

CIRCOR INTERNATIONAL INC
Form 10-K
February 21, 2017

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

FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

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

For the transition period from _____ to _____
Commission File Number 001-14962

CIRCOR INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	04-3477276 (I.R.S. Employer Identification No.)
c/o CIRCOR, Inc. 30 Corporate Drive, Suite 200, Burlington, MA	01803-4238
(Address of principal executive offices)	(Zip Code)

(781) 270-1200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:
Common Stock, par value \$0.01 per share (registered on the New York Stock Exchange)
Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2016 was \$915,061,573. The registrant does not have any non-voting common equity.

As of February 10, 2017, there were 16,371,775 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain portions of the information from the registrant's definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be held on May 10, 2017. The definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's year ended December 31, 2016.

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Part I

Item 1. Business

This Annual Report on Form 10-K contains certain statements that are “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995 (the “Act”). The words “may,” “hope,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” and other expressions which are predictive 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, changes in the price of and demand for Oil & Gas in both domestic and international markets, our ability to successfully integrate the businesses of Critical Flow Solutions (“CFS”), as contemplated, any adverse changes in governmental policies, variability of raw material and component pricing, changes in our suppliers’ performance, fluctuations in foreign currency exchange rates, our ability to hire and maintain key personnel, our ability to continue operating our manufacturing facilities at efficient levels including our ability to prevent cost overruns and continue to reduce costs, our ability to generate increased cash by reducing our working capital, our prevention of the accumulation of excess inventory, our ability to successfully implement our restructuring or simplification strategies, fluctuations in interest rates, our ability to continue to successfully defend product liability actions, as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern conflicts and related matters. For a discussion of these risks, uncertainties and other factors, see Item 1A “Risk Factors”. 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. was incorporated under the laws of Delaware on July 1, 1999. As used in this report, the terms “we,” “us,” “our,” the “Company” and “CIRCOR” mean CIRCOR International, Inc. and its subsidiaries (unless the context indicates another meaning). The term “common stock” means our common stock, par value \$0.01 per share.

We design, manufacture and market flow control solutions and other highly engineered products and sub-systems for markets including Oil & Gas, Aerospace, power and process, and industrial solutions. CIRCOR has a diversified product portfolio with recognized, market-leading brands that fulfill its customers’ unique application needs. The Company’s strategy is to grow organically and through complementary acquisitions; simplify CIRCOR’s operations; achieve world class operational excellence; and attract and retain top industry talent. We have a global presence and operate 19 major manufacturing facilities that are located in North America, Western Europe, Morocco, and India. During the fourth quarter of 2016, the Company realigned its organizational structure from Energy and Aerospace & Defense to the following reportable business segments: CIRCOR Energy (“Energy segment” or “Energy”) and CIRCOR Advanced Flow Solutions (“Advanced Flow Solutions segment” or “AFS”). We sell our products through approximately 800 distributors or representatives as well as directly to end-user customers.

Strategies

Our objective is to enhance shareholder value by focusing on growth, margin expansion, strong free cash flow, and disciplined capital deployment. We have a four-point strategy to achieve these objectives.

1) Growth Organically and Through Acquisitions. We leverage the power of our global design capabilities to develop innovative products that solve our customers' most challenging and critical problems. New products will be an increasingly important part of our growth strategy going forward. In addition, we are positioning ourselves to grow in parts of our end markets where our products are under-represented. This could include establishing a presence in higher growth geographies where we have a limited presence today. It also could include taking products established in one end-market (e.g., distributed valves) and selling those solutions into other relevant end markets (e.g., large international projects in Oil & Gas).

In addition to organic growth, we expect to acquire businesses over time. We are primarily focused on companies with differentiated technologies in complementary markets that we already understand and where we expect substantial growth. In addition to strategic fit, the main criterion for an acquisition is return on invested capital.

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2) Simplify CIRCOR. In 2013 we embarked on a long-term journey to simplify CIRCOR. We have a large number of facilities relative to our size and believe that simplifying this structure will not only expand our margins by reducing cost, but will help us improve our customer service, operations, and controls. We continue to drive product management by obtaining in depth understanding of our customer needs and competitor capabilities in our end markets. Based on that understanding, we executed an innovative product, price and channel strategy that will allow us to drive above market growth.

3) Achieve World Class Operational Excellence. Our Global Operations and Supply Chain organization is fully committed to achieving operational excellence in support of our customers' expectations of perfect quality, on-time delivery and market competitiveness. We follow the CIRCOR Operating System ("COS") which creates a disciplined culture of continuous improvement for driving operational excellence in the quality and delivery of our products and services. COS is comprised of ten business process attributes designed to engage and empower our employees to recognize and eliminate waste, work real-time problem solving as part of their everyday job experience, and enhance our performance both in operations and business office processes. Under COS our employees participate in a regimented training program and receive regular prescriptive assessments / action plans to drive process maturity. Quantitative performance metrics will define site certification levels to attain and sustain a level of quality, productivity and market competitiveness that delights our customers, shareholders, and employees.

4) Build the Best Team. Finally, we have a fundamental belief at CIRCOR that the best team wins. We are committed to attracting the most talented people in our industry and we are committed to investing, engaging, challenging and developing our employees. We believe the best people combined with robust process, appropriate metrics, and individual accountability will deliver extraordinary results.

Acquisitions

On October 12, 2016, the Company acquired all of the outstanding units of Critical Flow Solutions ("CFS"). On April 15, 2015, we acquired all of the outstanding equity interest of Germany-based Schroedahl GmbH ("Schroedahl"). See Note 3, "Business Acquisitions", of the consolidated financial statements for additional information.

Business Segments

During the fourth quarter of 2016, the Company realigned its Energy and Aerospace & Defense segments into Energy and Advanced Flow Solutions segments. Prior periods presented have been recasted to reflect the new realigned segment structure.

Energy

Energy is a global provider of highly engineered integrated flow control solutions, valves and services primarily in the Oil & Gas end market.

We are focused on satisfying our customers' mission-critical application needs by utilizing advanced technologies. Our flow control solutions can withstand extreme temperatures and pressures, including land-based, topside, and sub-sea applications. Energy is growing its product offering in the severe service sector, which includes applications such as process control, oil sands, pressure control and cryogenic applications.

We plan to grow Energy by expanding our capabilities in Oil & Gas - upstream, mid-stream and downstream, including through acquisitions.

Energy is headquartered in Houston, Texas and has manufacturing facilities in the North America, United Kingdom, Italy, and the Netherlands.

Markets and Applications

Energy serves an increasing range of energy-focused global markets. Key to our business strategy is targeting additional markets that can benefit from our innovative products and system solutions. Markets served today include Oil & Gas: upstream (on-shore and off-shore), mid-stream and downstream applications. The upstream and mid-stream markets are primarily served by our large international project and North American short-cycle businesses, and downstream markets are served primarily by our refinery valves and instrumentation and sampling businesses.

Upstream Oil & Gas: These markets commonly include all the equipment between the outlet on the wellhead to the mainline transmission pipeline and it also incorporates all the activities associated with the installation of this equipment.

Mid-stream Oil & Gas: This market begins at the mainline transmission pipeline and extends to the fence around the refinery or petrochemical plant. It includes certain ancillary equipment - as well as the gas processing plants that prepare and purify raw natural gas for entry into the major pipeline systems and Liquid Natural Gas (LNG) processes. This also includes value added engineering and pipeline services to the pipeline integrity market.

Downstream Oil & Gas: The downstream market includes the refining, distillation, stripping, degassing, dehydrating, desulpherizing, and purifying of the crude oil to its constituent components as well as the conversion of natural gas to methane.

Non-Oil & Gas Market: This market includes highly engineered, innovative, and value-added solutions in analytical and low-flow fluid control applications in a safety conscious, timely, and environmentally friendly manner.

Brands

Energy provides its flow control solutions and services through the following significant brands:

Circle Seal Controls, CIRCOR Tech, Contromatics, DeltaValve, Dopak Sampling, GO Regulators, Hoke-Gyrolok, Hydroseal, KF Valves, Mallard Control, Pibiviesse, Pipeline Engineering, TapcoEnpro, and Texas Sampling.

Products

Energy offers a range of flow control solutions (distributed and highly engineered) and services, including:

Valves (from 1/8 inch to 64 inches in diameter)

Engineered Trunion and Floating Ball Valves

Gate, Globe and Check Valves

Butterfly Valves

Instrumentation Fittings and Sampling Systems, including Sight Glasses & Gauge Valves;

Liquid Level Controllers, Liquid Level Switches, Plugs & Probes Pressure Controllers, Pressure Regulators;

Pipeline pigs, quick opening closure, pig signalers; and

Delayed coking unheading devices and fluid catalytic converter valves.

For our manufactured valve products, we are subject to applicable federal, state and local regulations. In addition, many of our customers require us to comply with certain industrial standards, including those issued by the American Petroleum Institute, International Organization for Standardization, Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers, and the European Pressure Equipment Directive. We also need to meet standards that qualify us to be on authorized supplier lists with various global end users. In February 2017, our manufacturing facility in Milan, Italy received a notice from the American Petroleum Institute (API) that the facility no longer met its certification standards. We are evaluating the most expeditious process for recertification of our Milan facility. This notice does not impact any of our other facilities that hold the API certification. We do not currently expect this matter to have a material impact on our financial position or results of operations.

Customers

Energy's products and services are sold to end-user customers, such as major oil companies, and Engineering, Procurement and Construction companies, through sales channels that include direct sales, sales representatives, distributors, and agents.

Revenue and Backlog

Energy accounted for \$322.0 million, \$383.7 million and \$553.0 million, or 55%, 58% and 66%, of our net revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Energy's backlog as of January 31, 2017 was \$140.0 million compared with \$134.7 million as of January 31, 2016. We expect to ship all but \$3.3 million of the January 31, 2017 backlog by December 31, 2017. Energy backlog represents backlog orders we believe to be firm.

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Advanced Flow Solutions

Advanced Flow Solutions ("AFS") is a diversified flow control technology platform. Our primary product focus areas are valves, actuation, motors, switches, high pressure pneumatic systems, steam and process loop flow management solutions.

AFS products are used in aerospace, defense, power and process, and general industrial markets. These products are primarily focused on the following end markets: Aerospace and Defense, Power and Process, HVAC, Maritime and Industrial Gas.

We plan to grow Advanced Flow Solutions by increasing market share in existing and new markets through exceptional sales and customer service enabled by innovative, reliable and high quality solutions. Product portfolio expansion through acquisitions of differentiated technologies in current and adjacent applications is also a key part of our growth strategy

We have Advanced Flow Solutions facilities in North America, United Kingdom, France, Germany, Morocco, and India. Our Advanced Flow Solutions headquarters is in Corona, California.

Markets and Applications

Advanced Flow Solutions serves the aerospace, power and process, and general industrial markets.

The commercial aerospace market we serve includes systems and components on airliners and business jets, such as hydraulic, pneumatic, fuel and ground support equipment including maintenance, repair and overhaul (MRO). In addition, we serve the defense market including military and naval applications where controls or motion switches are needed. We support fixed wing aircraft, rotorcraft, missile systems, ground vehicles, submarines, weapon systems and weapon launch systems, ordinance, fire control, fuel systems, pneumatic controls, and hydraulic and dockside support equipment including MRO.

The power and process market is comprised of electric utilities and industrial power producers. Utilities generate, transmit, and distribute electricity for sale in a local market, while industrial power plants generate electrical power for use within the industrial facility, such as a power plant within a steel mill or within a desalination plant. Utilities and industrial power plants can be categorized by fuel or by design such as Cogeneration, Combined Cycle, Coal Gasification, Super-Critical, Ultra-Critical, Nuclear, and Hydro-electric. Our products are predominantly deployed around the boiler, turbine and generator of a power plant.

The general industrial market includes a broad range of manufacturing operations with a need to control power and processes in their facilities.

