreciation and amortization	3,273	2,102	73	5,448
Six Months Ended June 27, 2004				
Net revenues	$ 106,503	$ 78,746	$ —	$ 185,249
Intersegment revenues	233	—	(233)	—
Operating income (loss)	12,027	7,267	(4,447)	14,847
Interest income				(355)
Interest expense				2,347
Other expense, net				(50)
Income before income taxes				12,905
Identifiable assets	284,557	182,059	(35,557)	431,059
Capital expenditures	1,715	1,053	101	2,869
Depreciation and amortization	2,916	2,122	110	5,148

Each reporting segment is individually managed and has separate financial results that are reviewed by our chief operating decision-maker. Each segment contains closely related products that are unique to the particular segment. All intercompany transactions have been eliminated. Inter-segment intercompany transactions affecting net operating profit have been eliminated within the respective operating segments.

Costs initially incurred within the Corporate reporting segment for the benefit of other reporting segments have been allocated to and recorded in the respective segments based upon specific identification of costs, employment information or net revenues. Corporate/Eliminations amounts are reported on a net "after allocations" basis. The operating income (loss) reported in the Corporate/Elimination column consists of corporate expenses incurred for: management and other staff compensation, corporate development, benefits administration, facilities and equipment, travel, corporate governance, risk management, insurance, treasury, investor relations, regulatory compliance, shareholder services, professional fees and other administrative expenses.

The total assets for each respective operating segment have been reported as the Identifiable Assets for that segment, including inter-segment intercompany receivables, payables and investments in other CIRCOR companies. Identifiable assets reported in Corporate/Eliminations includes both corporate assets, such as cash, deferred taxes, prepaid and other assets, fixed assets, plus the elimination of all inter-segment intercompany assets. The elimination of intercompany assets results in negative amounts reported in Corporate/Elimination for Identifiable Assets. Corporate Identifiable Assets, excluding intercompany assets and eliminations, were $27.0 million and $34.8 million for the periods ended July 3, 2005 and June 27, 2004, respectively.

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(7) Special Charges

Special charges of $0.4 million recorded during the six months ended July 3, 2005 consisted of severance costs related to announced consolidations at our French facility, Sart Von Rohr (SART), within our Instrumentation and Thermal Fluid Controls Products segment, and our Mallard Control and Hydroseal Valve (collectively "Mallard") facilities in Texas within our Energy Products segment, offset by a reversal of $0.1 million of unutilized accruals originally recorded as a special charge expense in 2004 in connection with the closure of an Ohio facility within our Instrumentation and Thermal Fluid Controls Products segment. As a result of the consolidations there will be a reduction in force of approximately 13 and 66 employee positions that will be eliminated during the next nine months at SART and Mallard, respectively. Additional special charges related to the Mallard consolidation are expected to be incurred during the second half of fiscal 2005.

The following table sets forth our reserves and charges associated with the closure, consolidation and reorganization of certain manufacturing operations as follows (In thousands):

	Balance Dec 31, 2003	Charges 2004	Utilized 2004	Balance Dec 31, 2004	Charges 2005	Utilized 2005	Balance July 3, 2005
				(in thousands)			
Severance related	$ 193	$ 79	$ (272)	$ —	$ 527	$ (206)	$ 321
Facility related	105	180	(195)	90	(90)	—	—
Total special charge reserve	$ 298	$ 259	$ (467)	$ 90	$ 437	$ (206)	$ 321
Gain on sale of assets held for sale		(194)			—		
Asset write-down		238			—		
Total special charges		$ 303			$ 437		

Reserves remaining at July 3, 2005 mainly represent severance costs of $0.1 million and $0.2 million related to the reduction in force at SART and Mallard within our Instrumentation and Thermal Fluid Controls Products, and Energy Products segment, respectively which we expect will be settled by the end of the second quarter of 2006.

(8) Earnings Per Common Share (In thousands, except per share amounts):

	Three Months Ended					
	July 3, 2005			June 27, 2004		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$ 6,168	15,676	$ 0.39	$4,122	15,334	$ 0.27
Dilutive securities, principally common stock options	—	494	(0.01)	—	574	(0.01)
Diluted EPS	$ 6,168	16,171	$ 0.38	$4,122	15,908	$ 0.26

	Six Months Ended					
	July 3, 2005			June 27, 2004		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$11,329	15,597	$ 0.73	$8,390	15,321	$ 0.55
Dilutive securities, principally common stock options	—	492	(0.03)	—	625	(0.02)
Diluted EPS	$11,329	16,089	$ 0.70	$8,390	15,946	$ 0.53

Options to purchase 227,600 and 149,900 shares of our common stock at an exercise price of $24.90 and $23.80 per share were not included in the computations of diluted earnings per share for the three and six months ended July 3, 2005 and June 27, 2004, respectively, as they would be anti-dilutive because the exercise price was more than the average market price of our common stock during the periods.

(9) Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments. Investments are marked to market at the balance sheet date. The fair value of the senior unsecured notes, based on the value of comparable instruments brought to market, was approximately $31.4 million as of December 31, 2004. The fair value of our variable rate debt approximates its carrying value.

In the normal course of our business, we manage risk associated with foreign exchange rates through a variety of strategies, including the use of hedging transactions, executed in accordance with our policies. As a matter of policy, we ordinarily do not use derivative instruments unless there is an underlying exposure. Any change in the value of our derivative instruments would be substantially offset by an opposite change in the underlying hedged items. We do not use derivative instruments for speculative trading purposes.

Accounting Policies

Using qualifying criteria defined in FASB Statement No. 133, derivative instruments are designated and accounted for as either a hedge of a recognized asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). For a fair value hedge, both the effective and ineffective portions of the change in fair value of the derivative instrument, along with an adjustment to the carrying amount of the hedged item for fair value changes attributable to the hedged risk, are recognized in earnings. For a cash flow hedge, changes in the fair value of the derivative instrument that are highly effective are deferred in accumulated other comprehensive income or loss until the underlying hedged item is recognized in earnings. If the effective portion of fair value or cash flow hedges were to cease to qualify for hedge accounting, or to be terminated, it would continue to be carried on the balance sheet at fair value until settled; however, hedge accounting would be discontinued prospectively. If forecast transactions were no longer probable of occurring, amounts previously deferred in accumulated other comprehensive income or loss would be recognized immediately in earnings.

Foreign Currency Risk

We use forward contracts to manage the currency risk related to certain business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, the contracts do not subject us to significant risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. Our foreign currency forward contracts have not been designated as hedging instruments and, therefore, did not qualify for fair value or cash flow hedge treatment under the criteria of FASB Statement No. 133 for the three months ended July 3, 2005. Therefore, the unrealized gains and losses on our contracts have been recognized as a component of other expense in the consolidated statements of operations. There was $0.5 million of net unrealized losses attributable to foreign currency forward contracts at July 3, 2005. As of July 3, 2005, we had forward contracts to sell currencies with a face value of $7.0 million.

(10) Comprehensive Income

Comprehensive income for the three and six months ended July 3, 2005 and June 27, 2004 consists of the following (In thousands):

	Three Months Ended		Six Months Ended	
	July 3, 2005	June 27, 2004	July 3, 2005	June 27, 2004
Net income	$ 6,168	$ 4,122	$ 11,329	$ 8,390
Cumulative translation adjustments	(4,687)	(137)	(8,023)	(2,811)
Total comprehensive income	$ 1,481	$ 3,985	$ 3,306	$ 5,579

(11) Commitments and Contingencies

We, like other worldwide manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain liability insurance coverage which we believe to be consistent with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims, which may arise from product defects and failures or from environmental liability.

Contingencies

Like many other manufacturers of fluid control products, we have been named as defendants in a growing number of product liability actions brought on behalf of individuals who seek compensation for their alleged exposure to airborne asbestos fibers. In particular, our subsidiaries, Leslie, Spence, and Hoke, collectively have been named as defendants or third-party defendants in asbestos related claims brought on behalf of approximately 22,000 plaintiffs typically against anywhere from 50 to 400 defendants. In some instances, we also have been named individually and/or as successor in interest to one or more of these subsidiaries. These cases have been brought in state courts in Alabama, California, Connecticut, Georgia, Illinois, Maryland, Massachusetts, Michigan, Mississippi, Montana, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington and Wyoming with the vast majority of claimants having brought their claims in Mississippi. The cases brought on behalf of the vast majority of claimants seek unspecified compensatory and punitive damages against all defendants in the aggregate. However, the complaints filed on behalf of claimants who do seek specified compensatory and punitive damages typically seek millions or tens of millions of dollars in damages against the aggregate of defendants.

Of the approximately 22,000 plaintiffs who have brought claims against our subsidiaries, over 21,000 have been in Mississippi. Recently in Mississippi, the courts have rendered decisions and the legislature has passed legislation aimed at curbing certain abusive practices by plaintiff attorneys pursuant to which large numbers of unrelated plaintiffs (sometimes numbering in the thousands in a single case) would be grouped in the same case against hundreds of defendants. As a result of the recent changes, many of these “mass filings” are expected to be dismissed. While it is possible that certain dismissed claims would be refiled in Mississippi or in other jurisdictions, any such refilings likely would be made on behalf of one or a small number of related individuals who can demonstrate actual injury and some connection to our subsidiaries products.

Any components containing asbestos formerly used in Leslie, Spence and Hoke products were entirely internal to the product and, we believe, would not give rise to ambient asbestos dust during normal operation or during normal inspection and repair procedures. Moreover, to date, our insurers have been paying the vast majority of the costs associated with the defense of these actions, particular with respect to Spence and Hoke for which insurance has paid all defense costs to date. As we previously have disclosed, we negotiated a revised cost sharing understanding with Leslie’s insurers which results in Leslie being responsible for 29% of its defense costs. In light of the foregoing, we currently believe that we have no basis on which to conclude that these cases may have a material adverse effect on our financial condition, results of operations or cash flows. However, due to the nature and number of variables associated with asbestos related claims, such as the rate at which new claims may be filed; the availability of insurance policies to continue to recover certain of our costs relating to the defense and payment of these claims; the impact of bankruptcies of other companies currently or historically defending asbestos claims including our co-defendants; the uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case; the impact of potential changes in legislative or judicial standards; the type and severity of the disease alleged to be suffered by each claimant; and increases in the expense of medical treatment, we are unable to reliably estimate the ultimate costs to us of these claims.

