



**First Quarter 2009**

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**Investor Review**

**April 29, 2009**



## FORWARD LOOKING STATEMENT

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This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Reliance should not be placed on forward-looking statements because they involve unknown risks, uncertainties and other factors, which are, in some cases, beyond the control of CIRCOR. Actual events, performance or results could differ materially from the anticipated events, performance or results expressed or implied by such forward-looking statements. **BEFORE MAKING ANY INVESTMENT DECISIONS REGARDING OUR COMPANY, WE STRONGLY ADVISE YOU TO READ THE SECTION ENTITLED “RISK FACTORS” IN OUR MOST RECENT ANNUAL REPORT ON FORM 10-K WHICH CAN BE ACCESSED UNDER THE “INVESTORS” LINK OF OUR WEBSITE AT [WWW.CIRCOR.COM](http://WWW.CIRCOR.COM).** We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Financial Results

USD, In Millions, except per share amounts

|                                      | Current | Prior Year |        | Prior Quarter |        |
|--------------------------------------|---------|------------|--------|---------------|--------|
|                                      | Q109    | Q108       | Var.   | Q408          | Var.   |
| Net Revenues                         | \$175.6 | \$176.6    | -0.5%  | \$202.0       | -13.0% |
| Operating Income<br>(Loss)           | \$14.8  | \$19.5     | -24.2% | \$(116.6)     | NM     |
| Net Income<br>(Loss)                 | \$10.5  | \$12.9     | -18.9% | \$(110.1)     | NM     |
| *Adjusted Op.<br>Income              | \$21.9  | \$20.7     | 5.7%   | \$26.1        | 15.9%  |
| *Adj. Op. Income<br>Margin           | 12.5%   | 11.7%      | 80bp   | 12.9%         | -40bp  |
| Diluted Earnings<br>(Loss) Per Share | \$0.61  | \$0.76     | -19.6% | \$(6.52)      | NM     |
| *Adjusted EPS                        | \$0.57  | \$0.77     | -26.3% | \$1.12        | -49.2% |

\*Adjusted operating income = Operating income excluding special and asbestos charges

\*Adjusted EPS= Diluted EPS excluding the impact of special charges, net of tax

# Net Income / EPS

USD, In Millions, except per share amounts

|   | Current<br>Q109 | Prior Year<br>Q108 | Var             | Prior Quarter<br>Q408 | Var           |
|---|-----------------|--------------------|-----------------|-----------------------|---------------|
| Segments' Operating income excluding special and asbestos-related charges | \$ 27.3         | \$ 25.4            | \$ 1.9          | \$ 32.1               | \$ (4.8)      |
| Asbestos charges *  | (8.3)           | (1.1)              | (7.2)           | (1.4)                 | (6.9)         |
| Special benefit (charges)   | 1.1             | (0.2)              | 1.3             | (141.3)               | 142.4         |
| Corporate Expenses  | (5.3)           | (4.6)              | (0.7)           | (6.0)                 | 0.7           |
| Operating income  | 14.8            | 19.5               | (4.7)           | (116.6)               | 131.4         |
| Net interest  | -               | (0.1)              | 0.1             | 0.1                   | (0.1)         |
| Other (exp) income; i.e. FX   | 0.2             | (0.4)              | 0.6             | 0.4                   | (0.2)         |
| Income taxes  | (4.5)           | (6.1)              | 1.6             | 6.0                   | (10.5)        |
| Net income  | 10.5            | 12.9               | (2.4)           | (110.1)               | 120.6         |
| Diluted shares (000's)  | 17,014          | 16,872             | 142             | 16,897                | 117           |
| <b>EPS</b>  | <b>\$0.61</b>   | <b>\$0.76</b>      | <b>(\$0.15)</b> | <b>(\$6.52)</b>       | <b>\$7.13</b> |

\* Asbestos charges are attributable to the Instrum & TFC Segment's Leslie Controls subsidiary.

# Asbestos Update

USD, In Millions, except quarterly case data

| <u>Quarterly Case Data</u>          | <u>Q1 2009</u> | <u>Q4 2008</u> | <u>Q1 2008</u> |
|-------------------------------------|----------------|----------------|----------------|
| Beginning open cases                | 968            | 972            | 707            |
| Cases filed                         | 222            | 115            | 138            |
| Cases resolved and dismissed        | (87)           | (119)          | (89)           |
| Ending open cases                   | <u>1,103</u>   | <u>968</u>     | <u>756</u>     |
| Ending open mesothelioma cases      | <u>578</u>     | <u>502</u>     | <u>374</u>     |
| <br><u>Income Statement Amounts</u> |                |                |                |
|                                     | <u>Q1 2009</u> | <u>Q4 2008</u> | <u>Q1 2008</u> |
| Indemnity costs - accrued           | \$4.6 *        | \$0.3          | \$1.3          |
| Adverse verdicts - accrued interest | 0.1            | 0.1            | -              |
| Defense costs incurred              | 3.2            | 2.3            | 2.4            |
| AR adj - insurance exhaustion       | 2.1            | -              | -              |
| Insurance recoveries accrued        | (1.7)          | (1.3)          | (2.6)          |
| Net pre-tax asbestos charges        | <u>\$8.3</u>   | <u>\$1.4</u>   | <u>\$1.1</u>   |
| <br><u>Balance Sheet Amounts</u>    |                |                |                |
|                                     | <u>Q1 2009</u> | <u>Q4 2008</u> | <u>Q1 2008</u> |
| Existing claim indemnity liability  | \$20.8         | \$16.7         | \$13.4         |
| Incurred defense cost liability     | 4.2            | 2.6            | 3.7            |
| Insurance recoveries asset          | (9.1)          | (10.8)         | (12.1)         |
| Net asbestos liability              | <u>\$15.9</u>  | <u>\$8.5</u>   | <u>\$5.0</u>   |