Brands

AFS manufactures and markets control valves, automatic recirculation valves, regulators, fluid controls, actuation systems, landing gear components, pneumatic controls, electro-mechanical controls, and other flow control products and systems. Advanced Flow Solutions provides actuation and fluid control systems and services through the following brands: CIRCOR Aerospace, CPC Cryolab, Aerodyne Controls, CIRCOR Bodet, CIRCOR Industria, CIRCOR Motors, Hale Hamilton, Laurence, Leslie Controls, Nicholson Steam Trap, Rockwood Swendeman, RTK, Schroedahl, and Spence Engineering.

Products

Advanced Flow Solutions offers a range of solutions, including:

- Automatic Re-circulation Valves for pump protection
- Severe Service and General Service Control Valves
- Electromechanical, pneumatic and hydraulic, fluid control systems
- Actuation components and sub-systems.

In the manufacture of our products, we must comply with certain certification standards, such as AS9100C, ISO 9001:2008, National Aerospace & Defense Contractors Accreditation Program, Federal Aviation Administration Certification and European Aviation Safety Agency as well as other customer qualification standards.

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Customers

Advanced Flow Solutions products and services are used by a range of customers, including those in the military and defense, commercial aerospace, business and general aviation, process industries, and power generation markets. Our customers include aircraft manufacturers (OEM's) and Tier 1 suppliers to these manufacturers, power companies and their contractors and other industrial customers.

Revenue and Backlog

Advanced Flow Solutions accounted for \$268.2 million, \$272.6 million and \$288.5 million, or 45%, 42% and 34%, of our net revenues for the years ended December 31, 2016, 2015 and 2014, respectively. AFS backlog as of January 31, 2017 was \$122.9 million compared with \$134.2 million as of January 31, 2016. We expect to ship all but \$13 million of the January 31, 2017 backlog by December 31, 2017.

AFS backlog represents orders we believe to be firm including future customer demand requirements on long-term aerospace product platforms where we are the sole source provider. We determine the amount of orders to include in our backlog for such aircraft platforms based on 12 months demand published by our customers.

CIRCOR Consolidated

Competition

The domestic and international markets for our products are highly competitive. Some of our competitors have substantially greater financial, marketing, personnel and other resources than us. We consider product brand, quality, performance, on-time delivery, customer service, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in these markets. We believe that new product development and product engineering also are important to our success and that our position in the industry is attributable, in significant part, to our ability to develop innovative products and to adapt existing products to specific customer applications.

The primary competitors of our Energy segment include: Balon Corporation, Crane Co., Flowserve Corporation, SPX Flow, Inc., IMI plc, Valvitalia S.p.A., and Pentair Ltd.

The primary competitors of our AFS segment include: Crane Co., Curtiss-Wright Corporation, Moog, Inc., Parker Hannifin Corp., and Woodward Inc.

New Product Development

Our engineering differentiation comes from our ability to offer products, solutions and services that address high pressure, high temperature, and caustic flow. Our solutions offer high standards of reliability, safety and durability in applications requiring precision movement and zero leakage.

We continue to develop new and innovative products to enhance our market positions. Our product development capabilities include designing and manufacturing custom applications to meet high tolerance or close precision requirements. For example, our Energy segment operation can meet the tolerance requirements of sub-sea, cryogenic environments as well as critical service steam applications. Our Advanced Flow Solutions segment continues to expand its integrated systems design and testing capability to support bundled sub-systems for aeronautics applications. These testing and manufacturing capabilities enable us to develop customer-specified applications. In many cases, the unique characteristics of our customer-specified technologies have been subsequently used in broader product offerings.

Our India organization is a global engineering and technology center with a capable global engineering team which is well supported by an Engineering Center of Excellence in India. Our research, development and engineering expenditures for the years ended December 31, 2016, 2015 and 2014, were \$5.9 million, \$5.9 million and \$7.8 million, respectively.

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Customers

For the years ended December 31, 2016, 2015, and 2014, we had no customers from which we derive revenues that exceed 10% of the Company's consolidated revenues. Our businesses sell into both long-term capital projects as well as short cycle rapid turn operations. As a result, we tend to experience fluctuations in revenues and operating results at various points across economic and business cycles. Our businesses, particularly those in the Energy segment, are cyclical in nature due to the fluctuation of the worldwide price, supply and demand for oil and gas. When the worldwide demand for oil and gas is depressed, the demand for our products used in those markets decreases as our customers with higher production costs will cut back investment and reduce purchases from us. The number of active rigs in North American short-cycle Oil & Gas market is a strong indicator of demand and, therefore, our distributed valves products. In addition, the level of capital expenditures by national oil companies or the oil majors in exploration and production activities drive demand for our long cycle, engineered valves products. Similarly, although not to the same extent as the Oil & Gas markets, the aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand.

Selling and Distribution

Across our businesses we utilize a variety of channels to market our products and solutions. Those channels include direct sales, distributors and commissioned representatives. Our distribution and representative networks typically offer technically trained sales forces with strong relationships in key markets.

We believe that our well-established sales and distribution channels constitute a competitive strength. We believe that we have good relationships with our representatives and distributors. We continue to implement marketing programs to enhance these relationships. Our ongoing distribution-enhancement programs include reducing lead times, introducing new products, and offering competitive pricing, application design, technical training, and service.

Intellectual Property

We own patents that are scheduled to expire between 2017 and 2030 and trademarks that can be renewed as long as we continue to use them. We do not believe the vitality and competitiveness of any of our business segments as a whole depends on any one or more patents or trademarks. We own certain licenses such as software licenses, but we do not believe that our business as a whole depends on any one or more licenses.

Raw Materials

The raw materials used most often in our production processes are castings, forgings and bar stock of various materials, including stainless steel, carbon steel, bronze, copper, brass, titanium and aluminum. These materials are subject to price fluctuations that may adversely affect our results of operations. We purchase these materials from numerous suppliers and at times experience constraints on the supply of certain raw material as well as the inability of certain suppliers to respond to our needs. Historically, increases in the prices of raw materials have been partially offset by higher sales prices, active materials management, project engineering programs and the diversity of materials used in our production processes.

Employees and Labor Relations

As of January 31, 2017, our worldwide operations directly employed approximately 2,400 people. We have 22 employees in North America who are covered by a single collective bargaining agreement. We also have approximately 211 employees in France, 189 in Italy, 125 in Germany, 32 in the United Kingdom, 41 in the Netherlands, and 80 in Morocco covered by governmental regulations or workers' councils. We believe that our

employee relations are good at this time.

Available Information

We file reports on Form 10-Q with the Securities and Exchange Commission on a quarterly basis, additional reports on Form 8-K from time to time, and a Definitive Proxy Statement and an annual report on Form 10-K on an annual basis. These and other reports filed by us, or furnished by us, to the SEC in accordance with section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge from the SEC on its website at <http://www.sec.gov>. Additionally, our Form 10-Q, Form 8-K, Definitive Proxy Statement and Form 10-K reports are available without charge, as soon as reasonably practicable after they have been filed with the SEC, from our Investor Relations website at <http://investors.CIRCOR.com>. The information on our website is not part of, or incorporated by reference in, this Annual Report.

Item 1A. Risk Factors

Certain Risk Factors That May Affect Future Results

Set forth below are certain risk factors that we believe are material to our stockholders. If any of the following risks occur, our business, financial condition, results of operations and reputation could be harmed. You should also consider these risk factors when you read “forward-looking statements” elsewhere in this report. You can identify forward-looking statements by terms such as “may,” “hope,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of those terms or other comparable terminology. Forward-looking statements are only predictions and can be adversely affected if any of the following risks occur:

Some of our end-markets are cyclical, which may cause us to experience fluctuations in revenues or operating results.

We have experienced, and expect to continue to experience, fluctuations in revenues and operating results due to economic and business cycles. We sell our products principally to aerospace, military, commercial aircraft, Oil & Gas exploration, transmission and refining, power generation, chemical processing and maritime markets. Although we serve a variety of markets to avoid a dependency on any one, a significant downturn in any one of these markets could cause a material reduction in our revenues that could be difficult to offset. In addition, decreased market demand typically results in excess manufacturing capacity among our competitors which, in turn, results in pricing pressure. As a consequence, a significant downturn in our markets can result in lower revenues and profit margins.

In particular, our Energy businesses are cyclical in nature as the worldwide demand for oil and gas fluctuates. Energy sector activity can fluctuate significantly in a short period of time, particularly in the United States, North Sea, the Middle East, Brazil and Australia, amongst other regions. When worldwide demand for oil and gas is depressed, the demand for our products used in maintenance and repair of existing oil and gas applications, as well as exploration or new oil and gas project applications, is reduced. A decline in oil price will have a similar impact on the demand for our products, particularly in markets, such as North America, where the cost of oil production is relatively higher. Demand for our products and services depends on a number of factors, including the number of oil & gas wells being drilled, the maintenance and condition of industry assets, the volume of exploration and production activities and the capital expenditures of asset owners and maintenance companies. The willingness of asset owners and operators to make capital expenditures to produce and explore for sources of energy will continue to be influenced by numerous factors over which we have no control, including:

- the current and anticipated future prices for energy sources, including oil and natural gas, solar, wind and nuclear;
- level of excess production capacity;
- cost of exploring for and producing energy sources;
- worldwide economic activity and associated demand for energy sources;
- availability and access to potential hydrocarbon resources;
- national government political priorities;
- development of alternate energy sources; and
- environmental regulations.

As a result, we historically have generated lower revenues and profits in periods of declining demand or prices for crude oil and natural gas. In the latter half of fiscal year 2014 continuing into 2016, our operating results were adversely affected due to dramatic decreases in the price of oil and our customers reduced their spending on our products as level of activity fell. Therefore, results of operations for any particular period are not necessarily indicative of the results of operations for any future period. Any future downward pricing pressure on crude oil could have a material adverse effect on our business, financial condition or results of operations.

We face significant competition and, if we are not able to respond, our revenues may decrease.

We face significant competition from a variety of competitors in each of our markets. Some of our competitors have substantially greater financial, marketing, personnel and other resources than we do. New competitors also could enter our markets. We consider product quality, performance, customer service, on-time delivery, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in our markets. Our competitors may be able to offer more attractive pricing, duplicate our strategies, or develop enhancements to products that could offer performance features that are superior to our products. Competitive pressures, including those described above, and other factors could adversely affect our competitive position, resulting in a loss of market share or decreases in prices, either of which could have a material adverse effect on our business, financial condition or results of operations. In addition, some of our competitors are based in foreign countries and have cost structures and prices based on foreign currencies.

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The majority of our transactions are denominated in either U.S. dollar or Euro currency. Accordingly, currency fluctuations could cause our U.S. dollar and/or Euro priced products to be less competitive than our competitors' products that are priced in other currencies.

If we cannot continue operating our manufacturing facilities at current or higher levels, our results of operations could be adversely affected.

We operate a number of manufacturing facilities for the production of our products. The equipment and management systems necessary for such operations may break down, perform poorly or fail, resulting in fluctuations in manufacturing efficiencies. Such fluctuations may affect our ability to deliver products to our customers on a timely basis, which could have a material adverse effect on our business, financial condition or results of operations. We have continuously enhanced and improved Lean manufacturing techniques as part of the CIRCOR Operating System. We believe that this process produces meaningful reductions in manufacturing costs. However, continuous improvement of these techniques may cause short-term inefficiencies in production. If we ultimately are unable to continuously improve our processes, our results of operations may suffer.

Implementation of our acquisition, divestiture, restructuring, or simplification strategies may not be successful, which could affect our ability to increase our revenues or could reduce our profitability.

One of our strategies is to increase our revenues and expand our markets through acquisitions that will provide us with complementary Energy and Advanced Flow Solutions products and access to additional geographic markets. We expect to spend significant time and effort expanding our existing businesses and identifying, completing and integrating acquisitions. We expect to face competition for acquisition candidates that may limit the number of acquisition opportunities available to us and may result in higher acquisition prices. We cannot be certain that we will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies without substantial costs, delays or other problems. Also, there can be no assurance that companies we acquire ultimately will achieve the revenues, profitability or cash flows, or generate the synergies upon which we justify our investment in them; as a result, any such under-performing acquisitions could result in impairment charges which would adversely affect our results of operations. In addition, acquisitions may involve a number of special risks, including: adverse effects on our reported operating results; use of cash; diversion of management's attention; loss of key personnel at acquired companies; or unanticipated management or operational problems or legal liabilities.