Environmental Remediation

We are currently a party to or otherwise involved in various administrative or legal proceedings under federal, state or local environmental laws or regulations involving a number of sites, in some cases as a participant in a group of potentially responsible parties, referred to as PRPs. Two of these sites, the Sharkey and Combe Landfills in New Jersey, are listed on the National Priorities List. With respect to the Sharkey Landfill in New Jersey, we have been allocated 0.75% of the remediation costs, an amount that is not material to us. With respect to the Combe Landfill, we have settled both the Federal Government’s claim and the State of New Jersey’s claim for an amount that is immaterial to us. Moreover, our insurers have covered defense and settlement costs to-date with respect to the Sharkey and Combe Landfills. In addition, we have also been named as a PRP with respect to the Solvent Recovery Service of New England site and the Old Southington landfill site, both in Connecticut. These sites are also on the National Priorities List but, with respect to both sites, we have the right to indemnification from the prior owners of the affected subsidiaries. We also have been identified as a PRP with respect to the Lightman Drum Company site in New Jersey and, in this matter; we also have the right to indemnification from the former owners of the affected subsidiary. Based on currently available information, we believe that any share of clean-up costs at these sites attributable to us should not be material, particularly given our indemnification rights against the respective former owners.

We have reviewed all of our pending judicial and legal proceedings, reasonably anticipated costs and expenses in connection with such proceedings, and availability and limits of our insurance coverage, and we have established reserves that we believe are appropriate in light of those outcomes that we believe are probable and estimable at this time.

Standby Letters of Credit

We execute stand-by letters of credit, which include bid bonds and performance bonds, in the normal course of business to ensure our performance or payments to third parties. The aggregate notional value of these instruments was $12.4 million at July 3, 2005. Our historical experience with these types of instruments has been good and no claims have been paid in the current or past four fiscal years. We believe that the likelihood of demand for payments relating to the outstanding instruments is remote. These instruments have expiration dates ranging from less than one month to four and one half years from July 3, 2005.

The following table contains information related to standby letters of credit instruments outstanding as of July 3, 2005 (In thousands):

Term Remaining	Maximum Potential Future Payments
0-12 months	$ 7,199
Greater than 12 months	5,188
Total	$ 12,387

(12) Defined Pension Benefit Plans

We maintain two pension benefit plans, a qualified noncontributory defined benefit plan that covers substantially all of our salaried and hourly non-union employees in the United States, and a nonqualified, noncontributory defined benefit supplemental plan that provides benefits to certain highly compensated officers and employees. To date, the supplemental plan remains an unfunded plan. These plans include significant pension benefit obligations which are calculated based on actuarial valuations. Our funding practice for the qualified plan is to maintain plan asset balances at or above the accumulated benefit obligation amount. The measurement date for these plans is September 30th. See Note 13 to the consolidated financial statements filed with our Annual Report filed on form 10-K for the year ended December 31, 2004 for further information.

The components of net pension benefit expense are as follows (In thousands):

	Three Months Ended		Six Months Ended	
	July 3, 2005	June 27, 2004	July 3, 2005	June 27, 2004
Service cost-benefits earned	$ 540	$ 545	$ 1,080	$ 1,125
Interest cost on benefits obligation	364	328	727	656
Prior service cost amortization	72	94	144	188
Estimated return on assets	(498)	(377)	(927)	(754)
Net periodic cost of defined pension benefit plan	$ 478	$ 590	$ 1,024	$ 1,125

(13) Acquisitions

On January 14, 2005, we acquired Loud Engineering & Manufacturing, Inc. (“Loud”) located in Ontario, California for approximately $34.7 million, net of acquired cash of $1.3 million and including $5.4 million placed in an escrow account for the benefit of the sellers, subject to any such indemnification claims by us as are allowed in accordance with the acquisition agreement. This cash is included in Other Assets on our consolidated balance sheet. Loud is a leading designer and manufacturer of landing gear systems and related components for military helicopters and jets and is operated within our Instrumentation and Thermal Fluid Controls Products segment. Revenues for Loud in 2004 totaled approximately $17.0 million. The $25.1 million excess of the original purchase price over the fair value of the net identifiable assets was recorded as goodwill. Purchase accounting will be finalized by the end of the first quarter of 2006 and may result in adjustments to identifiable assets as well as the identification of intangible assets that may be amortized and expensed over future periods.

In May 2005 we acquired the 40% interest that we did not own in our Chinese joint venture, Suzhou KF Valve Co., (“SKVC”) located in Suzhou, China, for $6.8 million. SKVC will continue to be operated in our Energy Products segment and primarily manufactures ball valves for other entities within our Energy Products segment. Based on preliminary purchase price allocations, the excess of the purchase price over the fair value of the net identifiable assets was recorded as $1.9 million of goodwill and an increase to an existing intangible of $0.3 million. Purchase accounting will be finalized by the end of the second quarter of 2006 and may result in the identification of intangible assets that may be amortized and expensed over future periods and also may impact the amount currently recorded as identifiable assets and goodwill.

(14) Guarantees and Indemnification Obligations

As permitted under Delaware law, we have agreements whereby we indemnify certain of our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, we have directors and officers liability insurance policies that limit our exposure for events covered under the policies and should enable us to recover a portion of any future amounts paid. As a result of the coverage under these insurance policies, we believe the estimated fair value of these indemnification agreements is minimal and, therefore, have no liabilities recorded from those agreements as of July 3, 2005.

In conjunction with our follow-on offering in March 2001, we entered into an agreement with the underwriter, in which we agreed to indemnify the underwriter for losses, claims or damages caused by an untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in or omitted from the registration statement prepared in connection with this offering. The term and maximum potential amounts of this indemnification is not limited. However, our directors and officers liability insurance policy may provide certain coverage with respect to any such claims made against the Company. Accordingly, we believe the estimated fair value of this indemnification obligation is minimal and, therefore, have no liabilities recorded from the agreement as of July 3, 2005.

In connection with our industrial revenue bond financing arrangements which benefit certain of our subsidiaries, we are obligated to indemnify the banks in connection with certain errors in the administration of these financing arrangements to the extent such errors are not willful and do not constitute gross negligence. This indemnification obligation is unlimited as to time and amount. We have never been required to make any payments pursuant to this indemnification. As a result, we believe the estimated fair value of this indemnification agreement is minimal. Accordingly, we have no liabilities recorded for those agreements as of July 3, 2005.

We record provisions for the estimated cost of product warranties, primarily from historical information, at the time product revenue is recognized. While we engage in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, utilization levels, material usage, service delivery costs incurred in correcting a product failure, and supplier warranties on parts delivered to us. Should actual product failure rates, utilization levels, material usage, service delivery costs or supplier warranties on parts differ from our estimates, revisions to the estimated warranty liability would be required.

The following table sets forth information related to our product warranty reserves for the six months ended July 3, 2005 (In thousands):

Balance at December 31, 2004	$1,864
Provisions	841
Claims settled	(914)
Acquisitions	49
Currency translation adjustments	75
Balance at July 3, 2005	$1,915

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act") and releases issued by the Securities and Exchange Commission. The words "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control, and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the cyclicality and highly competitive nature of some of our end markets which can affect the overall demand for and pricing of our products, changes in the price of and demand for oil and gas in both domestic and international markets, variability of raw material and component pricing, fluctuations in foreign currency exchange rates, our ability to continue operating our manufacturing facilities at efficient levels and to successfully implement our lean and acquisition strategies, our ability to generate increased cash by reducing our inventories, our prevention of the accumulation of excess inventory, changes in costs we may incur as a result of compliance with Section 404 of the Sarbanes-Oxley Act of 2002, and the uncertain continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern tensions and related matters. We advise you to read further about certain of these and other risk factors set forth under the caption "Certain Risk Factors That May Affect Future Results" in our Annual Report filed on Form 10-K for the year ended December 31, 2004. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview

CIRCOR International, Inc. is a leading provider of valves and fluid control products for the instrumentation, fluid regulation and petrochemical markets. We offer one of the industry's broadest and most diverse range of products – a range that allows us to supply end-users with a wide array of valves and component products for fluid systems.

We have organized the company into two segments: Instrumentation & Thermal Fluid Controls Products and Energy Products. The Instrumentation & Thermal Fluid Controls Products segment serves our broadest variety of end-markets, including military and commercial aerospace, chemical processing, marine, power generation, HVAC systems, food and beverage processing, and other general industrial markets. The Energy Products segment primarily serves the oil and gas exploration, production and distribution markets.

Apart from monitoring our key competitors, our businesses pay close attention to changes in market conditions, customer order rates, operating margins, and levels of working capital in order to help improve financial results and make more efficient use of assets.

Our growth strategy includes both internal product development and strategic acquisitions that complement and extend our current offering of engineered flow control products. During the last five years, we have made nine acquisitions that extended our product offerings. Our recent acquisitions include DQS International B.V. and Texas Sampling, Inc., which provided us with a larger presence in the analytical sampling market, Loud Engineering & Manufacturing, Inc. ("Loud") in January 2005, which provided us with complementary aerospace component and subassembly manufacturing capabilities and Mallard Control Company ("Mallard") in April 2004, which provided additional offerings in the energy products market.

Regarding the second quarter 2005 operating results, we benefited from: higher shipments to customers in certain key end-markets we serve, particularly oil & gas production; the acquisitions of Mallard in April 2004 and Loud in January 2005; customer selling price increases initiated during 2004; and savings as a result of three facility consolidations completed in 2004. We were negatively impacted by higher metals costs for raw materials, a decline in our sales to the domestic municipal HVAC market, and by incurring significant new costs to comply with Section 404 of the Sarbanes-Oxley Act of 2002.

Basis of Presentation

All significant intercompany balances and transactions have been eliminated in consolidation. We monitor our business in two segments: Instrumentation and Thermal Fluid Controls Products and Energy Products.

We operate and report financial information using a 52-week fiscal year ending December 31. The data periods contained within our Quarterly Reports on Form 10-Q reflect the results of operations for the 13-week, 26-week and 39-week periods which generally end on the Sunday nearest the calendar quarter-end date.

Critical Accounting Policies

The following discussion of accounting policies is intended to supplement the section "Summary of Significant Accounting Policies" presented in Note 2 to our consolidated financial statements. These policies were selected because they are broadly applicable within our operating units. The expenses and accrued liabilities or allowances related to certain of these policies are initially based on our best estimates at the time of original entry in our accounting records. Adjustments are recorded when our actual experience, or new information concerning our expected experience, differs from underlying initial estimates. These adjustments could be material if our actual or expected experience were to change significantly in a short period of time. We make frequent comparisons of actual experience and expected experience in order to mitigate the likelihood of material adjustments.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, no significant post-delivery obligations remain and collection of the resulting receivable is reasonably assured. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues.