*\* Higher Indemnity costs in Q1'09 are comprised of \$2.7M in settlements and \$1.9M for increase in open claims*

# Cash Flow

USD, In Millions

|  | <u>Q1 2009</u>      | <u>Q1 2008</u>      |
|--|---------------------|---------------------|
| Net Income   | \$ 10.5             | \$ 12.9             |
| Depreciation   | 2.8                 | 2.9                 |
| Amortization   | 0.6                 | 0.7                 |
| Compensation expense of stock-based plans<br>net of tax effect | 1.1                 | 0.3                 |
| Working Capital / Other  | <u>(19.7)</u>       | <u>(18.7)</u>       |
| Cash Flow from Operations                                      | (4.7)               | (1.9)               |
| Capital Expenditures   | (2.6)               | (2.9)               |
| Dividends  | <u>(0.6)</u>        | <u>(0.6)</u>        |
| Free Cash Flow*  | <u><u>(7.9)</u></u> | <u><u>(5.4)</u></u> |

*\* Free Cash Flow = Cash Flow from Operations less Capital Expenditures and Dividends*

# Instrumentation & Thermal Fluids Segment

USD, In Millions

|                        | Current | Prior Year |        | Prior Quarter |        |
|------------------------|---------|------------|--------|---------------|--------|
|                        | Q109    | Q108       | Var    | Q408          | Var    |
| Orders                 | \$76.1  | \$111.2    | -31.6% | \$94.7        | -19.7% |
| Revenues               | \$86.3  | \$88.5     | -2.4%  | \$94.5        | -8.6%  |
| Op. Income             | \$2.9   | \$10.0     | -71.5% | \$(132.2)     | NM     |
| *Adj. Op. Income       | \$11.1  | \$11.1     | 0.4%   | \$10.6        | 5.3%   |
| Adj. Op. Income Margin | 12.9%   | 12.5%      | 40bp   | 11.2%         | 170bp  |

\*Adjusted Operating Income = Operating Income, excluding special and asbestos charges

# Energy Products Segment

USD, In Millions

|                               | Current | Prior Year |        | Prior Quarter |         |
|-------------------------------|---------|------------|--------|---------------|---------|
|                               | Q109    | Q108       | Var    | Q408          | Var     |
| <b>Orders</b>                 | \$45.8  | \$125.9    | -63.6% | \$48.3        | -5.2%   |
| <b>Revenues</b>               | \$89.3  | \$88.1     | 1.3%   | \$107.5       | -16.9%  |
| <b>Op. Income</b>             | \$17.3  | \$14.3     | 21.0%  | \$21.6        | -19.7%  |
| <b>*Adj. Op. Income</b>       | \$16.2  | \$14.3     | 13.0%  | \$21.6        | -25.0%  |
| <b>Adj. Op. Income Margin</b> | 18.1%   | 16.2%      | 190 bp | 20.1%         | -200 bp |

\*Adjusted Operating Income = Operating Income, excluding special and asbestos charges



# 2009 Market Assumptions

## ❖ Large Middle East Energy Projects

- Quoting activity continuing but with shorter lead times, increased pricing pressure, more capacity and lower material costs
- Seeing project delays but no major cancellations
- Order visibility continues to be limited

## ❖ North America Energy Short-Cycle

- N. American rig counts down 50% from 2008 highs due to reduced drilling activity, lower oil & natural gas prices and gas over-supply
- Once rig counts stabilize, distributors will need approximately 2 quarters to burn down excess

## ❖ Aerospace

- Military & OEM business steady
- Business jet segment down sharply
- Commercial OEM may trend lower in 2<sup>nd</sup> half
- Commercial aftermarket spares soft but low exposure

## ❖ HVAC/Steam

- Very few construction projects in North America
- Repairs and upgrades to existing systems
- Emerging markets appear relatively sound

## ❖ Industrial Markets

- Orders down for products through distributors
- MRO stronger than OEM business
- German equipment exports to industrial process manufacturers down significantly
- Semiconductor activity off sharply

## ❖ Power Generation

- U.S power plants continue to upgrade
- International projects focused on severe service and high pressure applications

## ❖ Chemical & Refining

- Decreased capital investments reducing demand
- Refining MRO activities continue

## ❖ Maritime

- Orders remain steady

## ❖ Process Industry

- Significant decline in Europe & N. America
- Maintenance business steady



# **Q & A Session**

## ***First Quarter Earnings***