We also continually review our current business and products to attempt to maximize our performance. We may in the future deem it appropriate to pursue the divestiture of product lines or businesses as conditions dictate. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested assets or businesses, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition. A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products offered by us. All of these efforts require varying levels of management resources, which may divert our attention from other business operations.

A focus of our Company is to simplify the way we are organized and the number of facilities we manage. We believe that such focus will reduce overhead structure, enhance operational synergies, and result in improved operating margins and customer service. Nevertheless, we may not achieve expected cost savings from restructuring and simplification activities and actual charges, costs and adjustments due to such activities may vary materially from our

estimates. Our ability to realize anticipated cost savings, synergies, margin improvement, and revenue enhancements may be affected by a number of factors, including the following: our ability to effectively eliminate duplicative overhead, rationalize manufacturing capacity, synchronize information technology systems, consolidate warehousing and distribution facilities and shift production to more economical facilities; significant cash and non-cash integration and implementation costs or charges in order to achieve those cost savings, which could offset any such savings; and our ability to avoid labor disruption in connection with integration efforts or divestitures.

If we do not realize the expected benefits or synergies of any acquisition, divestiture, restructuring, or simplification activities, our business, financial condition, results of operations and cash flow could be negatively impacted.

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If we are unable to continue operating successfully overseas or to successfully expand into new international markets, our revenues may decrease.

We derive a significant portion of our revenue from sales outside the United States. In addition, one of our key growth strategies is to sell our products in international markets not significantly served by us in portions of Europe, Latin America and Asia. We market our products and services through direct sales, distributors, and technically trained commissioned representatives. We may not succeed in our efforts to further penetrate these markets. Moreover, conducting business outside the United States is subject to additional risks, including currency exchange rate fluctuations, changes in regional, political or economic conditions, trade protection measures such as tariffs or import or export restrictions, and unexpected changes in regulatory requirements and the occurrence of any of these factors could materially and adversely affect our operations.

If we cannot pass on higher raw material or manufacturing costs to our customers, we may become less profitable.

One of the ways we attempt to manage the risk of higher raw material and manufacturing costs is to increase selling prices to our customers. The markets we serve are extremely competitive and customers may not accept price increases or may look to alternative suppliers, which may negatively impact our profitability and revenues.

If our suppliers cannot provide us with adequate quantities of materials to meet our customers' demands on a timely basis or if the quality of the materials provided does not meet our standards, we may lose customers or experience lower profitability.

Some of our customer contracts require us to compensate those customers if we do not meet specified delivery obligations. We rely on numerous suppliers to provide us with our required materials and in many instances these materials must meet certain specifications. In addition, we continue to increase our dependence on lower cost foreign sources of raw materials, components, and, in some cases, completed products. Managing a geographically diverse supply base inherently poses significant logistical challenges. While we believe that we also have improved our ability to effectively manage a global supply base, a risk nevertheless exists that we could experience diminished supplier performance resulting in longer than expected lead times and/or product quality issues. The occurrence of such factors could have a negative impact on our ability to deliver products to customers within our committed time frames and could adversely impact our results of operations, financial conditions and cash flow.

Our international activities expose us to fluctuations in currency exchange rates that could adversely affect our results of operations and cash flows.

Our international manufacturing and sales activities expose us to changes in foreign currency exchange rates. Such fluctuations could result in our (i) paying higher prices for certain imported goods and services, (ii) realizing lower prices for any sales denominated in currencies other than U.S. dollars, (iii) realizing lower net income, on a U.S. dollar basis, from our international operations due to the effects of translation from weakened functional currencies, and (iv) realizing higher costs to settle transactions denominated in other currencies. Any of these risks could adversely affect our results of operations and cash flows. Our major foreign currency exposures involve the markets in Western Europe and Canada.

We may use forward contracts to help manage the currency risk related to certain business transactions denominated in foreign currencies. We primarily utilize forward exchange contracts with maturities of less than eighteen months. To the extent these transactions are completed, the contracts minimize our risk from exchange rate fluctuations because they offset gains and losses on the related foreign currency denominated transactions. However, there can be no assurances that we will be able to effectively utilize these forward exchange contracts in the future to offset

significant risk related to fluctuations in currency exchange rates. In addition, there can be no assurances that the counter party to the contract will perform their contractual obligations to us to realize the anticipated benefits of the contracts.

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If we experience delays in introducing new products or if our existing or new products do not achieve or maintain market acceptance, our revenues may decrease.

Our industries are characterized by: intense competition; changes in end-user requirements; technically complex products; and evolving product offerings and introductions.

We believe our future success depends, in part, on our ability to anticipate or adapt to these factors and to offer, on a timely basis, products that meet customer demands. Failure to develop new and innovative products or to custom design existing products could result in the loss of existing customers to competitors or the inability to attract new business, either of which may adversely affect our revenues. The development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. We may experience design, manufacturing, marketing or other difficulties, such as an inability to attract a sufficient number of qualified engineers, which could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses.

If we fail to manufacture and deliver high quality products in accordance with industry standards, we may lose customers.

Product quality and performance are a priority for our customers since many of our product applications involve caustic or volatile chemicals and, in many cases, involve processes that require precise control of fluids. Our products are used in the aerospace, military, commercial aircraft, analytical equipment, Oil & Gas exploration, transmission and refining, power generation, chemical processing and maritime industries. These industries require products that meet stringent performance and safety standards, such as the standards of the American Petroleum Institute, International Organization for Standardization, Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers and the European Pressure Equipment Directive. If we fail to maintain and enforce quality control and testing procedures, our products will not meet these stringent performance and safety standards which are required by many of our customers. Non-compliance with the standards could result in a loss of current customers and damage our ability to attract new customers, which could have a material adverse effect on our business, financial condition or results of operations.

We depend on our key personnel and the loss of their services may adversely affect our business.

We believe that our success depends on our ability to hire new talent and the continued employment of our senior management team and other key personnel. If one or more members of our senior management team or other key personnel were unable or unwilling to continue in their present positions, our business could be seriously harmed. In addition, if any of our key personnel joins a competitor or forms a competing company, some of our customers might choose to use the services of that competitor or those of a new company instead of our own. Other companies seeking to develop capabilities and products similar to ours may hire away some of our key personnel. If we are unable to maintain our key personnel and attract new employees, the execution of our business strategy may be hindered and our growth limited.

We face risks from product liability lawsuits that may adversely affect our business.

We, like other manufacturers, face an inherent risk of exposure to product liability claims in the event that the use of our products results in personal injury, property damage or business interruption to our customers. We may be subjected to various product liability claims, including, among others, that our products include inadequate or improper instructions for use or installation, or inadequate warnings concerning the effects of the failure of our products. Although we maintain strict quality controls and procedures, including the testing of raw materials and safety testing of selected finished products, we cannot be certain that our products will be completely free from defect.

In addition, in certain cases, we rely on third-party manufacturers for our products or components of our products. Although we have liability insurance coverage, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or, if available, will be adequate to cover any such liabilities. For example, liability insurance typically does not afford coverage for a design or manufacturing defect unless such defect results in injury to person or property. We generally attempt to contractually limit liability to our customers to risks that are insurable but are not always successful in doing so. Similarly, we generally seek to obtain contractual indemnification from our third-party suppliers, and for us to be added as an additional insured party under such parties' insurance policies. Any such indemnification or insurance is limited by its terms and, as a practical matter, is limited to the credit worthiness of the indemnifying or insuring party. In the event that we do not have adequate insurance or contractual indemnification, product liabilities could have a material adverse effect on our business, financial condition or results of operations.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business, financial condition, and results of operations.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and manage or support a variety of business processes, including operational and financial transactions and records, personal identifying information, payroll data and workforce scheduling information. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of company and customer information. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems' improper functioning or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. If company, personal or otherwise protected information is improperly accessed, tampered with or distributed, we may incur significant costs to remediate possible injury to the affected parties and we may be subject to sanctions and civil or criminal penalties if we are found to be in violation of the privacy or security rules under federal, state, or international laws protecting confidential information. Any failure to maintain proper functionality and security of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition, and results of operations.

The trading price of our common stock continues to be volatile and investors in our common stock may experience substantial losses.

The trading price of our common stock may be, and, in the past, has been volatile. Our common stock could decline or fluctuate in response to a variety of factors, including, but not limited to: our failure to meet our performance estimates or performance estimates of securities analysts; changes in financial estimates of our revenues and operating results or buy/sell recommendations by securities analysts; the timing of announcements by us or our competitors concerning significant product line developments, contracts or acquisitions or publicity regarding actual or potential results or performance; fluctuation in our quarterly operating results caused by fluctuations in revenue and expenses; substantial sales of our common stock by our existing shareholders; general stock market conditions; and fluctuations in oil and gas prices or other economic or external factors. While we attempt in our public disclosures to provide forward-looking information in order to enable investors to anticipate our future performance, such information by its nature represents our good-faith forecasting efforts. In recent years, the unprecedented nature of oil prices, credit and financial crises and economic recessions, together with the uncertain depth and duration of these crises, has rendered such forecasting more difficult. As a result, our actual results have differed materially, and going forward could differ materially, from our forecasts, which could cause further volatility in the value of our common stock.

In recent years the stock market as a whole experienced dramatic price and volume fluctuations. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management attention and resources.

The costs of complying with existing or future governmental regulations on importing and exporting practices and of curing any violations of these regulations, could increase our expenses, reduce our revenues or reduce our profitability.

We are subject to a variety of laws and international trade practices including regulations issued by the United States Bureau of Industry and Security, the Department of Homeland Security, the Department of State and the Department

of Treasury. We cannot predict the nature, scope or effect of future regulatory requirements to which our international trading practices might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries into which certain of our products may be sold or could restrict our access to, and increase the cost of obtaining products from, foreign sources. In addition, actual or alleged violations of such regulations could result in enforcement actions and/or financial penalties that could result in substantial costs.

Our debt agreement requires that we maintain certain ratios and limits our ability to issue equity, make acquisitions, incur debt, pay dividends, make investments, sell assets, merge or raise capital.

Our revolving credit facility agreement, dated July 31, 2014, governs our indebtedness. This agreement includes provisions which place limitations on certain activities including our ability to: issue shares of our common stock; incur additional indebtedness; create any liens or encumbrances on our assets or make any guarantees; make certain investments; pay cash dividends above certain limits; or dispose of or sell assets or enter into a merger or a similar transaction. These restrictions may limit our ability to operate our business and may prohibit or limit our ability to execute our business strategy, compete, enhance our operations, take advantage of potential business opportunities as they arise or meet our capital needs. Furthermore, future debt instruments or other contracts could contain more restrictive financial or other covenants. The breach of any of these covenants by us or the failure by us to meet any of these conditions or requirements could result in a default under any or all of our indebtedness. If we are unable to service our indebtedness, our business, financial condition and results of operations would be materially adversely affected.

Various restrictions and agreements could hinder a takeover of us which is not supported by our board of directors or which is leveraged.

Our amended and restated certificate of incorporation and amended and restated by-laws, as well as the Delaware General Corporation Law, contain provisions that could delay or prevent a change in control in a transaction that is not approved by our board of directors or that is on a leveraged basis or otherwise. These include provisions creating a staggered board, limiting the shareholders' powers to remove directors, and prohibiting shareholders from calling a special meeting or taking action by written consent in lieu of a shareholders' meeting. In addition, our board of directors has the authority, without further action by the shareholders, to set the terms of and to issue preferred stock. Issuing preferred stock could adversely affect the voting power of the owners of our common stock, including the loss of voting control to others.

Delaying or preventing a takeover could result in our shareholders ultimately receiving less for their shares by deterring potential bidders for our stock or assets.

A change in international governmental policies or restrictions could result in decreased availability and increased costs for certain components and finished products that we purchase from sources in foreign countries, which could adversely affect our profitability.