Allowance for Inventory

Our net inventory balance was $114.5 million as of July 3, 2005, compared to $105.2 million as of December 31, 2004. Our inventory allowance as of July 3, 2005 was $7.6 million, compared with $14.8 million as of December 31, 2004. During the six months ended July 3, 2005, we disposed of approximately $8.5 million of excess, slow moving inventory. A majority of this disposed inventory was fully reserved in our inventory allowance as of December 31, 2004. We provide inventory allowances for excess, slow-moving, and obsolete inventories determined primarily by historical usage information and estimates of future demand. The allowance is measured as the difference between the cost of the inventory and estimated market value and charged to the provision for inventory, which is a component of our cost of revenues. Historical usage information and assumptions about future demand are the primary factors utilized to estimate market value. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

If there were to be a sudden and significant decrease in demand for our products, or if there were a higher incidence of inventory obsolescence because of changing technology and customer requirements, we could be required to increase our inventory allowances and our gross profit could be adversely affected.

Purchase Accounting

In connection with our acquisitions, we assess and formulate a plan related to the future integration of the acquired entity. This process begins during the due diligence process and is typically concluded within twelve months of the acquisition. We accrue estimates for certain costs, related primarily to any personnel reductions and facility closures or restructurings, anticipated at the date of acquisition, in accordance with Financial Accounting Standards Board ("FASB") Statement No. 141 "Business Combination" and Emerging Issues Task Force Issue No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." Adjustments to these estimates are made during the acquisition allocation period, which is generally up to twelve months from the acquisition date as plans are finalized. Subsequent to the allocation period, costs incurred in excess of the recorded acquisition accruals are generally expensed as incurred and if accruals are not utilized for the intended purpose the excess is recorded as an adjustment to the cost of the acquired entity, usually decreasing goodwill.

Our methodology for allocating the purchase price relating to business acquisitions is determined through established valuation techniques for industrial manufacturing companies. Goodwill is measured as the excess of the cost of acquisition over the sum of the amounts assigned to identifiable tangible and intangible assets acquired less liabilities assumed. The goodwill recorded on the consolidated balance sheet as of July 3, 2005 was $143.8 million, compared with $120.3 million as of December 31, 2004. The net increase was primarily related to: $25.1 million for the acquisition of Loud; $1.9 million for the acquisition of the remaining 40% joint venture interest in SKVC that we did not own; $0.6 million related to escrow releases associated with prior acquisitions offset by $2.5 million related to the finalization of allocation amounts associated with our April 2004 Mallard acquisition, and $1.7 million associated with foreign currency fluctuations.

During the second quarter of 2005, we finalized identifiable asset amounts associated with our April 2004 acquisition of Mallard. In connection with the finalization of our Mallard acquisition amounts, we recorded $3.4 million of intangible assets, associated with customer relationships, brand names, and non-competition agreements. Approximately $2.2 million of these intangible assets will be amortized over 10-15 year periods and will result in annual amortization expense of approximately $0.2 million. The remaining $1.2 million of intangible assets will not be amortized but will be subject to impairment tests. We expect to finalize identifiable asset amounts associated with our Loud and SKVC acquisitions by the end of the fourth quarter of 2005 and the second quarter of 2006, respectively.

Impairment Analysis

We perform goodwill impairment tests for each reporting unit on an annual basis and between annual tests in certain circumstances, if triggering events indicate impairment may have occurred. In assessing the fair value of goodwill, we use our best estimates of future cash flows of operating activities and capital expenditures of the reporting unit, a discount rate, and the estimated terminal value for each reporting unit. If these estimates or related projections change in the future due to changes in industry and market conditions, we may be required to record impairment charges. Based on impairment tests performed using independent third-party valuations, there was no impairment in our goodwill in 2004, 2003 or 2002.

Other long-lived assets include property, plant, and equipment and intangibles with definite lives. We perform impairment analyses of our other long-lived assets whenever events and circumstances indicate that they may be impaired. When the undiscounted estimated future cash flows are expected to be less than the carrying value of the assets being reviewed for impairment, the assets are written down to fair market value.

Income Taxes

Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and any valuation allowance. Our effective tax rates differ from the statutory rate due to the impact of acquisition-related costs, research and product development tax credits, extraterritorial income exclusion, state taxes, and the tax impact of non-U.S. operations. Our effective tax rate was 36.1%, 30.4%, and 36.0% for 2004, 2003, and 2002, respectively. For 2005, we expect an effective income tax rate of 35%. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and vice versa. Changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof may also adversely affect our future effective tax rate. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

We recorded a valuation allowance of $0.9 million as of July 3, 2005 and December 31, 2004, due to uncertainties related to our ability to utilize deferred tax assets, primarily consisting of certain state net operating losses and state tax credits carried forward. The valuation allowance is based on estimates of taxable income in each of the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable. If market conditions improve and future results of operations exceed our current expectations, our existing tax valuation allowances may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realizable. As a result, we may need to establish additional tax valuation allowances for all or a portion of the gross deferred tax assets, which may have a material adverse effect on our business, results of operations and financial condition.

Legal Contingencies

We are currently involved in various legal claims and legal proceedings, some of which may involve substantial dollar amounts. Periodically, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material adverse effect on our business, results of operations and financial position. For more information related to our outstanding legal proceedings, see “Contingencies” in Note 11 of the accompanying consolidated financial statements as well as “Legal Proceedings” in Part II Item 1.

Pension Benefits

We maintain pension benefit plans for our employees in the United States. These plans include significant pension benefit obligations which are calculated based on actuarial valuations. Key assumptions are made in determining these obligations and related expenses, including expected rates of return on plan assets and discount rates. For 2005 and 2004, the expected long-term rate of return on plan assets used to estimate pension expenses was 8.50% and 8.75%, respectively. The discount rate used to estimate the net pension expenses for 2005 was 5.8% compared to 6.0% in 2004. The lower discount rate reflects the decline in global capital markets and interest rates. The combined effect of these two assumption changes is expected to raise our projected benefit obligation by approximately $0.8 million and raise 2005 pension expense by approximately $0.2 million.

Plan assets are comprised of equity investments of companies in the United States with large and small market capitalizations; fixed income securities issued by the United States government, or its agencies; and certain international equities. There are no common shares of CIRCOR International, Inc. in the plan assets.

Unrecognized actuarial gains and losses are being recognized over approximately an eleven-year period, which represents the weighted average expected remaining service life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected returns and actual returns on assets. At the end of 2004, we had unrecognized net actuarial losses of $4.5 million.

The fair value of the defined benefit plan assets at December 31, 2004 exceeded the estimated accumulated benefit obligations as a net result of the increases in global capital markets and cash contributions from the company, partially offset by the lower interest rates.

We contributed $2.3 million and $3.0 million to our pension plan trust during the fiscal years ended December 31, 2004 and 2003, respectively. During the three months ended July 3, 2005 we made a pension plan contribution of $1.0 million. Subsequent to the end of the second quarter of 2005 we made an additional pension plan contribution of $1.0 million and we expect that the total amount of annual plan contributions for 2005 and subsequent years may be in the range of $1.0 to $3.0 million. The estimates for plan funding for future periods may change as a result of the uncertainties concerning the return on plan assets, the number of plan participants, and other changes in actuarial assumptions.

We will continue to evaluate our expected long-term rates of return on plan assets and discount rates at least annually and make adjustments as necessary; such adjustments could change the pension and post-retirement obligations and expenses in the future. If the actual operation of the plans differ from the assumptions, additional contributions by us may be required. If we are required to make significant contributions to fund the defined benefit plans, reported results could be materially and adversely affected and our cash flow available for other uses may be reduced.

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Results of Operations for the Three Months Ended July 3, 2005 Compared to the Three Months Ended June 27, 2004.

The following tables set forth the results of operations, percentage of net revenue and the period-to-period percentage change in certain financial data for the three months ended July 3, 2005 and June 27, 2004:

	Three Months Ended				
	July 3, 2005		June 27, 2004		% Change
	(Dollars in thousands)				
Net revenues	$118,657	100.0 %	$94,552	100.0 %	25.5%
Cost of revenues	84,121	70.9	66,878	70.7	25.8
Gross profit	34,536	29.1	27,674	29.3	24.8
Selling, general and administrative expenses	24,043	20.3	20,557	21.7	17.0
Special charges	133	0.1	—	0.0	0.0
Operating income	10,360	8.7	7,117	7.5	45.6
Other (income) expense:					
Interest expense, net	667	0.6	972	1.0	(31.4)
Other (income) expense, net	204	0.2	(193)	(0.2)	205.7
Total other expense	871	0.7	779	0.8	11.8
Income before income taxes	9,489	8.0	6,338	6.7	49.7
Provision for income taxes	3,321	2.8	2,216	2.3	49.9
Net income	$ 6,168	5.2%	$ 4,122	4.4%	49.6%

Net Revenue

Net revenues for the three months ended July 3, 2005 increased by $24.1 million, or 25.5%, to $118.7 million from $94.6 million for the three months ended June 27, 2004. The increase in net revenues for the three months ended July 3, 2005 was attributable to the following:

Segment	Three Months Ended July 3, 2005	Three Months Ended June 27, 2004	Total Change	Acquisitions	Operations	Foreign Exchange
	(In thousands)					
Instrumentation & Thermal Fluid Controls	$ 62,908	$ 54,864	$ 8,044	$ 5,026	$ 2,524	$ 494
Energy	55,749	39,688	16,061	1,003	13,987	1,071
Total	$ 118,657	$ 94,552	$ 24,105	$ 6,029	$ 16,511	$ 1,565

The Instrumentation and Thermal Fluid Controls Products segment accounted for 53.0% of net revenues for the three months ended July 3, 2005 compared to 58.0% for the three months ended June 27, 2004. The Energy Products segment accounted for 47.0% of net revenues for the three months ended July 3, 2005 compared to 42.0% for the three months ended June 27, 2004.

Instrumentation and Thermal Fluid Controls Products revenues increased $8.0 million, or 14.7%, for the quarter ended July 3, 2005 compared to the quarter ended June 27, 2004. The increase in revenues was the net result of several factors. Revenues increased an incremental $5.0 million from the January 2005 acquisition of Loud. Revenues also increased $0.5 million as a result of the fluctuation of foreign currencies in the second quarter of 2005. The acquisitions and foreign exchange impacts also were complemented by additional organic increases in most of this segment’s on-going business units. Incoming orders increased 10.0%, excluding Loud, and benefited nearly every business unit due to higher selling prices instituted by the businesses in the second half of 2004 as well as increased market activity.

Energy Products revenues increased by $16.1 million, or 40.5%, for the quarter ended July 3, 2005 compared to the quarter ended June 27, 2004. The increase in revenues was the net result of several factors. Revenues increased an incremental $1.0 million from the April 30, 2004 acquisition of Mallard. Revenues also increased $1.1 million as a result of the strengthened foreign currencies translating the revenues of our foreign business units into higher U.S. dollar amounts in the second quarter of 2005. The acquisitions and foreign exchange impacts also were complemented by additional organic increases in revenues of $3.5 million at our North American operations, principally due to higher orders for short cycle maintenance, repair and overhaul (“MRO”) business in North America markets. The most significant portion of this segment’s revenue increase for the three month period ended July 3, 2005 as compared to the three months ended June 27, 2004 totaling $10.5 million was at our Italian subsidiary, Pibiviesse S.p.A ("Pibiviesse"). Pibiviesse has been successful in winning and fulfilling orders for large international oil and gas projects. Certain of these orders are for newly developed and specially designed products which require vigorous customer testing and acceptance requirements. In the first quarter of 2005, Pibiviesse experienced certain delayed customer acceptances with respect to certain orders which postponed the expected shipment dates to the second quarter of 2005.

Gross Profit

Consolidated gross profit increased $6.9 million, or 24.8%, to $34.5 million for the quarter ended July 3, 2005 compared to $27.7 million for the quarter ended June 27, 2004. Consolidated gross margin decreased 20 basis points to 29.1% for the quarter ended July 3, 2005 from 29.3% for the quarter ended June 27, 2004.

Gross profit for the Instrumentation and Thermal Fluid Controls Products segment increased $2.3 million for the quarter ended July 3, 2005 compared to the quarter ended June 27, 2004 and was the result of three factors. Gross profit increased $1.9 million from the incremental contribution of the January 2005 acquisition of Loud as well as $0.1 million from foreign exchange fluctuations. This segment's organic gross profit from on-going business units also increased $0.2 million in the quarter ended July 3, 2005 compared to the same period in 2004, due to savings from facility closings in 2004 and customer price increases, partially offset by higher raw material costs.

Gross profit for the Energy Products segment increased $4.6 million for the quarter ended July 3, 2005 compared to the quarter ended June 27, 2004. The net gross profit increase was the net result of $0.4 million from the incremental contribution of the April 2004 acquisition of Mallard, an increase of $0.3 million from foreign exchange, and a $3.9 million increase from higher shipments by on-going business units.

Selling, General and Administration

Selling, general and administrative expenses increased $3.5 million, or 17.0%, to $24.0 million for the three months ended July 3, 2005 compared to $20.6 million for the three months ended June 27, 2004.

Selling, general and administrative expenses for the Instrumentation and Thermal Fluid Controls Products segment increased by $0.9 million which primarily resulted from incremental expense of $0.7 million from our January 2005 acquisition of Loud and $0.1 million from foreign exchange fluctuations.

Selling, general and administrative expenses for the Energy Products segment increased $1.7 million, including a $0.1 million increase from stronger foreign exchange rate changes, $0.2 million from incremental expense from our April 2004 acquisition of Mallard, and $1.3 million in higher expenses for increased sales personnel and higher commissions in our North American operations and higher selling expenses at our Italian facility.

Corporate general and administrative expenses increased $0.9 million in the second quarter 2005 from the same period in 2004. The increase was primarily from higher compensation costs and Sarbanes-Oxley Section 404 compliance costs.

Special Charges

Special charges of $0.1 million were recognized for the three months ended July 3, 2005 compared to none for the three months ended June 27, 2004. The special charges recognized in the quarter ending July 3, 2005 related to severance charges of $0.2 million incurred in connection with our announced consolidation and reduction in force at our Mallard and SART operations located in Texas and France, respectively, off-set by a reversal of $0.1 million of unutilized accruals originally recorded as a special charge expense in 2004 in connection with the closure of an Ohio facility

Operating Income

The change in operating income for the three months ended July 3, 2005 compared to the three months ended June 27, 2004 was as follows:

	Three Months Ended					
Segment	**July 3, 2005**	**June 27, 2004**	**Total Change**	**Acquisitions**	**Operations**	**Foreign Exchange**
			(In thousands)			
Instrumentation & Thermal Fluid Controls	$ 7,695	$ 6,239	$1,456	$ 1,174	$ 249	$ 34
Energy	5,771	3,066	2,705	107	2,484	114
Corporate	(3,106)	(2,188)	(918)	—	(918)	—
Total	$ 10,360	$ 7,117	$3,243	$ 1,281	$ 1,815	$ 148

Operating income increased $3.2 million, or 45.6%, to $10.4 million for the three months ended July 3, 2005 from $7.1 million for the three months ended June 27, 2004.

Operating income for the Instrumentation and Thermal Fluid Controls Products segment increased $1.5 million. The increase from operations included the January 2005 acquisition of Loud, customer price increases effective in the second half of 2004, savings from facility closings completed in the first half of 2004, and lower inventory obsolescence provisions.

Operating income for the Energy Products segment increased $2.7 million, or 88.2% for the three months ended July 3, 2005, primarily due to the Pibiviesse business unit's higher volume of shipments.

Interest Expense, Net

Interest expense, net, decreased $0.3 million to $0.7 million for the three months ended July 3, 2005 compared to approximately $1.0 million for the three months ended June 27, 2004. The $0.3 million reduction in interest expense, net was primarily due to the $15.0 million lower outstanding balance of our senior unsecured notes since the last principal payment in October 2004 and the recognition of $0.1 million of interest income related to a note receivable.

Other Income / Expense, Net

Other income / expense, net was an unfavorable change of $0.4 million for the three months ended July 3, 2005 compared to other income of $0.2 million for the three months ended June 27, 2004. The other income / expense charge of $0.2 million for the three months ended July 3, 2005, was largely the result of a foreign currency fluctuations in the euro and Canadian dollar in the current year versus the prior year.

Provision for Taxes

The effective tax rate was 35% for the three months ended July 3, 2005 and was unchanged from the same period last year. The increase in income taxes in the three months ended July 3, 2005 compared to the three months ended June 27, 2004 was due to higher income before income taxes this year.

Net Income

Net income increased $2.0 million to $6.2 million for the three months ended July 3, 2005 compared to $4.1 million for the three months ended June 27, 2004. This net increase is primarily attributable to: higher volume shipments at our Italian facility, incremental profit from acquisitions, customer price increases effective in the second half of 2004, cost reductions from closed facilities, and lower net interest expense which were partially offset by higher raw material costs, higher selling and commission expenses, corporate expenses and Sarbanes-Oxley Act of 2002, Section 404 compliance costs.

Results of Operations for the Six Months Ended July 3, 2005 Compared to the Six Months Ended June 27, 2004.

The following tables set forth the results of operations, percentage of net revenue and the period-to-period percentage change in certain financial data for the six months ended July 3, 2005 and June 27, 2004:

	Six Months Ended				
	July 3, 2005		June 27, 2004		% Change
	(Dollars in thousands)				
Net revenues	$220,895	100.0%	$185,249	100.0%	19.2%
Cost of revenues	153,418	69.5	129,282	69.8	18.7
Gross profit	67,477	30.5	55,967	30.2	20.6
Selling, general and administrative expenses	48,134	21.8	41,082	22.2	17.2
Special charges	437	0.2	38	0.0	1050.0
Operating income	18,906	8.6	14,847	8.0	27.30
Other (income) expense:					
Interest expense, net	1,454	0.7	1,992	1.1	(27.0)
Other (income) expense, net	23	0.0	(50)	0.0	(146.0)
Total other expense	1,477	0.7	1,942	1.0	(23.9)
Income before income taxes	17,429	7.9	12,905	7.0	35.1
Provision for income taxes	6,100	2.8	4,515	2.4	35.1
Net income	$ 11,329	5.1%	$ 8,390	4.5%	35.0%

Net Revenue

Net revenues for the six months ended July 3, 2005 increased by $35.6 million, or 19.2%, to $220.9 million from $185.3 million for the six months ended June 27, 2004. The increase in net revenues for the six months ended July 3, 2005 was attributable to the following:

	Six Months Ended					
Segment	July 3, 2005	June 27, 2004	Total Change	Acquisitions	Operations	Foreign Exchange
	(In thousands)					
Instrumentation & Thermal Fluid Controls	$ 123,933	$ 106,503	$ 17,430	$ 8,807	$ 7,410	$ 1,213
Energy	96,962	78,746	18,216	4,858	11,337	2,021
Total	$ 220,895	$ 185,249	$ 35,646	$ 13,665	$ 18,747	$ 3,234

The Instrumentation and Thermal Fluid Controls Products segment accounted for 56.1% of net revenues for the six months ended July 3, 2005 compared to 57.5% for the six months ended June 27, 2004. The Energy Products segment accounted for 43.9% of net revenues for the six months ended July 3, 2005 compared to 42.5% for the six months ended June 27, 2004.

Instrumentation and Thermal Fluid Controls Products revenues increased $17.4 million, or 16.4%, for the six-months ended July 3, 2005 compared to the six months ended June 27, 2004. The increase in revenues was the net result of several factors. Revenues increased an incremental $8.8 million from the January 2005 acquisition of Loud. Revenues also increased $1.2 million as a result of the fluctuation of foreign currencies. The acquisitions and foreign exchange impacts also were complemented by additional organic increases in most of this segment's on-going business units. Incoming orders increased 7.0%, excluding Loud, and benefited nearly every business unit stemming largely from higher selling prices instituted by the businesses in the second half of 2004. During the first half of 2005, we experienced a softening in the municipal HVAC markets negatively impacting our Thermal Fluid Products group. Management expects market conditions to remain favorable during the second half of 2005, for most of the general industrial, chemical processing and aerospace end markets. We expect that these items coupled with the benefit from the January 2005 acquisition of Loud may result in revenue increases of approximately 13%-15% for the full year 2005 compared to the full year 2004.