Like most manufacturers of flow control products, we attempt, where appropriate, to reduce costs by seeking lower cost sources of certain components and finished products. Many such sources are located in developing countries such as India and China, where a change in governmental approach toward U.S. trade could restrict the availability to us of such sources. In addition, periods of war or other international tension could interfere with international freight operations and hinder our ability to purchase such components and products. A decrease in the availability of these items could hinder our ability to timely meet our customers' orders. We attempt, when possible, to mitigate this risk by maintaining alternate sources for these components and products and by maintaining the capability to produce such items in our own manufacturing facilities. However, even when we are able to mitigate this risk, the cost of obtaining such items from alternate sources or producing them ourselves is often considerably greater, and a shift toward such higher cost production could therefore adversely affect our profitability.

We, along with our customers and vendors, face the uncertainty in the public and private credit markets and in general economic conditions in the United States and around the world.

In recent years there has been at times disruption and general slowdown of the public and private capital and credit markets in the United States and around the world. Such conditions can adversely affect our revenue, results of

operations and overall financial growth. Our business can be affected by a number of factors that are beyond our control such as general geopolitical, economic and business conditions and conditions in the financial services market, which each could materially impact our business, financial condition, results of operations and cash flow.

Additionally, many lenders and institutional investors, at times, have reduced funding to borrowers, including other financial institutions. A constriction on future lending by banks or investors could result in higher interest rates on future debt obligations or could restrict our ability to obtain sufficient financing to meet our long-term operational and capital needs or could limit our ability in the future to consummate strategic acquisitions. Any uncertainty in the credit markets could also negatively impact the ability of our customers and vendors to finance their operations which, in turn, could result in a decline in our sales and in our ability to obtain necessary raw materials and components, thus potentially having an adverse effect on our business, financial condition or results of operations.

A resurgence of terrorist activity and/or political instability around the world could cause economic conditions to deteriorate and adversely impact our businesses.

In the past, terrorist attacks have negatively impacted general economic, market and political conditions. In particular, the 2001 terrorist attacks, compounded with changes in the national economy, resulted in reduced revenues in the aerospace and general industrial markets in 2002 and 2003. Although economic conditions have improved considerably, additional terrorist acts, acts of war or political instability (wherever located around the world) could cause damage or disruption to our business, our facilities or our employees which could significantly impact our business, financial condition or results of operations. The potential for future terrorist attacks, the national and international responses to terrorist attacks, political instability, and other acts of war or hostility, including the recent and current conflicts in Iraq, Afghanistan and the Middle East, have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. In addition, with manufacturing facilities located worldwide, including facilities located in North America, Western Europe, Morocco, and India, we may be impacted by terrorist actions not only against the United States but in other parts of the world as well. In some cases, we are not insured for losses and interruptions caused by terrorist acts and acts of war.

The costs of complying with existing or future environmental regulations and curing any violations of these regulations could increase our expenses or reduce our profitability.

We are subject to a variety of environmental laws relating to the storage, discharge, handling, emission, generation, use and disposal of chemicals, solid and hazardous waste and other toxic and hazardous materials used to manufacture, or resulting from the process of manufacturing, our products. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. Future regulations could be applied to materials, products or activities that have not been subject to regulation previously. The costs of complying with new or more stringent regulations, or with more vigorous enforcement of these or existing regulations could be significant.

Environmental laws require us to maintain and comply with a number of permits, authorizations and approvals and to maintain and update training programs and safety data regarding materials used in our processes. Violations of these requirements could result in financial penalties and other enforcement actions. We also could be required to halt one or more portions of our operations until a violation is cured. Although we attempt to operate in compliance with these environmental laws, we may not succeed in this effort at all times. The costs of curing violations or resolving enforcement actions that might be initiated by government authorities could be substantial.

Regulations related to “conflict minerals” may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

Under the conflict minerals rule, public companies must disclose whether specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The rule, which became effective for 2013, requires a disclosure report to be filed by May 31st of each year, requires companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country. The conflicts mineral rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tantalum, tin, gold and tungsten. The number of suppliers who provide conflict-free minerals may be limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through

the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We maintain 19 major manufacturing facilities worldwide, including operations located in North America, Western Europe, Morocco and India. We also maintain sales offices or warehouses from which we ship finished goods to customers, distributors and commissioned representative organizations. Our executive office is located in Burlington, Massachusetts and is leased.

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Our Energy segment has major manufacturing facilities located in North America, Italy, United Kingdom, and the Netherlands. Properties in Nerviano, Italy and Spartanburg, South Carolina are leased. Our Advanced Flow Solutions segment has major manufacturing facilities located in North America, United Kingdom, Germany, France, India and Morocco. Properties in Hauppauge, New York and Corona, California are leased.

Segment	Leased	Owned	Total
Energy	5	4	9
Advanced Flow Solutions	2	8	10
Total	7	12	19

In general, we believe that our properties, including machinery, tools and equipment, are in good condition, are well maintained, and are adequate and suitable for their intended uses. Our manufacturing facilities generally operate five days per week on one or two shifts. We believe our manufacturing capacity could be increased by working additional shifts and weekends and by successful implementation of our CIRCOR Operating System. We believe that our current facilities will meet our near-term production requirements without the need for additional facilities.

Item 3. Legal Proceedings

For information regarding our legal proceedings refer to the first two paragraphs of Note 14 to the consolidated financial statements included in this Annual Report, for which disclosure is referenced herein.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "CIR." Quarterly share prices and dividends declared and paid are incorporated herein by reference to Note 18 to the consolidated financial statements included in this Annual Report.

Our Board of Directors is responsible for determining our dividend policy. Although we currently intend to continue paying quarterly cash dividends, the timing and level of such dividends will necessarily depend on our Board of Directors' assessments of earnings, financial condition, capital requirements and other factors, including restrictions, if any, imposed by our lenders. In the fourth quarter of 2015 we completed our share repurchase program in which we purchased \$75 million of the Company's outstanding common stock during the year. See "Liquidity and Capital Resources" under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

As of February 10, 2017, there were 16,371,775 shares of our common stock outstanding and we had 60 holders of record of our common stock. We believe the number of beneficial owners of our common stock was substantially greater on that date.

Set forth below is a table and line graph comparing the percentage change in the cumulative total stockholder return on the Company's common stock, based on the market price of the Company's common stock with the total return of companies included within the Standard & Poor's 500 Composite Index, S&P 500 index, the Russell 2000 index and the peer group of companies engaged in the valve, pump, fluid control and related industries for the five-year period commencing December 31, 2011 and ending December 31, 2016. For comparison purposes, we have included the Russell 2000 Index for purposes of presenting a broad market index in the stock performance graph. The Company believes that the Russell 2000 Index, an index in which the Company is included, provides a better comparison for stock performance.

The calculation of total cumulative return assumes a \$100 investment in our common stock and in each of the three indexes and the reinvestment of all dividends. The historical information set forth below is not necessarily indicative of future performance.

	12/11	12/12	12/13	12/14	12/15	12/16
CIRCOR International, Inc.	100.00 %	112.62 %	230.43 %	172.29 %	120.85 %	186.55 %
S&P 500	100.00 %	116.00 %	153.58 %	174.60 %	177.01 %	198.18 %
Russell 2000	100.00 %	116.35 %	161.52 %	169.43 %	161.95 %	196.45 %
Peer Group (1)	100.00 %	133.03 %	204.45 %	178.37 %	141.64 %	174.40 %

(1) Peer Group companies include: Crane Co, Curtiss-Wright Corp, Flowserve Corp, IMI Plc, Pentair Plc, SPX Flow Inc. and Woodward Inc.

Item 6. Selected Financial Data

The following table presents certain selected financial data that has been derived from our audited consolidated financial statements and related notes and should be read along with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and notes included in this Annual Report.

The consolidated statements of income and consolidated statements of cash flows data for the years ended December 31, 2016, 2015 and 2014, and the consolidated balance sheet data as of December 31, 2016 and 2015 are derived from, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this Annual Report. The consolidated statements of income and consolidated statements of cash flows data for the years ended December 31, 2013 and 2012, and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012, are derived from our audited consolidated financial statements not included in this Annual Report.

Selected Financial Data
(in thousands, except per share data)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Statement of Income Data (1):					
Net revenues	\$590,259	\$656,267	\$841,446	\$857,808	\$845,552
Gross profit	183,115	199,332	257,020	267,601	241,543
Operating income	10,918	26,174	64,757	69,173	46,531
Income before income taxes	9,680	22,428	63,261	64,037	41,759
Net income	\$10,101	\$9,863	\$50,386	\$47,121	\$30,799
Balance Sheet Data:					
Total assets	\$820,756	\$669,915	\$724,722	\$726,650	\$709,981
Total debt	251,200	90,500	13,684	49,638	70,484
Shareholders' equity	404,410	400,777	494,093	476,887	418,247
Total capitalization	\$655,610	\$491,277	\$507,777	\$526,525	\$488,731
Other Financial Data:					
Cash flow provided by (used in):					
Operating activities	\$59,399	\$27,142	\$70,826	\$72,206	\$60,523
Investing activities	(210,481)	(87,726)	(1,842)	(13,264)	(17,629)
Financing activities	158,764	2,251	(37,724)	(19,235)	(37,408)
Interest expense, net	3,310	2,844	2,652	3,161	4,259
Capital expenditures	14,692	12,711	12,810	17,328	18,170
Diluted earnings per common share	\$0.61	\$0.58	\$2.84	\$2.67	\$1.76
Diluted weighted average common shares outstanding	16,536	16,913	17,768	17,629	17,452
Cash dividends declared per common share	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15

See Special and Restructuring charges, net in Note 4 to the consolidated financial statements, for additional details on charges included in the twelve months ended December 31, 2016, December 31, 2015, and December 31, 2014 operating income above. The statement of income data for the year ended December 31, 2013 includes special and restructuring charges, net of \$8.6 million and intangible impairment charges of \$6.9 million. The statement of income data for the year ended December 31, 2012 includes special and restructuring charges, net of \$5.3 million and intangible impairment charges of \$10.3 million.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

See Item 1, Business, for additional detail on forward looking statements.

Company Overview

CIRCOR International, Inc. designs, manufactures and markets flow control solutions and other highly engineered products and sub-systems for markets including Oil & Gas, aerospace, power and process, and industrial solutions. CIRCOR has a diversified product portfolio with recognized, market-leading brands that fulfill its customers' unique application needs. See Part 1, Item 1, Business, for additional information regarding the description of our Business.

We expect continued project delays and capital expenditure reductions by many national oil companies and oil majors resulting in much lower demand for our large engineered valves business. However, we expect to see modest growth in other markets we serve: certain power generation markets, the global liquefied natural gas market, North American upstream and certain mid and down-stream energy markets. The growth in the power market is driven by the U.S. and a number of large projects in Southeast Asia and Europe.

We continue to implement actions to mitigate the impact on our earnings with the lower demand and increasingly competitive environment. In addition, we will continue to focus on acquisition growth opportunities and we are investing in products and technologies that help solve our customers' most difficult problems. We expect to further simplify CIRCOR by standardizing technology, reducing facilities, consolidating suppliers and achieving world class operational excellence, including product management. We believe our cash flow from operations and financing capacity is adequate to support these activities. Finally, continuing to attract and retain talented personnel, including the enhancement of our global sales, operations, and engineering organization, remains an important part of our strategy during 2017.

Basis of Presentation

All significant intercompany balances and transactions have been eliminated in consolidation. We manage our businesses in two segments: Energy and Advanced Flow Solutions.

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 Company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On an on-going basis, management evaluates its significant estimates, including those related to contracts accounted for under the percentage of completion method, bad debts, inventories, business combinations, intangible assets and goodwill, delivery penalties, income taxes, and contingencies and litigation. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management bases its estimates on historical experience, current market and economic conditions and other assumptions that management believes are reasonable. The results of these estimates form the basis for judgments about the carrying value of assets and liabilities where the values are not readily apparent from other sources. Actual

results may differ from these estimates under different assumptions or conditions.

There have been no significant changes from the methodology applied by management for critical accounting estimates previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The Company acquired Critical Flow Solutions ("CFS") in October 2016 and as a result adopted the percentage of completion accounting for certain long-term capital contracts.