Energy Products revenues increased by $18.2 million, or 23.1%, for the six months ended July 3, 2005 compared to the six months ended June 27, 2004. The increase in revenues was the net result of several factors. Revenues increased an incremental $4.9 million from the April 30, 2004 acquisition of Mallard. Revenues also increased $2.0 million as a result of the fluctuation of foreign currencies in the first half 2005. The acquisitions and foreign exchange impacts also were complemented by additional organic increases in revenues of $6.8 million at our North American operations, principally due to higher orders for short cycle maintenance, repair and overhaul business in North America markets. Another significant portion of this segment's revenue increase for the six month period ended July 3, 2005 as compared to the six months ended June 27, 2004 totaling $5.2 million was at our Italian subsidiary, Pibiviesse. Pibiviesse has been successful in winning and fulfilling orders for large international oil and gas projects, a majority of which are for customers in the Middle East. Our expectations for the remainder of 2005 are that the combined strength of large international oil and gas project markets and our North American markets may result in revenue increases of approximately 20% for the full year 2005 compared to the full year 2004.

Gross Profit

Consolidated gross profit increased $11.5 million, or 20.6%, to $67.5 million for the six months ended July 3, 2005 compared to $56.0 million for the six months ended June 27, 2004. Consolidated gross margin increased 30 basis points to 30.5% for the six months ended July 3, 2005 from 30.2% for the six months ended June 27, 2004.

Gross profit for the Instrumentation and Thermal Fluid Controls Products segment increased $6.2 million for the six months ended July 3, 2005 compared to the six months ended June 27, 2004 and was primarily the result of two factors. Gross profit increased $3.3 million primarily from the incremental contribution of the January 2005 acquisition of Loud. This segment's organic gross profit from on-going business units also increased $2.4 million in the six months ended July 3, 2005 compared to the same period in 2004, due to savings from facility closings in 2004, higher volume of shipments, and customer price increases partially offset by unabsorbed manufacturing costs at certain Thermal Fluid Products locations, due to a softness in orders from the domestic municipal HVAC markets.

Gross profit for the Energy Products segment increased $5.3 million for the six months ended July 3, 2005 compared to the six months ended June 27, 2004. The net gross profit increase was the net result of $1.9 million from the incremental contribution of the April 2004 acquisition of Mallard, an increase of $0.5 million from foreign exchange, and a $2.9 million increase in on-going business units. In 2005, we expect this segment to slightly improve its gross margin.

Selling, General and Administration

Selling, general and administrative expenses increased $7.0 million, or 17.2%, to $48.1 million for the six months ended July 3, 2005 compared to $41.1 million for the six months ended June 27, 2004.

Selling, general and administrative expenses for the Instrumentation and Thermal Fluid Controls Products segment increased by $1.6 million which primarily resulted from incremental expense of $1.4 million from our January 2005 acquisition of Loud and $0.2 million from foreign exchange fluctuations.

Selling, general and administrative expenses for the Energy Products segment increased $3.4 million, including a $0.3 million increase from stronger foreign exchange rate changes, $1.2 million from incremental expense from our April 2004 acquisition of Mallard, and $1.9 million in higher expenses for increased sales personnel and higher commissions in our North American operations and higher selling expenses at our Italian facility.

Corporate general and administrative expenses increased $2.1 million for the six months ended July 3, 2005 compared to the six months ended June 27, 2005. The increase was primarily from higher compensation related costs and Sarbanes-Oxley Section 404 compliance costs. Our expectation for the remainder of 2005 is that corporate general and administrative expenses will be approximately $2.3 million higher than the full year 2004 amount.

Special Charges

Special charges of $0.4 million were recognized for the six months ended July 3, 2005 compared to less than $0.1 million for the six months ended June 27, 2004. The special charges recognized in the six months ending July 3, 2005 related to severance charges of $0.5 incurred in connection with our announced consolidation and reduction in force at our Mallard and SART operations located in Texas and France, respectively, offset by a $0.1 million reversal of facility closure related costs initially recorded in 2004 at an Ohio facility.

Operating Income

The change in operating income for the six months ended July 3, 2005 compared to the six months ended June 27, 2004 was as follows:

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Segment	Six Months Ended July 3, 2005	Six Months Ended June 27, 2004	Total Change	Acquisitions	Operations	Foreign Exchange
	(In thousands)					
Instrumentation & Thermal Fluid Controls	$ 16,394	$ 12,027	$ 4,367	$ 1,925	$ 2,324	$ 118
Energy	9,061	7,267	1,794	710	871	213
Corporate	(6,549)	(4,447)	(2,102)	—	(2,101)	—
Total	$ 18,906	$ 14,847	$ 4,059	$ 2,635	$ 1,094	$ 331

Operating income increased $4.1 million, or 27.3%, to $18.9 million for the six months ended July 3, 2005 from $14.8 million for the six months ended June 27, 2004.

Operating income for the Instrumentation and Thermal Fluid Controls Products segment increased $4.4 million. The increase from operations included the January 2005 acquisition of Loud, customer price increases effective in the second half of 2004, savings from facility closings completed in the first half of 2004, and lower inventory obsolescence provisions.

Operating income for the Energy Products segment increased $1.8 million, or 24.7% for the six months ended July 3, 2005, primarily due to higher volume of shipments.

Based on our expected revenue increases over the prior year, we anticipate full year 2005 adjusted operating margins, which excludes the impact of special charges, in the Instrumentation and Thermal Fluid Controls Products Segment to range from 12%-13% and the Energy Products Segment to range from 9%-10%. Both segments are expected to be affected by increased competitive pricing and certain commodity metal prices increasing their cost of sales as well as facility consolidation costs.

Interest Expense, Net

Interest expense, net, decreased $0.5 million to $1.5 million for the six months ended July 3, 2005 compared to approximately $2.0 million for the six months ended June 27, 2004. The $0.5 million reduction in interest expense was primarily due to the $15.0 million lower outstanding balance of our senior unsecured notes since the last principal payment in October 2004 and the recognition of $0.1 million of interest income related to a note receivable.

Other Income / Expense, Net

Other income / expense, net was an unfavorable change of $0.1 million for the six months ended July 3, 2005 compared to other income of $0.1 million for the six months ended June 27, 2004. The other income/expense, net change for the six months ended July 3, 2005, was largely the result of the unfavorable effects of foreign currency fluctuations from the Euro and Canadian dollar in the current year versus the prior year.

Provision for Taxes

The effective tax rate was 35% for the six months ended July 3, 2005 and was unchanged from the same period last year. The increase in income taxes in the six months ended July 3, 2005 compared to the six months ended June 27, 2004 was due to higher income before income taxes this year.

Net Income

Net income increased $2.9 million to $11.3 million for the six months ended July 3, 2005 compared to $8.4 million for the six months ended June 27, 2004. This net increase is primarily attributable to: incremental profit from acquisitions, customer price increases effective in the second half of 2004, higher volume shipments, cost reductions from closed facilities, gains from the favorable effect of foreign exchange rate changes, and lower net interest expense which was partially offset by higher selling and commission expenses, corporate expenses and Sarbanes-Oxley Act of 2002, Section 404 compliance costs.

Liquidity and Capital Resources

Our liquidity needs arise primarily from capital investment in machinery, equipment and the improvement of facilities, funding working capital requirements to support business growth initiatives, acquisitions, dividend payments, pension funding obligations and debt service costs. We continue to generate cash from operations and remain in a strong financial position, with resources available for reinvestment in existing businesses, strategic acquisitions and managing our capital structure on a short and long-term basis.

The following table summarizes our cash flow activities for the six months ended July 3, 2005 (In thousands):

Cash flow from:	
Operating activities	$ 20,132
Investing activities	(48,890)
Financing activities	1,091
Effect of exchange rates on cash and cash equivalents	(1,717)
Decrease in cash and cash equivalents	$(29,384)

During the six months ended July 3, 2005, we generated $20.1 million in cash flow from operating activities which was $6.6 million more than the cash flow generated during the six months ended June 27, 2004, primarily due to accounts payable, accrued expenses, and other liability balance increases as well as profitability increases offset by increases in inventory and accounts receivable balances. The $48.9 million used by investing activities included a net $34.7 million used for the January 2005 acquisition of Loud and a net $6.9 million used for the May 2005 acquisition of the remaining 40.0% joint venture interest in SKVC that we did not own and $6.8 million used for the purchase and construction of buildings and capital equipment. Financing activities provided $1.1 million which included: a net $0.5 million payment of debt balances and another $1.2 million used to pay dividends to shareholders offset by $2.8 million of proceeds from the exercise of stock options. In addition, to help fund the acquisition of Loud we borrowed $2.0 million from our revolving credit facility in January 2005 and repaid this amount in February 2005. During the six months ended July 3, 2005 we had temporary borrowings of $0.6 million from one of our lines of credit months which were repaid during the same period.

The ratio of current assets to current liabilities as of July 3, 2005 was 2.3:1 and 2.8:1 at December 31, 2004. Cash and cash equivalents were $29.3 million as of July 3, 2005 compared to $58.7 million as of December 31, 2004 primarily as a result of cash utilized for the acquisitions of Loud and SKVC. Total debt as a percentage of total equity was 14.8% as of July 3, 2005 compared to 14.6% as of December 31, 2004. As of July 3, 2005, we had $4.0 million of investments designated as available for sale and readily convertible to cash should the need for additional working capital arise.

As of July 3, 2005 and December 31, 2004, we had $75.0 million available under our unsecured revolving credit facility to support our acquisition program, working capital requirements and for general corporate purposes. As of July 3, 2005 and December 31, 2004, we had no amounts outstanding under our revolving credit facility.

Regarding 2005 investing activities, we paid a net $34.7 million of net cash for Loud. This $34.7 million was net of $1.3 million of cash acquired and included $5.4 million placed in escrow. To fund that purchase, we used $34.0 million of our cash and equivalents and borrowed $2.0 million from our revolving credit facility that was repaid in February 2005. The acquisition of SKVC was funded through available operating cash balances. Our 2005 budget for capital expenditures is approximately $17.0 million and we expect to fund these capital expenditures from existing cash and by ongoing operations. Approximately $8.0 million of that capital expenditure total is for cost saving initiatives and equipment upgrades. We estimate another $9.0 million dollars to be used for the purchase and construction of two new facilities, one in the Netherlands that was purchased in the three months ended July 3, 2005 to co-locate the consolidation of smaller Instrumentation and Thermal Fluid Controls Products segment facilities, and a newly constructed plant in China, to expand and relocate the current SKVC facility operated by our Energy Products segment. At July 3, 2005, we classified the former Instrumentation and Thermal Fluid Controls Netherlands facility, totaling $1.3 million, as held for sale. We expect the sale of this facility to be finalized by the end of the third quarter of 2005 and to recognize a marginal gain on the sale. For the new plant in China, we expect to receive Chinese government relocation benefits of at least $1.5 million in the first quarter of 2006 as compensation for the relocation of our current leased facility to a new owned site.

Certain of our loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and also limit our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. On January 13, 2005, we completed an amendment to our revolving line of credit agreement that permits us to maintain a lower tangible net worth balance at the last day of any fiscal quarter. On the same date, we also completed a similar amendment to the tangible net worth clause in the letter of credit agreements that we have in connection with the two industrial revenue bonds. We were in compliance with all covenants related to our existing debt obligations at July 3, 2005 and December 31, 2004. In October 2002, 2003, and 2004 we made the first, second and third of our five $15.0 million annual payments reducing the $75.0 million original outstanding principal balance of our unsecured 8.23% senior notes which mature in October 2006. The outstanding principal balance due on these senior notes was $30.0 million as of July 3, 2005.

We have generated net income and positive cash flow from operating activities. Over the next 24 months, we expect to generate cash from operating activities that should be sufficient to service operations, capital expenditure needs, scheduled debt payments, and our current dividend practice of paying $0.15 per share annually. In addition, we have available cash balances and investments that are readily convertible to cash and available for use. We continue to search for strategic acquisitions in the flow control market. We expect that the financing of smaller sized acquisitions would come from existing cash and investments, and if need be, borrowings from our available $75.0 million revolving line of credit. We expect a larger acquisition would require additional borrowings and, or, the issuance of our common stock.

We contributed $2.3 million and $3.0 million to our pension plan trust during the fiscal years ended December 31, 2004 and 2003, respectively. During the three months ended July 3, 2005 we made a pension plan contribution of $1.0 million. Subsequent to the end of the second quarter of 2005 we made an additional pension plan contribution of $1.0 million and we expect that the total amount of annual plan contributions for 2005 and future years may be in the range of $1.0 to $3.0 million. The estimates for plan funding for future periods may change as a result of the uncertainties concerning the return on plan assets, the number of plan participants, and other changes in actuarial assumptions.

Effect of Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (“FASB”) issued FASB Statement No. 123 (R) “*Share Based Payment: an amendment of FASB Statements No. 123 and 95*”. FASB Statement 123R requires companies to recognize in the income statement, effective for annual periods beginning after December 15, 2005, the grant-date fair value of stock options and other equity-based compensation issued to employees, but expresses no preference for a type of valuation model. Our financial position and results of operations will be impacted in periods subsequent to 2005. See Note 11 to the consolidated financial statements filed with our Annual Report filed on form 10-K for the year ended December 31, 2004 for further information.

In March 2005, the SEC issued Staff Accounting Bulletin (“SAB”) No. 107 regarding the Staff’s interpretation of SFAS No. 123R. This interpretation provides the Staff’s views regarding interactions between SFAS No. 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The interpretive guidance is intended to assist companies in applying the provisions of SFAS No. 123R and investors and users of the financial statements in analyzing the information provided. We will follow the guidance prescribed in SAB No. 107 in connection with our adoption of SFAS No. 123R.

In March 2005, the FASB issued Interpretation No. 47 *“Accounting for Conditional Asset Retirement Obligations”*. The Interpretation requires companies to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. The Interpretation is effective no later than the end of the fiscal year ending after December 15, 2005. The adoption of this interpretation is not expected to impact our financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, “Accounting changes and error corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3,” which changes the requirements for the accounting and reporting of a change in accounting principle. The Statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. This Statement requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Company is required to adopt this statement starting in its fiscal 2006 reporting period. The adoption of this statement is not expected to have a material impact on our financial condition or results of operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of July 3, 2005, our primary interest rate risk relates to borrowings under our revolving credit facility and our industrial revenue bonds. The interest rates for our revolving credit facility and industrial revenue bonds fluctuate with changes in short-term borrowing rates. We have $12.3 million in outstanding industrial revenue bonds and no outstanding borrowings under our revolving credit facility as of July 3, 2005. An increase in interest rates of 100 basis points would not have a material effect on our results of operations or cash flows.

Currency Exchange Risk

We use forward contracts to manage the currency risk related to certain business transactions denominated in foreign currencies. To the extent the underlying hedged transactions are completed, the contracts do not subject us to material risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. Our foreign currency forward contracts have not been designated as hedging instruments and, therefore, did not qualify for fair value or cash flow hedge treatment under the criteria of FASB Statement No. 133 for the three months ended July 3, 2005. Therefore, the unrealized gains and losses on our contracts have been recognized as a component of other expense in the consolidated statements of operations. There was $0.5 million of net unrealized losses attributable to foreign currency forward contracts at July 3, 2005. As of July 3, 2005, we had forward contracts to sell currencies with a face value of $7.0 million.

The counterparties to these contracts are major financial institutions. Our risk of loss in the event of non-performance by the counterparties is not material. We do not use derivative financial instruments for trading or speculative purposes. Risk management strategies are reviewed and approved by senior management before implementation.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)), as of the end of the period covered by this report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, except for our recent acquisition of Loud for which we have not completed documentation, evaluation and testing of internal controls over financial reporting, as of the end of the period covered by this report, our disclosure controls and procedures are designed and were effective to give reasonable assurance that information we disclose in reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission’s rules and forms.

Changes in Internal Controls Over Financial Reporting

We have made no significant changes in our internal controls over financial reporting in connection with our three month period ended July 3, 2005 evaluation that would materially affect, or are reasonably likely to materially affect our internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We, like other worldwide manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain liability insurance coverage which we believe to be consistent with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims, which may arise from product defects and failures or from environmental liability.

Like many other manufacturers of fluid control products, we have been named as defendants in a growing number of product liability actions brought on behalf of individuals who seek compensation for their alleged exposure to airborne asbestos fibers. In particular, our subsidiaries, Leslie, Spence, and Hoke, collectively have been named as defendants or third-party defendants in asbestos related claims brought on behalf of approximately 22,000 plaintiffs typically against anywhere from 50 to 400 defendants. In some instances, we also have been named individually and/or as successor in interest to one or more of these subsidiaries. These cases have been brought in state courts in Alabama, California, Connecticut, Georgia, Illinois, Maryland, Massachusetts, Michigan, Mississippi, Montana, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington and Wyoming with the vast majority of claimants having brought their claims in Mississippi. The cases brought on behalf of the vast majority of claimants seek unspecified compensatory and punitive damages against all defendants in the aggregate. However, the complaints filed on behalf of claimants who do seek specified compensatory and punitive damages typically seek millions or tens of millions of dollars in damages against the aggregate of defendants.

Of the approximately 22,000 plaintiffs who have brought claims against our subsidiaries, over 21,000 have been in Mississippi. Recently in Mississippi, the courts have rendered decisions and the legislature has passed legislation aimed at curbing certain abusive practices by plaintiff attorneys pursuant to which large numbers of unrelated plaintiffs (sometimes numbering in the thousands in a single case) would be grouped in the same case against hundreds of defendants. As a result of the recent changes, many of these "mass filings" are expected to be dismissed. While it is possible that certain dismissed claims would be refiled in Mississippi or in other jurisdictions, any such refilings likely would be made on behalf of one or a small number of related individuals who can demonstrate actual injury and some connection to the Company's products.

Any components containing asbestos formerly used in Leslie, Spence and Hoke products were entirely internal to the product and, we believe, would not give rise to ambient asbestos dust during normal operation or during normal inspection and repair procedures. Moreover, to date, our insurers have been paying the vast majority of the costs associated with the defense of these actions, particular with respect to Spence and Hoke for which insurance has paid all defense costs to date. As we previously have disclosed, we negotiated a revised cost sharing understanding with Leslie's insurers which results in Leslie being responsible for 29% of its defense costs. In light of the foregoing, we currently believe that we have no basis on which to conclude that these cases may have a material adverse effect on our financial condition, results of operations or cash flows. However, due to the nature and number of variables associated with asbestos related claims, such as the rate at which new claims may be filed; the availability of insurance policies to continue to recover certain of our costs relating to the defense and payment of these claims; the impact of bankruptcies of other companies currently or historically defending asbestos claims including our co-defendants; the uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case; the impact of potential changes in legislative or judicial standards; the type and severity of the disease alleged to be suffered by each claimant; and increases in the expense of medical treatment, we are unable to reliably estimate the ultimate costs to us of these claims.

We are currently a party to or otherwise involved in various administrative or legal proceedings under federal, state or local environmental laws or regulations involving a number of sites, in some cases as a participant in a group of potentially responsible parties, referred to as PRPs. Two of these sites, the Sharkey and Combe Landfills in New Jersey, are listed on the National Priorities List. With respect to the Sharkey Landfill in New Jersey, we have been allocated 0.75% of the remediation costs, an amount that is not material to us. With respect to the Combe Landfill, we have settled both the Federal Government's claim and the State of New Jersey's claim for an amount that is immaterial to us. Moreover, our insurers have covered defense and settlement costs to-date with respect to the Sharkey and Combe Landfills. In addition, we have also been named as a PRP with respect to the Solvent Recovery Service of New England site and the Old Southington landfill site, both in Connecticut. These sites are also on the National Priorities List but, with respect to both sites, we have the right to indemnification from the prior owners of the affected subsidiaries. We also have been identified as a PRP with respect to the Lightman Drum Company site in New Jersey and, in this matter, we also have the right to indemnification from the former owners of the affected subsidiary. Based on currently available information, we believe that any share of clean-up costs at these sites attributable to us should not be material, particularly given our indemnification rights against the respective former owners.

We have reviewed all of our pending judicial and legal proceedings, reasonably anticipated costs and expenses in connection with such proceedings, and availability and limits of our insurance coverage, and we have established reserves that we believe are appropriate in light of those outcomes that we believe are probable and estimable at this time.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Working Capital Restrictions and Limitations upon Payment of Dividends

Certain of our loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and also limit our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. We were in compliance with all covenants related to our existing debt obligations at July 3, 2005 and December 31, 2004.

ITEM 3. DEFAULTS UPON SENIOR NOTES

None

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

The Company held its Annual Meeting of Stockholders on April 27, 2005. The proposals in front of our stockholders and the results of voting on such proposals were as noted below.

(i) Election of Directors: the following persons were elected as Class III directors for a three year term expiring at the Annual Meeting held in 2008.