For goodwill, we perform an impairment assessment at the reporting unit level on an annual basis as of the end of our October month end or more frequently if circumstances warrant. Our annual impairment assessment is a two-step process. In fiscal year 2016 when we performed our analysis, the fair value of each of our reporting units exceeded the respective carrying amount, and no goodwill impairments were recorded. The fair values utilized for our 2016 goodwill assessment exceeded the carrying amounts by approximately 465%, 188%, and 224% for our Energy, Aerospace, and Power, Process, & Industrial reporting units, respectively. The growth rate assumptions utilized were consistent with growth rates within the markets that we serve.

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If our results significantly vary from our estimates, related projections, or business assumptions in the future due to change in industry or market conditions, we may be required to record impairment charges. By way of example, a 55% reduction in our Aerospace reporting unit projected and terminal cash flows would not result in the fair value being lower than the carrying value.

Results of Operations

2016 Compared With 2015

Consolidated Operations

(in thousands)	2016	2015	Total Change	Acquisitions	Operations	Foreign Exchange
Net Revenues						
Energy	\$322,046	\$383,655	\$(61,609)	\$ 18,974	\$(79,467)	\$(1,116)
Advanced Flow Solutions	268,213	272,612	(4,399)	6,106	(8,010)	(2,495)
Consolidated Net Revenues	\$590,259	\$656,267	\$(66,008)	\$ 25,080	\$(87,477)	\$(3,611)

Net revenues in 2016 were \$590.3 million, a decrease of \$66.0 million from 2015. The unfavorable effects of currency translation resulted in a decrease in revenues of \$3.6 million in 2016. Sales increased \$25.1 million due to 2015 acquisition of Schroedahl and 2016 acquisition of CFS. Aside from the effects of currency translation and acquisitions, revenues decreased \$87.5 million (-13%) primarily due to decreased demand in our North American short-cycle Energy business.

Segment Results

The Company's management evaluates segment operating performance using "segment operating income" which we define as operating income before restructuring charges (including inventory-related restructuring), special charges, impairment charges, amortization from acquisitions subsequent to 2011, amortization expense related to the step-up in fair value of the inventory acquired through business acquisitions, and 2015 Brazil restatement impact. The Company uses this measure because it helps management understand and evaluate the segments' operating results and facilitate a comparison of performance for determining compensation. Accordingly, the following segment data is reported on this basis.

(in thousands)	2016	2015	Change
Net Revenues			
Energy	\$322,046	\$383,655	\$(61,609)
Advanced Flow Solutions	268,213	272,612	(4,399)
Consolidated Net Revenues	\$590,259	\$656,267	\$(66,008)
Operating Income			
Energy - Segment Operating Income	\$34,619	\$50,386	\$(15,767)
AFS - Segment Operating Income	33,463	33,811	(348)
Corporate expenses	(25,672)	(21,710)	(3,962)
Subtotal	42,410	62,487	(20,077)
Restructuring charges, net	8,975	4,634	4,341
Special charges, net	8,196	9,720	(1,524)
Special and restructuring charges, net (1)	17,171	14,354	2,817
Restructuring related inventory charges (1)	2,846	9,391	(6,545)
Amortization of inventory step-up	1,366	—	—
Impairment charges	208	2,502	(2,294)
Acquisition amortization	9,901	6,838	3,063
Brazil restatement impact	—	3,228	(3,228)
Restructuring and other cost, net	14,321	21,959	(9,004)
Consolidated Operating Income	\$10,918	\$26,174	\$(15,256)
Consolidated Operating Margin	1.8	% 4.0	%

(1) See Special and Restructuring charges, net in Note 4 to the consolidated financial statements, for additional details.

Energy Segment

(in thousands)	2016	2015	Change
Net Revenues	\$322,046	\$383,655	\$(61,609)
Segment Operating Income	34,619	50,386	(15,767)
Segment Operating Margin	10.7	% 13.1	%

Energy segment net revenues decreased \$61.6 million, or 16%, in 2016 compared to 2015. The decrease was primarily driven by lower shipment volumes in our North American short-cycle business (-15%). Net revenues in other oil and gas businesses declined (-5%), offset by the acquisition of CFS (+5%). Energy segment orders decreased \$68.9 million, or 20%, to \$270.5 million for 2016 compared to \$339.4 million in 2015, primarily due to lower bookings in the large international projects business (-15%) and in our North American short-cycle business (-5%). Lower orders in our long-cycle, large international projects business was impacted by reduced capital expenditures for exploration and production of oil and gas as well as project deferrals. Lower orders in our North American short-cycle business were impacted by the destocking of our distributors as well as lower production activity overall.

Segment operating income decreased \$15.8 million, or 31%, to \$34.6 million for 2016 compared to \$50.4 million in 2015. The decrease in segment operating income was primarily due to lower shipment volumes from our North American short-cycle business (-37%). In addition, we recorded \$3.2 million (-6%) of bad debt and inventory write-down charges during the fourth quarter related to past-due amounts and inventories associated with Petróleos de Venezuela ("PDVSA"). These declines were partially offset by segment operating income from CFS (+8%) and savings from our sourcing, restructuring and productivity initiatives (+4%).

QUARTERLY ENERGY SEGMENT INFORMATION

(in thousands, except percentages)

(unaudited)

	2015				2016						
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	
Orders	120,344	83,710	64,877	70,480	339,411	71,425	58,853	55,056	85,183	270,517	
Net Revenues	105,619	97,753	88,679	91,604	383,655	83,409	80,736	68,901	89,000	322,046	
Operating Income	15,011	12,926	12,153	10,296	50,386	9,296	9,293	6,755	9,276	34,619	
Operating Margin	14.2%	13.2%	13.7%	11.2%	13.1%	11.1%	11.5%	9.8%	10.4%	10.7%	
Backlog (1) (1) at end of period.	204,231	192,760	159,727	131,554	131,554	122,730	98,119	84,535	123,063	123,063	

Advanced Flow Solutions Segment

(in thousands)	2016	2015	Change
Net Revenues	\$268,213	\$272,612	\$(4,399)
Segment Operating Income	33,463	33,811	(348)
Segment Operating Margin	12.5 %	12.4 %	

Advanced Flow Solutions segment net revenues decreased by \$4.4 million, or 2%, in 2016 compared to 2015. The decrease was primarily driven by declines in our aerospace business (-2%) and our industrial solutions business (-1%). These declines were offset by the April 2015 acquisition of Schroedahl (+2%). Advanced Flow Solutions segment orders increased \$4.2 million, or 2%, to \$255.2 million for 2016 compared to \$251.0 million in 2015, primarily due to our aerospace business (+2%).

Segment operating income decreased \$0.3 million, or 1%, to \$33.5 million for 2016 compared to \$33.8 million for 2015. The decrease in operating income was primarily as a result of the revenue declines (-2%) described above. These declines were offset by the Schroedahl acquisition (+7%) and restructuring savings and operational efficiencies in our California (+18%) and French (+5%) businesses.

QUARTERLY AFS SEGMENT INFORMATION

(in thousands, except percentages)

(unaudited)

	2015				2016						
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL	
Orders	61,968	57,998	63,638	67,375	250,979	65,357	76,464	56,262	57,134	255,217	
Net Revenues	60,241	69,153	70,579	72,639	272,612	67,389	65,656	65,932	69,236	268,213	
Operating Income	5,584	7,576	10,077	10,574	33,811	8,452	8,064	8,008	8,939	33,463	
Operating Margin	9.3%	11.0%	14.3%	14.6%	12.4%	12.5%	12.3%	12.1%	12.9%	12.5%	
Backlog (1) (1) At end of period.	147,587	151,474	144,926	137,494	137,494	137,332	145,930	135,721	119,332	119,332	

Corporate Expenses

Corporate expenses increased \$4.0 million to \$25.7 million for 2016. This increase was primarily driven by compensation costs (\$1.5 million) associated with filling open positions and higher performance on incentive plans, corporate development expenses (relating to potential mergers and acquisitions due diligence) of \$1.2 million, and professional fees (\$1.1 million).

Special and Restructuring charges, net and other charges

During 2016, the Company recorded a total of \$20.0 million of Special and restructuring charges. In our statement of operations, these charges are recorded in costs of revenue (\$2.8 million) and Special and restructuring charges, net (\$17.2 million). These costs are primarily related to our simplification and restructuring efforts and also include a \$4.5 million non-cash charge related to a pension settlement. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net

In relation to our 2016 and 2015 acquisitions of CFS and Schroedahl, we incurred \$9.9 million of intangible asset amortization related to these acquisitions. This amortization is recorded within selling, general, and administrative expenses (\$9.3 million) or cost of revenues (\$0.6 million) depending upon the nature of the underlying intangible asset. In addition, we recorded \$1.4 million of amortization expense related to the step-up in fair value of the inventory acquired as part of our CFS acquisition. This expense is included in cost of revenues.

Also during 2016, we also recorded a \$0.2 million impairment charge for a China patent deemed to no longer have economic value. The impairment charge is included in the impairment charge line on our consolidated statement of income (loss).

In 2015, the Company recorded \$23.7 million of Special and restructuring charges, net. In our statement of operations, these charges are recorded in costs of revenue (\$9.4 million) and Special and restructuring charges, net (\$14.4 million). These costs are primarily related to our simplification and restructuring efforts. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. In addition, we incurred \$3.2 million of Brazil restatement charges. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net.

In relation to our Schroedahl acquisition we recorded \$6.8 million of intangible asset amortization during 2015. This amortization is recorded within selling, general, and administrative expenses. Also during 2015, we recorded \$2.5 million of plant, property, and equipment and intangible impairments related to our Brazil business. These impairment charges are included in the impairment charge line on our consolidated statement of operations.

Interest Expense, Net

Interest expense increased \$0.5 million to \$3.3 million for 2016. This change in interest expense was primarily due to higher outstanding debt balances during the period as a result of the CFS acquisition.

Other (Income) Expense, Net

Other income, net, was \$2.1 million for 2016 compared to other expense, net of (\$0.9 million) in 2015. The difference of \$3.0 million was primarily due to the impact of foreign currency fluctuations.

Comprehensive (Loss) Income

Comprehensive loss was reduced from a comprehensive loss of \$22.2 million as of December 31, 2015 to a comprehensive loss of \$0.2 million as of December 31, 2016, primarily driven by an increase of \$16.9 million in favorable foreign currency balance sheet remeasurements. These favorable foreign currency balance sheet remeasurements were driven by the Brazilian Real (\$9.9 million) and Euro (\$6.3 million).

As of December 31, 2016, we have a cumulative currency translation adjustment of \$17.3 million regarding our Brazil entity. If we were to cease to have a controlling financial interest in the Brazil entity, we would incur a non-cash charge of \$17.3 million, which would be included as a special charge within the results of operations.

(Benefit from) Provision for Income Taxes

The effective tax rate was (-4%) for 2016 compared to 56% for 2015. The primary drivers for the lower tax rate in 2016 include the tax benefit associated with the repatriation of foreign earnings which we completed in 2016 (-27%), reduced foreign losses in 2016 with no tax benefit (-27%), mix of lower taxed foreign earnings to US earnings (-18%), and other items in 2016 including the prior year impact of a foreign audit settlement (-14%). This was partially offset by the establishment of a valuation allowance for certain state net operating loss carryforwards (+26%).

Restructuring Actions

Our announced restructuring actions which result in savings are summarized as follows:

During 2016, we initiated certain restructuring activities, under which we continue to simplify our business ("2016 Actions"). Under these restructurings, we reduced expenses, primarily through reductions in force and closing a number of smaller facilities.

In July 2015, we announced the closure of one of the two Corona, California manufacturing facilities ("California Restructuring"). Under this restructuring, we are reducing certain general, manufacturing and facility related expenses.

On February 18, 2015, we announced a restructuring action ("2015 Announced Restructuring"), under which we continued to simplify our businesses. Under this action, we reduced certain general, administrative and manufacturing related expenses, primarily personnel related.

The table below (in millions) outlines the cumulative effects on past and future earnings resulting from our announced restructuring plans.