	VOTES FOR	VOTES WITHHELD
David A. Bloss Sr.	12,459,130	1,585,925
Thomas E. Callahan	12,486,426	1,558,629

(ii) Approval of the Company's Amended and Restated 1999 Stock Option and Incentive Plan : The Company's Amended and Restated 1999 Stock Option and Incentive Plan was approved. The voting results were as follows:

VOTES FOR	VOTES AGAINST	VOTES ABSTAINED
5,317,312	5,239,335	3,488,636

ITEM 5. OTHER INFORMATION

The following information was reportable by us in Current Reports on Form 8-K during the quarterly period ended July 3, 2005 as events falling under Item 1.01 of Form 8-K ("Entry into a Material Definitive Agreement"), but was not so reported:

On May 4, 2005, the Company entered into an Executive Change of Control Agreement with Susan M. McCuaig in connection with Ms. McCuaig's recent appointment as Vice President of Human Resources of the Company. Under the Change of Control Agreement, if a "change in control" (as defined in the Agreement) occurs and Ms. McCuaig's employment is terminated by the Company without cause or by Ms. McCuaig with good reason within 12 months of such change in control, Ms. McCuaig will receive a lump sum amount in cash equal to one times the sum of her then current base salary and highest bonus during the three preceding fiscal years, all of her stock options and stock-based awards will become immediately exercisable, and she will be fully vested in any accrued benefit under the supplemental executive retirement plan. The Company will pay health insurance premiums for Ms. McCuaig and her family for one year. A copy of the Executive Change of Control Agreement is attached hereto as Exhibit 10.41.

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ITEM 6. EXHIBITS

Exhibit No.	Description and Location
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:
2.1	Distribution Agreement between Watts Industries, Inc. and CIRCOR International, Inc. dated as of October 1, 1999, is incorporated herein by reference to Exhibit 2.1 to Amendment No. 2 to CIRCOR International, Inc.'s Registration Statement on Form 10, File No. 000-26961, filed with the Securities and Exchange Commission on October 6, 1999 ("Amendment No. 2 to the Form 10").
3	Articles of Incorporation and By-Laws:
3.1	The Amended and Restated Certificate of Incorporation of CIRCOR International, Inc. is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.'s Registration Statement on Form 10, File No. 000-26961, filed with the Securities and Exchange Commission on August 6, 1999 ("Form 10").
3.2	The Amended and Restated By-Laws of CIRCOR International, Inc. are incorporated herein by reference to Exhibit 3.2 to the CIRCOR International, Inc.'s Registration Statement on Form 10, File No.001-14962, filed with the Securities and Exchange Commission on August 6, 1999.
3.3	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of CIRCOR International, Inc. classifying and designating the Series A Junior Participating Cumulative Preferred Stock is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.'s Registration Statement on Form 8-A, File No. 001-14962, filed with the Securities and Exchange Commission on October 21, 1999 ("Form 8-A").
4	Instruments Defining the Rights of Security Holders, Including Debentures:
4.1	Shareholder Rights Agreement, dated as of March 16, 1999, between CIRCOR International, Inc. and BankBoston, N.A., as Rights Agent is incorporated herein by reference to Exhibit 4.1 to the Form 8-A.
4.2	Agreement of Substitution and Amendment of Shareholder Rights Agent Agreement dated as of November 1, 2002 between CIRCOR International, Inc. and American Stock Transfer and Trust Company is incorporated herein by reference to Exhibit 4.2 to the CIRCOR International, Inc.'s Registration Statement on Form 10-K, File No. 000-26961, filed with the Securities and Exchange Commission on March 12, 2003.
10.41*	Executive Change of Control Agreement between CIRCOR International, Inc. and Susan M. McCuaig dated May 5, 2005.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this report.

SIGNATURES

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

	CIRCOR INTERNATIONAL, INC.
Date: August 5, 2005	**/s/ DAVID A. BLOSS, SR.**
	David A. Bloss, Sr. **Chairman, President and Chief Executive Officer** ***Principal Executive Officer***
Date: August 5, 2005	**/s/ KENNETH W. SMITH**
	Kenneth W. Smith **Senior Vice President, Chief Financial Officer and Treasurer** ***Principal Financial Officer***
Date: August 5, 2005	**/s/ STEPHEN J. CARRIERE**
	Stephen J. Carriere **Vice President, Corporate Controller and Assistant Treasurer** ***Principal Accounting Officer***

Exhibit 10.41

EXECUTIVE CHANGE OF CONTROL AGREEMENT

This EXECUTIVE CHANGE OF CONTROL AGREEMENT (“Agreement”) is made as of the 4th day of May, 2005, between CIRCOR, Inc., a Massachusetts corporation (the “Company”), and Susan M. McCuaig (“Executive”).

WHEREAS, the Company presently employs the Executive in which capacity the Executive serves as an officer of the Company and its Parent (as defined below); and

WHEREAS, the Board of Directors of the Parent (the “Board”) recognizes the valuable services rendered to the Company, the Parent and their respective affiliates by the Executive; and

WHEREAS, the Board has determined that it is in the best interests of the Company, the Parent and their affiliates to encourage in advance the continued loyalty of the Executive as well as the Executive’s continued attention to her assigned duties and objectivity in the event of a threatened or possible change in control of the Parent;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. ***Definitions.*** For purposes of this Agreement, the following terms shall have the following meanings:

“Cause” shall mean: (a) conduct by Executive constituting a material act of willful misconduct in connection with the performance of her duties, including, without limitation, misappropriation of funds or property of the Company or any of its affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; (b) criminal or civil conviction of Executive, a plea of polo contendere by Executive or conduct by Executive that would reasonably be expected to result in material injury to the reputation of the Company if he were retained in her position with the Company, including, without limitation, conviction of a felony involving moral turpitude; (c) continued, willful and deliberate non-performance by Executive of her duties hereunder (other than by reason of Executive’s physical or mental illness, incapacity or disability) which has continued for more than thirty (30) days following written notice of such non-performance from the Chief Executive Officer; or (d) a violation by Executive of the Company’s employment policies which has continued following written notice “of such violation from the Chief Executive Officer.

“Change in Control” shall mean any of the following:

(a) Any “person,” as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Act”) (other than the Parent, any of its subsidiaries, any member of the Home Family Group (as defined herein) or any trustee, fiduciary or other person or entity holding securities udder any employee benefit plan or trust of the Parent or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Parent representing twenty-five percent (25%) or more of either (A) the combined voting power of the Parent's then outstanding securities having the right to voice in an election of the Parent's Board ("Voting Securities") or (B) the then outstanding shares of Parent's common stock, par value $0.01 per share ("Common Stock") (other than as a result of an acquisition of securities directly from the Parent); or

(b) Incumbent Directors (as defined below) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board; or

(c) The stockholders of the Parent shall approve (A) any consolidation or merger of the Parent where the stockholders of the Parent, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate fifty percent (50%) or more of the voting shares of the Parent or other party issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Parent or (C) any plan or proposal for the liquidation or dissolution of the Parent.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (a) solely as the result of an acquisition of securities by the Parent which, by reducing the number of shares of Common Stock or other Voting Securities outstanding, increases the proportionate number of shares beneficially owned by any person to twenty-five percent (25%) or more of either (A) the combined voting power of all of the then outstanding Voting Securities or (B) Common Stock; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities or Common Stock (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Parent) and immediately thereafter beneficially owns twenty-five percent (25%) or more of either (A) the combined voting power of all of the then outstanding Voting Securities or (B) Common Stock, then a "Change of Control" shall be deemed to have occurred for purposes of the foregoing clause (a).

"Good Reason" shall mean that Executive has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (a) a substantial diminution or other substantive adverse change, not consented to by Executive, in the nature or scope of Executive's responsibilities, authorities, powers, functions or duties; (b) any removal, during the term of this Agreement from Executive of her titles as an officer of the Parent; (c) an involuntary reduction in Executive's Base Salary except for across-the-board reductions similarly affecting all or substantially all management employees; (d) a breach by the Company of any of its other material obligations under this Agreement and the failure of the Company to cure such breach within thirty (30) days after written notice thereof by Executive; (e) the involuntary relocation of the Company's offices at which Executive is principally employed or the involuntary relocation of the offices of Executive's primary workgroup to a location more than thirty (30) miles from such offices, or the requirement by the Company that Executive be based anywhere other than the Company's offices at such location on an extended basis, except for required travel on the Company's business to an extent substantially consistent with Executive's business travel obligations; or (f) a reduction in Executive's opportunity for annual incentive compensation below the annual incentive opportunity most recently in effect under the Company's Executive Bonus Incentive Plan prior to the Change in Control. "Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the Company in writing of the occurrence of the Good Reason event; (iii) Executive cooperates in good faith with the Company's efforts, for a period not less than ninety (90) days following such notice, to modify Executive's employment situation in a manner acceptable to Executive and Company; and (iv) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the Company cures the Good Reason event in a manner acceptable to Executive during the ninety (90) day period, Good Reason shall be deemed not to have occurred.

"Incumbent Directors" shall mean persons who, as of the Commencement Date, constitute the Board; provided that any person becoming a director of the Parent subsequent to the Commencement Date shall be considered an Incumbent Director if such person's election was approved by or such person was nominated for election by a vote of at least a majority of the Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director.

"Parent" shall mean CIRCOR International, Inc., a Delaware corporation as well as its successors by merger or otherwise.

"Horne Family Group" shall mean Timothy P. Home and the George B. Home Voting Trust.

2. ***Term.*** The term of this Agreement shall extend from the date hereof (the "Commencement Date") until the first anniversary of the Commencement Date; provided, however, that the term of this Agreement shall automatically be extended for one additional year on the first anniversary of the Commencement Date and each anniversary thereafter unless, not less than 90 days prior to each such date, either party shall have given notice to the other that it does not wish to extend this Agreement; provided, further, that if a Change in Control occurs during the original or extended term of this Agreement, the term of this Agreement shall continue in effect for a period of not less than twelve (12) months beyond the month in which the Change in Control occurred.

3. ***Change in Control Payment.*** The provisions of this Paragraph 3 set forth certain terms of an agreement reached between Executive and the Company regarding Executive's rights and obligations upon the occurrence of a Change in Control of the Parent. These provisions are intended to assure and encourage in advance Executive's continued attention and dedication to her assigned duties and her objectivity during the pendency and after the occurrence of any such event. These provisions shall terminate and be of no further force or effect beginning twelve (12) months after the occurrence of a Change of Control.