	Cumulative Planned Savings	Cumulative Projected Savings	Expected Periods of Savings Realization
2016 Actions	\$ 14.1	\$ 14.1	Q2 2016 - Q4 2017
California Restructuring	3.0	3.0	Q3 2016 - Q4 2017
2015 Announced Restructuring	18.0	20.8	Q1 2015 - Q4 2016
Total Savings	\$ 35.1	\$ 37.9	

As shown in the table above our projected cumulative restructuring savings have exceeded our original planned savings amounts. This is primarily attributed to reducing additional general, administrative and manufacturing related expenses. The expected periods of realization of the restructuring savings are consistent with our original plans. Our restructuring actions are funded by cash generated by operations.

We expect to incur restructuring related special charges between \$0.7 million and \$0.9 million to complete our 2016 Announced Restructuring. These restructuring actions are expected to be funded with cash generated from operations. Our 2015 Announced Restructuring and California Restructuring have been completed and, as such, no additional restructuring charges are expected to be incurred in connection with these actions.

2015 Compared With 2014

Consolidated Operations

(in thousands)	2015	2014	Total Change	Divestitures	Acquisitions	Operations	Foreign Exchange
Net Revenues							
Energy	\$383,655	\$552,973	\$(169,318)	\$(39,719)	\$ —	\$(97,595)	\$(32,004)
Advanced Flow Solutions	272,612	288,473	(15,861)	(11,500)	21,002	(11,051)	(14,312)
Consolidated Net Revenues	\$656,267	\$841,446	\$(185,179)	\$(51,219)	\$ 21,002	\$(108,646)	\$(46,316)

Net revenues in 2015 were \$656.3 million, a decrease of \$185.2 million from 2014. The business divestitures resulted in a decrease in revenues of \$51.2 million and unfavorable effects of currency translation resulted in a decrease in revenues of \$46.3 million in 2015. Sales increased \$21.0 million due to our April 2015 acquisition of Schroedahl. Aside from the effects of currency translation, divestitures and acquisitions, revenues decreased \$108.6 million (-13%) primarily due to decreased demand in our North American short-cycle Energy business.

Segment Results

(in thousands)	2015	2014	Change
Net Revenues			
Energy	\$383,655	\$552,973	\$(169,318)
Advanced Flow Solutions	272,612	288,473	(15,861)
Consolidated Net Revenues	\$656,267	\$841,446	\$(185,179)

Operating Income

Energy - Segment Operating Income	\$50,386	\$79,742	\$(29,356)
AFS - Segment Operating Income	33,811	29,883	3,928
Corporate expenses	(21,710)	(23,415)	1,705
Subtotal	62,487	86,210	(23,723)
Special restructuring charges, net	4,634	5,246	(612)
Special other charges, net	9,720	7,491	2,229
Special and restructuring charges, net (1)	14,354	12,737	1,617
Restructuring related inventory charges	9,391	7,989	1,402
Impairment charges	2,502	726	1,776
Acquisition amortization	6,838	—	6,838
Brazil restatement impact	3,228	—	3,228
Restructuring and other cost, net	21,959	8,715	13,244
Consolidated Operating Income	\$26,174	\$64,757	\$(38,583)

Consolidated Operating Margin	4.0	% 7.7	%
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(1) See Special and Restructuring charges, net in Note 4 to the consolidated financial statements, for additional details.

Energy Segment

(in thousands)	2015	2014	Change
Net Revenues	\$383,655	\$552,973	\$(169,318)
Segment Operating Income	50,386	79,742	(29,356)
Segment Operating Margin	13.1	% 14.4	%

Energy segment net revenues decreased \$169.3 million, or 31%, in 2015 compared to 2014. The decrease was primarily driven by lower shipment volumes in our North American short-cycle business (-15%), a business divestiture (-7%), the downstream instrumentation business (-4%) and unfavorable foreign currency (-6%). The unfavorable foreign currency is primarily due to the weakening of the Euro against the U.S. dollar. Energy segment orders decreased \$220.1 million, or 39%, to \$339.4 million for 2015 compared to \$559.5 million for 2014, primarily due to lower bookings in our North American short-cycle business (-25%), a business divestiture (-8%) and downstream instrumentation business (-5%). Lower orders in our North American short-cycle business were impacted by the destocking of our distributors as well as lower production activity overall.

Segment operating income for our Energy segment decreased \$29.4 million, or 37%, to \$50.4 million for 2015 compared to \$79.7 million for 2014. The decrease in segment operating income was primarily due to lower shipment volumes from our North American short-cycle business (-34%). Our other oil and gas businesses also contributed to the segment operating income decline (-6%) in the period. These declines were partially offset by segment operating income from savings from our sourcing, restructuring and productivity initiatives.

Advanced Flow Solutions Segment

(in thousands)	2015	2014	Change
Net Revenues	\$272,612	\$288,473	\$(15,861)
Segment Operating Income	33,811	29,883	3,928
Segment Operating Margin	12.4	% 10.4	%

Advanced Flow Solutions segment net revenues decreased by \$15.9 million, or 5%, for 2015 compared to 2014. The decrease was primarily driven by declines in our actuation business related to structural landing gear product lines exit (-3%) and fluid control business in France (-2%). Advanced Flow Solutions segment orders decreased \$38.8 million, or 13%, to \$251.0 million for 2015 compared to \$289.8 million for 2014, primarily due to our industrial solutions business (-8%) and a business divestiture (-5%).

Segment operating income increased \$3.9 million, or 13%, to \$33.8 million for 2015 compared to \$29.9 million for 2014. The increase in operating income was primarily as a result of the Schroedahl acquisition (+27%) offset by our industrial solutions business (-12%) and aerospace business (-1%).

Corporate Expenses

Corporate expenses decreased \$1.7 million, or 7%, to \$21.7 million for 2015 compared to 2014, primarily due to lower compensation costs and cost control.

Special and Restructuring charges, net

In 2015, the Company recorded \$23.7 million of Special and restructuring charges, net. In our statement of operations, these charges are recorded in costs of revenue (\$9.4 million) and Special and restructuring charges, net (\$14.4 million). These costs are primarily related to our simplification and restructuring efforts. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. In addition, we incurred \$3.2 million of Brazil restatement charges. These restructuring charges and other special charges are

described in further detail in Note 4, Special and Restructuring charges, net.

In relation to our Schroedahl acquisition we recorded \$6.8 million of intangible asset amortization during 2015. This amortization is recorded within selling, general, and administrative expenses. Also during 2015, we also recorded \$2.5 million of plant, property, and equipment and intangible impairments related to our Brazil business. These impairment charges are included in the impairment charge line on our consolidated statement of operations.

In 2014, the Company recorded \$20.7 million of Special and restructuring charges, net. In our statement of operations, these charges are recorded in costs of revenue (\$8.0 million) and Special and restructuring costs, net (\$12.7 million). These costs, primarily related to our simplification efforts and acquisitions. The amount recorded in costs of revenues relates to inventory charges associated with the exit of non-strategic product lines. These restructuring charges and other special charges are described in further detail in Note 4, Special and Restructuring charges, net.

In 2014, we also recorded \$0.7 million impairment charges for certain Aerospace & Defense trade name intangible assets that had no future usage. These impairment charges are included in the impairment charge line on our consolidated statement of income (loss).

Interest Expense, Net

Interest expense increased \$0.2 million to \$2.8 million for 2015. This change in interest expense was primarily due to higher outstanding debt balances during the period related to our 2015 Schroedahl acquisition.

Other Expense (Income), Net

Other expense was \$0.9 million for 2015 compared to other income of \$1.2 million in 2014. The difference of \$2.1 million was primarily due to foreign currency fluctuations.

Comprehensive (Loss) Income

Comprehensive (loss) income changed by \$34.7 million from comprehensive income of \$12.5 million as of December 31, 2014 to comprehensive loss of \$22.2 million as of December 31, 2015, primarily driven by \$40.5 million decrease in net income and an increase of \$1.1 million in unfavorable foreign currency balance sheet remeasurements. These unfavorable foreign currency balance sheet remeasurements were driven by the weakening of the Brazilian Real (\$5.4 million), Canadian Dollar (\$1.4 million) and UK Pound (\$0.4 million) offset by strengthening of the Euro (\$6.2 million) against the U.S. Dollar.

Provision for Income Taxes

The effective tax rate was 56% for the year ended December 31, 2015 compared to 20% for the same period of 2014. The primary drivers of the higher 2015 tax rate was an increase in foreign losses from Brazil with no tax benefit (+38%), a 2014 valuation allowance benefit related to US foreign tax credits (+9%), and charges for a foreign tax audit that was settled in 2015 (+5%). This was partially offset by lower taxed foreign earnings in 2015 (-9%), as well as a 2015 valuation allowance benefit for certain state net operating losses (-7%).

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 have historically generated 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 year-ended indicated (in thousands):

	2016	2015	2014
Cash flow provided by (used in):			

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Operating activities	\$59,399	\$27,142	\$70,826
Investing activities	(210,481)	(87,726)	(1,842)
Financing activities	158,764	2,251	(37,724)
Effect of exchange rate changes on cash and cash equivalents	(3,944)	(8,498)	(12,163)
Increase (decrease) in cash and cash equivalents	\$3,738	\$(66,831)	\$19,097

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Cash Flow Activities for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

During the year ended December 31, 2016, we generated \$59.4 million in cash flow from operating activities compared to \$27.1 million during the year ended December 31, 2015. The \$32.3 million increase in operating cash was primarily driven by higher cash provided by working capital. Within working capital in 2016, approximately \$1.9 million of cash came from increased collections and \$50.5 million from improved inventory positions offset in part by a decrease in accounts payable of \$13.6 million. The decrease in accounts payable was due to the timing of payments to our vendors for products and services and decrease in business volume, primarily in our large international projects business (\$12.8 million).

During the year ended December 31, 2016, we used \$210.5 million for investing activities as compared to \$87.7 million during the year ended December 31, 2015. The \$122.8 million year over year increase in cash used was primarily driven by \$197.5 million used for the CFS acquisition in 2016 compared to \$79.7 million used for the Schroedahl acquisition in 2015, as described in Note 3, Business Acquisitions.

During the year ended December 31, 2016, we generated \$158.8 million for financing activities as compared to cash generated of \$2.3 million during the year ended December 31, 2015. The \$156.5 million year over year increase in cash generated from financing activities was primarily related to our net borrowing activity as we increased debt by \$323.2 million, and made debt payments of \$162.5 million. On October 13, 2016, to fund the acquisition of CFS, we borrowed \$205.0 million under our existing credit facility. During the fourth quarter of 2016, we repatriated \$32.0 million of foreign earnings and utilized the cash to repay borrowings under our credit agreement.

As of December 31, 2016, total debt was \$251.2 million compared to \$90.5 million at December 31, 2015 due to the draw down on our credit facility. Total debt as a percentage of total shareholders' equity was 62% as of December 31, 2016 compared to 23% as of December 31, 2015.

As a result of a significant portion of our cash balances being denominated in Euros and Canadian Dollars, the strengthening of the U.S. Dollar resulted in a \$3.9 million decrease in reported cash balances.

We have a five year unsecured credit agreement ("2014 Credit Agreement"), under which we may borrow funds up to \$400 million (with an accordion feature that allows us to borrow up to an additional \$200 million if the existing or additional lenders agree).

We entered into the 2014 Credit Agreement to fund potential acquisitions, such as our Schroedahl and CFS acquisitions, to support our operational growth initiatives and working capital needs, and for general corporate purposes. As of December 31, 2016, we had borrowings of \$251.2 million outstanding under our credit facility and \$53.6 million outstanding under letters of credit.

The 2014 Credit Agreement contains covenants that require, among other items, maintenance of certain financial ratios and also limits our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock which limits our ability to borrow under the credit facility. The two primary financial covenants are leverage ratio and interest coverage ratio. We were in compliance with all financial covenants related to our existing debt obligations at December 31, 2016 and we believe it is likely that we will continue to meet such covenants in the next twelve months from date of financial statements.

The ratio of current assets to current liabilities was 3.1:1 at December 31, 2016 compared to 2.6:1 at December 31, 2015. As of December 31, 2016, cash and cash equivalents totaled \$58.3 million, substantially all of which was held

in foreign bank accounts. This compares to \$54.5 million of cash and cash equivalents as of December 31, 2015 substantially all of which was also held in foreign bank accounts. The cash and cash equivalents located at our foreign subsidiaries may not be repatriated to the United States or other jurisdictions without significant tax implications. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and in addition we may utilize our 2014 Credit Agreement for U.S. based cash needs.

In 2017, we expect to generate positive cash flow from operating activities sufficient to support our capital expenditures and pay dividends of approximately \$2.5 million based on our current dividend practice of paying \$0.15 per share annually. Based on our expected cash flows from operations and contractually available borrowings under our credit facility, we expect to have sufficient liquidity to fund working capital needs and future growth over at least the next twelve months from date of filing the 2016 financial statements. We continue to search for strategic acquisitions. A larger acquisition may require additional borrowings and/or the issuance of our common stock.

Cash Flow Activities for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

During the year ended December 31, 2015, we generated \$27.1 million in cash flow from operating activities compared to \$70.8 million during the year ended December 31, 2014. The \$43.7 million increase in cash usage was primarily driven by a \$40.5 million decrease in net income, higher cash usage for working capital (\$6.0 million), partially offset by an increase in non-cash charges, particularly amortization. Within working capital in 2015 we were provided \$20.4 million of cash for increased collections but this was offset by increased inventory purchases and a decrease in accounts payable. This was due to the Company's timing of payments to our vendors for products and services and a customer dispute resolution payment (\$5.5 million) as well as an Italian tax settlement (\$2.2 million).

During the year ended December 31, 2015, we used \$87.7 million for investing activities as compared to \$1.8 million during the year ended December 31, 2014. The \$85.9 million year over year increase in cash used was primarily driven by \$79.9 million used for the Schroedahl acquisition.

During the year ended December 31, 2015, we generated \$2.3 million for financing activities as compared to cash used of \$37.7 million during the year ended December 31, 2014. The \$40.0 million year over year increase in cash generated from financing activities was primarily related to our net borrowing activity as we increased debt by \$261.4 million, and made debt payments of \$182.0 million. The cash inflow from additional net borrowings was used to purchase \$75.0 million of our common stock.

As a result of a significant portion of our cash balances being denominated in Euros and Canadian Dollars, the strengthening of the U.S. Dollar resulted in an \$8.5 million decrease in reported cash balances.

The ratio of current assets to current liabilities was 2.6:1 at December 31, 2015 compared to 2.7:1 at December 31, 2014. As of December 31, 2015, cash and cash equivalents totaled \$54.5 million, substantially all of which was held in foreign bank accounts. This compares to \$121.4 million of cash and cash equivalents as of December 31, 2014 substantially all of which was held in foreign bank accounts. The cash and cash equivalents located at our foreign subsidiaries may not be repatriated to the United States or other jurisdictions without significant tax implications. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and in addition we may utilize our 2014 Credit Agreement for U.S. based cash needs.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2016 that affect our liquidity:

	Payments due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 years
Contractual Cash Obligations:	(in thousands)				
Long-term debt, less current portion	\$251,200	\$ —	\$251,200	\$ —	\$ —
Interest payments on debt	15,658	6,061	9,597	—	—
Operating leases	31,894	7,453	10,704	5,405	8,332
Total contractual cash obligations	\$298,752	\$ 13,514	\$271,501	\$5,405	\$ 8,332
Commercial Commitments:					

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U.S. standby letters of credit	\$22,502	\$ 2,946	\$19,556	\$—	\$ —
International standby letters of credit	31,109	9,073	19,841	2,133	62
Commercial contract commitments	66,758	63,287	3,389	60	22
Total commercial commitments	\$120,369	\$ 75,306	\$42,786	\$2,193	\$ 84

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In accordance with the authoritative guidance for accounting for uncertainty in income taxes, as of December 31, 2016, we had unrecognized tax benefits of \$3.0 million, including \$0.2 million of accrued interest. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe, or if the applicable statute of limitations lapses. The impact of the amount of such changes to previously recorded uncertain tax positions could range from zero to \$1.0 million.

The interest on certain of our other debt balances, with scheduled repayment dates between 2017 and 2019 and interest rates ranging between 1.59% and 4%, have been included in the "Interest payments on debt" line within the Contractual Cash Obligations schedule.

Our commercial contract commitments primarily relate to open purchase orders of \$66.8 million, \$3.2 million of which extend to 2018 and beyond.

In fiscal years 2016 and 2015, we contributed \$1.0 million and \$1.6 million to our qualified defined benefit pension plan, respectively. In addition, we made \$0.4 million in payments to our nonqualified supplemental plan for both 2016 and 2015. In connection with a lump sum cash payout option to terminated and vested pension plan participants, during Q4 2016 we incurred a \$4.5 million non-cash settlement charge which has been recorded within the Special and restructuring charges, net line item. In addition, we made \$1.5 million and \$2.9 million in payments to our 401(k) savings plan for 2016 and 2015, respectively.

In 2017, we expect to make plan contributions totaling \$2.0 million, consisting of \$1.6 million in contributions to our qualified plan and payments of \$0.4 million for our nonqualified plan. 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 anticipate fulfilling these commitments through our generation of cash flow from operations.

Share Repurchase Plan

During 2015, we completed a stock repurchase program announced on December 18, 2014, which authorized the Company to repurchase up to \$75.0 million of the Company's outstanding common stock. Under the program, shares were purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities and Exchange Act of 1934, as amended. All shares of our common stock repurchased were automatically restored to the status of authorized and unissued. We initiated our repurchase program on March 16, 2015 and completed the program as of December 31, 2015.

The following table provides information about our repurchase of our common stock during the year ended December 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Value of Shares Purchased as Part of a Publicly Announced Program
January 1st - December 31st	1,381,784	\$54.26	\$74,972,000

Off-Balance Sheet Arrangements

Through December 31, 2016, we have not entered into any off-balance sheet arrangements or material transactions with unconsolidated entities or other persons that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

The Oil & Gas markets historically have been subject to cyclicalities depending upon supply and demand for crude oil, its derivatives and natural gas. When oil or gas prices decrease, expenditures on maintenance and repair decline rapidly and outlays for exploration and in-field drilling projects decrease and, accordingly, demand for valve products is reduced. However, when oil and gas prices rise, maintenance and repair activity and spending for projects normally increase and we benefit from increased demand for valve products. However, oil or gas price increases may be considered temporary in nature or not driven by customer demand and, therefore, may result in longer lead times for increases in sales orders. As a result, the timing and magnitude of changes in market demand for oil and gas valve products are difficult to predict. A decline in oil price will have a similar impact on the demand for our products, particularly in markets, such as North America, where the cost of oil production is relatively higher. Similarly, although not to the same extent as the Oil & Gas markets, the general industrial, chemical processing, aerospace, military and maritime markets have historically experienced cyclical fluctuations in demand. Lower oil prices result in reduced spending on our products as production or prices are cut. As a result, we historically have generated lower revenues and profits in periods of declining demand or prices for crude oil and natural gas. In the latter half of fiscal year 2014 continuing into 2016, our operating results were adversely affected due to dramatic decreases in the price of oil and our customers reduced their spending on our products as level of activity fell. Therefore, results of operations for any particular period are not necessarily indicative of the results of operations for any future period. Any future downward pricing pressure on crude oil could have a material adverse effect on our business, financial condition or results of operations. These fluctuations have had a material adverse effect on our business, financial condition and results of operations and may continue going forward.

Foreign Currency Exchange Risk

The Company is exposed to certain risks relating to its ongoing business operations including foreign currency exchange rate risk and interest rate risk. For additional information regarding our foreign currency exchange risk refer to Note 16 to the consolidated financial statements included in this Annual Report.

We performed a sensitivity analysis as of December 31, 2016 based on scenarios in which market spot rates are hypothetically changed in order to produce a potential net exposure loss. The hypothetical change was based on a 10 percent strengthening or weakening in the U.S. dollar, whereby all other variables are held constant. The analysis includes all of our foreign currency contracts outstanding as of December 31 for each year, as well as the offsetting underlying exposures. The sensitivity analysis indicates that a hypothetical 10 percent adverse movement in foreign currency exchange rates would result in a foreign exchange gain of \$2.7 million at December 31, 2016.

Interest Rate Risk

Loans under our credit facility bear interest at variable rates which reset every 30 to 180 days depending on the rate and period selected by the Company. These loans are subject to interest rate risk as interest rates will be adjusted at each rollover date to the extent such amounts are not repaid. As of December 31, 2016, the annual rates on the revolving loans were 2.0%. If there was a hypothetical 100 basis point change in interest rates, the annual net impact to earnings and cash flows would be \$2.5 million. This hypothetical change in cash flows and earnings has been calculated based on the borrowings outstanding at December 31, 2016 and a 100 basis point per annum change in interest rate applied over a one-year period.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and the related notes thereto included in this Annual Report on Form 10-K are hereby incorporated by reference herein.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

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Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (our principal executive officer and principal financial officer, respectively), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our CEO and CFO concluded that, as of December 31, 2016, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information we disclose in reports that we file or submit under the Securities and Exchange Act of 1934 is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework titled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

Management excluded CFS from our assessment of internal control over financial reporting as of December 31, 2016 because it was acquired by the Company in a purchase business combination in October 2016. The total assets and total revenues of CFS, a wholly-owned subsidiary, represent approximately \$77 million and \$19 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

Our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2016 that could materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no

later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

Code of Ethics

The Company has implemented and regularly monitors compliance with a comprehensive Code of Conduct & Business Ethics (the "Code of Conduct"), which applies uniformly to all directors, executive officers, and employees. Among other things, the Code of Conduct addresses conflicts of interest, confidentiality, fair dealing, protection and proper use of Company assets, compliance with applicable law (including insider trading and anti-bribery laws), and reporting of illegal or unethical behavior. The Code of Conduct is available on the Company's website at www.CIRCOR.com under the "Investors" sub link and hardcopy will be provided by the Company to any stockholder who requests it by writing to the Company's Secretary at the Company's headquarters.

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Item 11. Executive Compensation

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Except for the information required by Section 201(d) of Regulation S-K which is set forth below, the information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity Compensation plans approved by security holders	643,004	(1)\$ 30.34	(4)1,039,568
Inducement Awards for President and CEO	200,000	(2)8.18	(4)—
Inducement Award for Executive VP and CFO	100,000	(3)10.77	(4)—
Total	943,004	\$ 21.66	1,039,568

Reflects 436,319 stock options and 30,615 restricted stock units granted under the Company's Amended and (1) Restated 1999 Stock Option and Incentive Plan and 176,070 restricted stock units granted under the Company's 2014 Stock Option and Incentive Plan.

Reflects stock options issued as inducement equity awards to our President and CEO on April 9, 2013 and (2) December 2, 2013. These awards were granted pursuant to the inducement award exemption under Section 303A.08 of the NYSE Listed Company Manual. Details of these grants, including vesting terms, are set forth in Note 11, "Share-Based Compensation", to the consolidated financial statements.

Reflects 100,000 stock options issued to our Executive VP and CFO on December 2, 2013. These awards were (3) granted pursuant to the inducement award exemption under Section 303A.08 of the NYSE Listed Company Manual. Details of these grants are set forth in Note 11, "Share-Based Compensation", to the consolidated financial statements.

(4) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock units, which have no exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

Item 14. Principal Accounting Fees and Services

The information required under this item is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year ended December 31, 2016.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

The financial statements filed as part of the report are listed in Part II, Item 8 of this report on the Index to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

	Page
<u>Schedule II Valuation and Qualifying Accounts</u>	<u>82</u>

Other than our Allowance for Doubtful Accounts Rollforward included in Schedule II Valuation and Qualifying Accounts, all other schedules are omitted because they are not applicable or not required, or because the required information is included either in the consolidated financial statements or in the notes thereto.

(a)(3) Exhibits

References to exhibits in the table below being incorporated by reference are made in each case with respect to filings of the Company, SEC File No. 001-14962.