(a) **Change in Control.**

(i) If within twelve (12) months after the occurrence of the first event constituting a Change in Control, Executive's employment is terminated by the Company without Cause as defined in Section 1 or Executive terminates her employment for Good Reason as provided in Section 1, then the Company shall pay Executive a lump sum in cash in an amount equal to one (1) times the sum of (A) Executive's current Base Salary plus (B) Executive's highest annual incentive compensation under the Company's Executive Bonus Incentive Plan in the three (3) immediately preceding fiscal years, excluding any sign-on bonus, retention bonus or any other special bonus. Such lump sum cash payment shall be paid to Executive within thirty (30) days following the Date of Termination; and

(ii) Notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, upon a Change in Control, all stock options and other stock-based awards granted to Executive by the Parent shall immediately accelerate and become exercisable or non-forfeitable as of the effective date of such Change in Control. In addition, all restricted stock units held by the Executive pursuant to the Management Stock Purchase Plan shall become fully vested upon a Change of Control and the Executive shall be entitled to receive the shares of stock represented by such restricted stock units. Executive shall also be entitled to any other rights and benefits with respect to stock-related awards, to the extent and upon the terms, provided in the employee stock option or incentive plan or any agreement or other instrument attendant thereto pursuant to which such options or awards were granted; and

(iii) If the Executive is otherwise eligible for participation in the Company's Supplemental Executive Retirement Plan ("SERP"), the Executive shall be fully vested in her accrued benefit under the SERP as of the Date of Termination; and

(iv) The Company shall, for a period of one (1) year commencing on the Date of Termination, pay such health insurance premiums as may be necessary to allow Executive, Executive's spouse and dependents to continue to receive health insurance coverage substantially similar to the coverage they received prior to the Date of Termination.

(b) **Additional Limitation.**

(i) Anything in this Agreement to the contrary notwithstanding, in the event that any compensation, payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the “Severance Payments”), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), the following provisions shall apply:

(A) If the Severance Payments, reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state and local income and employment taxes payable by Executive on the amount of the Severance Payments which are in excess of the Threshold Amount, are greater than or equal to the Threshold Amount, Executive shall be entitled to the full benefits payable under this Agreement.

(B) If the Threshold Amount is less than (x) the Severance Payments, but greater than (y) the Severance Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Severance Payments which are in excess of the Threshold Amount, then the benefits payable under this Agreement shall be reduced (but not below zero) to the extent necessary so that the maximum Severance Payments shall not exceed the Threshold Amount. To the extent that there is more than one method of reducing the payments to bring them within the Threshold Amount, Executive shall determine which method shall be followed; provided that if Executive fails to make such determination within 45 days after the Company has sent Executive written notice of the need for such reduction, the Company may determine the amount of such reduction in its sole discretion.

For the purposes of this Paragraph 3, “Threshold Amount” shall mean three times Executive’s “base amount” within the meaning of Section 280G(b)(3) of the Code and the regulations promulgated thereunder less one dollar ($1.00); and “Excise Tax” shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by Executive with respect to such excise tax.

(ii) The determination as to which of the alternative provisions of Paragraph 3(b)(i) shall apply to Executive shall be made by KPMG LLP or any other nationally recognized accounting firm selected by the Company (the “Accounting Firm”), which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the Date of Termination, if applicable, or at such earlier time as is reasonably requested by the Company or Executive. For purposes of determining which of the alternative provisions of Paragraph 3(b)(i) shall apply, Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of Executive’s residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

4. ***Unauthorized Disclosures.*** Executive acknowledges that in the course of her employment with the Company (and, if applicable, its predecessors), he has been allowed to become, and will continue to be allowed to become, acquainted with the Company's and the Parent's business affairs, information, trade secrets, and other matters which are of a proprietary or confidential nature, including but not limited to the Company's, the Parent's and their affiliates' and predecessors' operations, business opportunities, price and cost information, finance, customer information, business plans, various sales techniques, manuals, letters, notebooks, procedures, reports, products, processes, services, and other confidential information and knowledge (collectively the "Confidential Information") concerning the Company's, the Parent's and their affiliates' and predecessors' business. The Company agrees to provide on an ongoing basis such Confidential Information as the Company deems necessary or desirable to aid Executive in the performance of her duties. Executive understands and acknowledges that such Confidential Information is confidential, and he agrees not to disclose such Confidential Information to anyone outside the Company or the Parent except to the extent that (i) Executive deems such disclosure or use reasonably necessary or appropriate in connection with performing her duties on behalf of the Company and the Parent, (ii) Executive is i required by order of a court of competent jurisdiction (by subpoena or similar process) to disclose or discuss any Confidential Information, provided that in such case, Executive shall promptly inform the Company or the Parent, as appropriate, of such event, shall cooperate with the Company or the Parent, as appropriate, in attempting to obtain a protective order or to otherwise restrict such disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with any such court order; (iii) such Confidential Information becomes generally known to and available for use in the Company's industry (the "Fluid-Control Industry"), other than as a result of any action or inaction by Executive; or (iv) such information has been rightfully received by a member of the Fluid-Control Industry or has been published in a form generally available to the Fluid-Control Industry prior to the date Executive proposes to disclose or use such information. Executive further agrees that he will not during employment and/or at any time thereafter use such Confidential Information in competing, directly or indirectly, with the Company or the Parent. At such time as Executive shall cease to be employed by the Company, he will immediately turn over to the Company or the Parent, as appropriate, all Confidential Information, including papers, documents, writings, electronically stored information, other property, and all copies of them provided to or created by him during the course of her employment with the Company. The provisions of this Paragraph 4 shall survive termination of this Agreement for any reason.

5. ***Covenant Not to Compete.*** In consideration of the benefits afforded the Executive under the terms provided in this Agreement and as a means to aid in the performance and enforcement of the terms of the provisions of Paragraph 4, Executive agrees that

(a) during the term of Executive's employment with the Company and for a period of twelve (12) months thereafter, regardless of the reason for termination of employment, Executive will not, directly or indirectly, as an owner, director, principal, agent, officer, employee, partner, consultant, servant, or otherwise, carry on, operate, manage, control, or become involved in any manner with any business, operation, corporation, partnership, association, agency, or other person or entity which is engaged in a business that is competitive with any of the Company's or the Parent's products which are produced by the Company or the Parent or any affiliate of either entity as of the date of Executive's termination of employment with the Company, in any area or territory in which the Company or the Parent or any affiliate of either entity conducts operations; provided, however, that the foregoing shall not prohibit Executive from owning up to one percent (1%) of the outstanding stock of a publicly held company engaged in the Fluid-Control Industry; and

(b) during the term of Executive's employment with the Company and for a period of twelve (12) months thereafter, regardless of the reason for termination of employment, Executive will not directly or indirectly solicit or induce any present or future employee of the Company or the Parent or any affiliate of either entity to accept employment with Executive or with any business, operation, corporation, partnership, association; agency, or other person or entity with which Executive may be associated, and Executive will not employ or cause any business, operation, corporation, partnership, association, agency, or other person or entity with which Executive maybe associated to employ any present or future employee of the Company or the Parent without providing the Company or the Parent, as appropriate, with ten (10) days' prior written notice of such proposed employment.

Should Executive violate any of the provisions of this Paragraph, then in addition to all other rights and remedies available to the Company at law or in equity, the duration of this covenant shall automatically be extended for the period of time from which Executive began such violation until he permanently ceases such violation.

6. ***Notice.*** For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

At her home address as shown
in the Company's personnel records;

If to the Company:

CIRCOR, Inc.
25 Corporate Drive
Burlington, MA 01803
Attention: Board of Directors of CIRCOR International, Inc.

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7. ***Not an Employment Contract.*** This Agreement is intended only to provide those benefits for the Executive as set forth in Paragraph 3 in connection with a Change of Control. As such, this Agreement is not intended to and does not in anyway constitute an employment agreement or other contract which would cause the employee to be considered anything other than an employee at will or to in any way be entitled to any specific payments or benefits from the Company in the event of a termination of employment not subject to Paragraph 3 of this Agreement.

8. ***Miscellaneous.*** No provisions of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by Executive and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto of or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, unless specifically referred to herein, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts (without regard to principles of conflicts of laws).

9. ***Validity.*** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. The invalid portion of this Agreement, if any, shall be modified by any court having jurisdiction to the extent necessary to render such portion enforceable.

10. ***Counterparts.*** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

11. ***Arbitration; Other Disputes.*** In the event of any dispute or controversy arising under or in connection with this Agreement, the parties shall first promptly try in good faith to settle such dispute or controversy by mediation under the applicable rules of the American Arbitration Association before resorting to arbitration. In the event such dispute or controversy remains unresolved in whole or in part for a period of thirty (30) days after it arises, the parties will settle any remaining dispute or controversy exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the above, the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Paragraph 4 or 5 hereof.

12. ***Litigation and Regulatory Cooperation.*** During and after Executive's employment, Executive shall reasonably cooperate with the Company and the Parent in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company and/or the Parent which relate to events or occurrences that transpired while Executive was employed by the Company; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company and/or the Parent at mutually convenient times. During and after Executive's employment, Executive

also shall cooperate fully with the Company and the Parent in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Company. The Company shall also provide Executive with compensation on an hourly basis (to be derived from the sum of her Base Compensation and Average Incentive Compensation) for requested litigation and regulatory cooperation that occurs after her termination of employment, and reimburse Executive for all costs and expenses incurred in connection with her performance under this Paragraph 12, including, but not limited to, reasonable attorneys' fees and costs.

13. ***Gender Neutral.*** Wherever used herein, a pronoun in the masculine gender shall be considered as including the feminine gender unless the context clearly indicates otherwise.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date and year first above written.

CIRCOR, INC.

By: /s/ David A. Bloss, Sr.

David A. Bloss, Sr.
President

EXECUTIVE

/s/ Susan M. McCuaig

Susan M. McCuaig

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David A. Bloss, Sr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIRCOR International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

Signature: /S/ DAVID A. BLOSS, SR.

David A. Bloss, Sr.
Chairman, President and
Chief Executive Officer
Principal Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth W. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIRCOR International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

Signature: /S/ KENNETH W. SMITH

Kenneth W. Smith
Senior Vice President, Chief Financial
Officer and Treasurer
Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officers, who are the Chief Executive Officer and Chief Financial Officer of CIRCOR International, Inc. (the "Company"), each hereby certifies to the best of his knowledge, that the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID A. BLOSS, SR.

David A. Bloss, Sr.
Chairman, President and Chief Executive Officer
August 5, 2005

/s/ KENNETH W. SMITH

Kenneth W. Smith
Senior Vice President, Chief Financial Officer and Treasurer
August 5, 2005