Exhibit

No.	Description and Location
2.1*	Share Purchase Agreement, dated April 15, 2015, between CIRCOR International, Inc. and affiliates and Schroedahl-ARAPP Spezialarmaturen GmbH & Co. KG and affiliates, incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed with the SEC on April 15, 2015
2.2*	Agreement and Plan of Merger dated October 12, 2016 by and among the Company, Downstream Holding, LLC, Downstream Acquisition LLC, and Sun Downstream, LP., incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed with the SEC on October 14, 2016
3	Articles of Incorporation and By-Laws:
3.1	Amended and Restated Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q, filed with the SEC on October 29, 2009
3.2	Amended and Restated By-Laws, as amended, of the Company, incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q, filed with the SEC on October 31, 2013
10	Material Contracts:
10.1	Credit Agreement among CIRCOR International, Inc., as borrower, certain subsidiaries of CIRCOR International, Inc. as guarantors, the lenders from time to time parties thereto, Suntrust Bank as administrative agent, swing line lender and letter of credit issuer, Suntrust Robinson Humphrey, Inc. as joint-lead arranger and joint-bookrunner, Keybank Capital Markets Inc., as joint-lead arranger and joint-bookrunner, Keybank National Association as syndication agent, and Santander Bank, N.A., Branch Banking and Trust Company and HSBC Bank USA, N.A., as co-documentation agents, dated July 31, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q, filed with the SEC on August 1, 2014 (the "Credit Agreement")
10.2	First Amendment to CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan, dated as of December 1, 2005, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on December 7, 2005
10.3§	CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (as amended, the "1999 Stock Option and Incentive Plan"), incorporated herein by reference to Exhibit 4.4 to the Company's Form S-8, File No. 333-125237, filed with the SEC on May 25, 2005
10.4§	First Amendment to the 1999 Stock Option and Incentive Plan, dated as of December 1, 2005, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on December 7, 2005
10.5§	Second Amendment to the 1999 Stock Option and Incentive Plan, dated as of February 12, 2014
10.6§	Form of Non-Qualified Stock Option Agreement for Employees (Three Year Cliff Vesting) under the 1999 Stock Option and Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q, filed with the SEC on May 10, 2010
10.7§**	CIRCOR International, Inc. Amended and Restated Management Stock Purchase Plan dated as of January 1, 2017
10.8§	Form of Indemnification Agreement entered into by the Company and its directors and certain of its officers is incorporated herein by reference to Exhibit 10.12 to the Company's Form 10-K, filed with the SEC on March 12, 2003
10.9§	Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated September 1, 2009, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on October 29, 2009
10.10§	

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Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated November 4, 2010, incorporated by reference to Exhibit 10.8 to the Company's Form 8-K, filed with the SEC on November 5, 2010

10.11§ Restricted Stock Unit Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on April 15, 2013

10.12§ Performance-Based Restricted Stock Unit Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K, filed with the SEC on April 15, 2013

10.13§ Stock Option Inducement Award Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K, filed with the SEC on April 15, 2013

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- 10.14§ Severance Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.4 to the Company's Form 8-K, filed with the SEC on April 15, 2013
- 10.15§ Amended Performance-Based Restricted Stock Unit Agreement, dated as of April 9, 2013, between the Company and Scott A. Buckhout, incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, filed with the SEC on April 28, 2015
- 10.16§ Executive Change of Control Agreement, dated as of April 9, 2013, between the Company and Scott A Buckhout, incorporated herein by reference to Exhibit 10.5 to the Company's Form 8-K, filed with the SEC on April 15, 2013
- 10.17§ Performance-Based Stock Option Award Agreement, dated as of March 5, 2014, between the Company and Scott A. Buckhout, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on March 11, 2014
- 10.18§ CIRCOR International, Inc. 2014 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit A to the Company's Definitive Proxy Statement, filed with the SEC on March 21, 2014 (the "2014 Stock Option and Incentive Plan")
- 10.19§ First Amendment to 2014 Stock Option and Incentive Plan, dated December 31, 2014, incorporated herein by reference to Exhibit 10.36 to the Company's Form 10-K for the year ended December 31, 2014 filed with the SEC on February 18, 2015
- 10.20§ Executive Change of Control Agreement, dated as of March 5, 2015, between the Company and Erik Wiik, incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on April 28, 2015
- 10.21§ Executive Change of Control Agreement, dated as of June 10, 2015, between the Company and Andrew Farnsworth, incorporated herein by reference to the Company's Form 10-Q filed with the SEC on July 29, 2015
- 10.22§ Executive Change of Control Agreement, dated as of January 8, 2016, between the Company and David Mullen, incorporated herein by reference to the Company's Form 10-K filed with the SEC on February 23, 2016
- 10.23§ Severance Agreement, dated as of March 19, 2014, between the Company and Vincent Sandoval, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on April 22, 2014
- 10.24§ Executive Change of Control Agreement, dated as of March 19, 2014, between the Company and Vincent Sandoval, incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q, filed with the SEC on April 22, 2014
- 10.25§ Inducement Restricted Stock Unit Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.35 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.26§ Stock Option Inducement Award Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.36 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.27§ Severance Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.37 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.28§ Executive Change of Control Agreement, dated as of December 2, 2013, between the Company and Rajeev Bhalla, incorporated herein by reference to Exhibit 10.38 to the Company's Form 10-K, filed with the SEC on February 27, 2014
- 10.29§** Form of Performance-Based Restricted Stock Unit Agreement For Employees and Directors under the Amended and Restated 1999 Stock Option And Incentive Plan
- 10.30§** Form of Management Stock Purchase Plan Restricted Stock Unit Agreement For Employees and Directors under the CIRCOR International, Inc. Amended and Restated 1999 Stock Option And Incentive Plan

- 10.31§** Form of Restricted Stock Unit Agreement For Directors under the Company 2014 Stock Option And Incentive Plan
- 10.32§** Form of Performance-Based Restricted Stock Unit Agreement For Employees and Directors under the 2014 Stock Option And Incentive Plan
- 10.33§** Form of Management Stock Purchase Plan Restricted Stock Unit Agreement For Employees and Directors under the CIRCOR International, Inc. 2014 Stock Option And Incentive Plan
- 10.34§** Form of Non-Qualified Stock Option Agreement for Employees under the Company 2014 Stock Option And Incentive Plan
- 10.35§** Form of Restricted Stock Unit Agreement For Employees under the Company 2014 Stock Option And Incentive Plan
- 10.36§** Executive Change of Control Agreement, dated as of November 7, 2016, between CIRCOR International, Inc. and Jennifer H. Allen
- 10.37§** Executive Change of Control Agreement, dated as of October 26, 2016, between CIRCOR International, Inc. and Sumit Mehrotra

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- 10.38§** Severance Agreement, dated as of December 9, 2016, between CIRCOR International, Inc. and Jennifer H. Allen
- 10.39§** Severance Agreement, dated as of December 9, 2016, between CIRCOR International, Inc. and Sumit Mehrotra
- 10.40§ Stock Option Inducement Award Agreement, dated as of April 9, 2013, between the Company and Scott A. Buckhout, incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K, filed with the SEC on April 15, 2013
- 21** Schedule of Subsidiaries of CIRCOR International, Inc.
- 23.1** Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
- 23.2** Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm
- 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
- 101 The following financial statements from CIRCOR International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC on February 21, 2017, formatted in XBRL (eXtensible Business Reporting Language), as follows:
- (i) Consolidated Balance Sheets as of December 31, 2016 and 2015
 - (ii) Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014
 - (iii) Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2016, 2015 and 2014
 - (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
 - (v) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014
 - (vi) Notes to the Consolidated Financial Statements

* The Company hereby agrees to provide the Commission, upon request, copies of any omitted exhibits or schedules to this exhibit required by Item 601(b)(2) of Regulation S-K.

** Filed with this report.

***Furnished with this report.

§ Indicates management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary
Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Scott A. Buckhout
 Scott A. Buckhout
 President and Chief Executive Officer

Date: February 21, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Scott A. Buckhout Scott A. Buckhout	President and Chief Executive Officer (Principal Executive Officer)	February 21, 2017
/s/ Rajeev Bhalla Rajeev Bhalla	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 21, 2017
/s/ David F. Mullen David F. Mullen	Vice President and Corporate Controller (Principal Accounting Officer)	February 21, 2017
/s/ David F. Dietz David F. Dietz	Chairman of the Board of Directors	February 21, 2017
/s/ Helmuth Ludwig Helmuth Ludwig	Director	February 21, 2017
/s/ Douglas M. Hayes Douglas M. Hayes	Director	February 21, 2017
/s/ John A. O'Donnell John A. O'Donnell	Director	February 21, 2017
/s/ Peter M. Wilver Peter M. Wilver	Director	February 21, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CIRCOR International, Inc.

In our opinion, the accompanying consolidated balance sheets as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for the years then ended present fairly, in all material respects, the financial position of CIRCOR International, Inc. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule as of and for the years ended December 31, 2016 and 2015 listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Critical Flow Solutions from its assessment of internal control over financial reporting as of December 31, 2016 because Critical Flow Solutions was acquired by the Company in a purchase business combination during 2016. We have also excluded Critical Flow Solutions from our audit of internal control over financial reporting. Critical Flow Solutions is a wholly-owned subsidiary whose total assets and total revenues represent approximately \$77 million and \$19 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 21, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CIRCOR International, Inc.:

We have audited the balance sheet of CIRCOR International, Inc. (the "Company") as of December 31, 2014 (not presented herein), and the related consolidated statements of income, comprehensive (loss) income, changes in shareholders' equity and cash flows for the year ended December 31, 2014. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15 (a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of CIRCOR International Inc. and subsidiaries for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Boston, Massachusetts

February 18, 2015

(except for the effects of the change in reportable segments, as discussed in Note 17, as to which the date is February 21, 2017)

CIRCOR INTERNATIONAL, INC.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 58,279	\$ 54,541
Trade accounts receivable, less allowance for doubtful accounts of \$5,056 and \$8,290, respectively	133,046	125,628
Inventories	149,584	177,840
Prepaid expenses and other current assets	29,557	16,441
Total Current Assets	370,466	374,450
PROPERTY, PLANT AND EQUIPMENT, NET	99,713	87,029
OTHER ASSETS:		
Goodwill	206,659	115,452
Intangibles, net	135,778	48,981
Deferred income taxes	4,824	36,799
Other assets	3,316	7,204
TOTAL ASSETS	\$ 820,756	\$ 669,915
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 46,767	\$ 64,284
Accrued expenses and other current liabilities	50,707	59,463
Accrued compensation and benefits	20,249	18,424
Total Current Liabilities	117,723	142,171
LONG-TERM DEBT	251,200	90,500
DEFERRED INCOME TAXES	13,657	10,424
OTHER NON-CURRENT LIABILITIES	33,766	26,043
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 29,000,000 shares authorized; 16,445,363 and 16,364,299 shares issued and outstanding at December 31, 2016 and 2015, respectively	178	177
Additional paid-in capital	289,423	283,621
Retained earnings	265,543	257,939
Common treasury stock, at cost (1,372,488 and 1,381,784) shares at December 31, 2016 and 2015)	(74,472)	(74,972)
Accumulated other comprehensive loss, net of tax	(76,262)	(65,988)
Total Shareholders' Equity	404,410	400,777
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 820,756	\$ 669,915

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

CIRCOR INTERNATIONAL, INC.
 Consolidated Statements of Income
 (in thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Net revenues	\$590,259	\$656,267	\$841,446
Cost of revenues	407,144	456,935	584,426
GROSS PROFIT	183,115	199,332	257,020
Selling, general and administrative expenses	154,818	156,302	178,800
Impairment charges	208	2,502	726
Special and restructuring charges, net	17,171	14,354	12,737
OPERATING INCOME	10,918	26,174	64,757
Other expense (income):			
Interest expense, net	3,310	2,844	2,652
Other (income) expense, net	(2,072)	902	(1,156)
TOTAL OTHER EXPENSE, NET	1,238	3,746	1,496
INCOME BEFORE INCOME TAXES	9,680	22,428	63,261
(Benefit from) Provision for income taxes	(421)	12,565	12,875
NET INCOME	\$10,101	\$9,863	\$50,386
Earnings per common share:			
Basic	\$0.62	\$0.59	\$2.85
Diluted	\$0.61	\$0.58	