CIRCOR INTERNATIONAL INC
Form 10-K
February 18, 2015

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, 2014
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	04-3477276
(State or Other Jurisdiction of Incorporation or Organization)	(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 x 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 x

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 x 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 x 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 x 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 x

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2014 was $1,344,251,258. The registrant does not have any non-voting common equity.

As of February 16, 2015, there were 17,683,863 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 2014 Annual Meeting of Stockholders to be held on May 5, 2015. 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, 2014.

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Part I

Item 1. Business

This annual report on Form 10-K (hereinafter, the “Annual Report”) contains certain statements that are “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995 (the “Act”) and releases issued by the Securities and Exchange Commission. The words “may,” “hope,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the cyclicality and highly competitive nature of some of our end markets which can affect the overall demand for and pricing of our products, changes in the price of and demand for Oil & Gas in both domestic and international markets, 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 inventories, our prevention of the accumulation of excess inventory, our ability to successfully implement our acquisition, divestiture, restructuring, or simplification strategies, fluctuations in interest rates, our ability to continue to successfully defend product liability actions, our ability to realize savings anticipated to result from the repositioning activities discussed herein, 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 highly engineered products and sub-systems used in the Oil & Gas, power generation, aerospace, defense, and other industrial markets. Within our major product groups, we manage a portfolio of flow control and actuation products, sub-systems and technologies that enable us to fulfill our customers’ unique application needs. We have a global presence and operate 19 major manufacturing facilities that are located in the United States, Western Europe, Morocco, India, Brazil and the People’s Republic of China. We have two reporting segments: CIRCOR Energy ("Energy Segment" or "Energy") and CIRCOR Aerospace & Defense ("Aerospace & Defense Segment" or "Aerospace & Defense"). We sell our products through approximately 800 distributors or representatives and directly to end-use 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) Grow 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 high-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.

2) Simplify CIRCOR. In 2013 we embarked on a long-term journey to simplify CIRCOR. While we made progress in 2014,

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CIRCOR continues to operate with significant complexity. 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.

3) Achieve World Class Operational Excellence. Our Global Operations and Sourcing organizations are focused on improving our quality, delivery, cost, safety and inventory performance. The primary tool for expanding performance at CIRCOR is the CIRCOR Business System. The CIRCOR Business System is based on lean operating techniques designed to continuously improve product and work flow and drive waste out of our design, manufacturing, sales, procurement and office-related processes (“Lean”). We are focused on expanding our CIRCOR Business System to reach well beyond the four walls of our existing manufacturing facilities. This program will include strong leadership at the top of CIRCOR, more effective training and standardization across the organization, robust processes and metrics, and clear lines of accountability. The CIRCOR Business System is the foundation of our future operational improvements. Achieving operational and business process excellence will be one of the critical elements to our growth, margin expansion and improved working capital objectives.

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.

Business Segments

We operate in two business segments, Energy and Aerospace & Defense.

Energy

Energy is a global provider of highly engineered integrated flow control solutions, valves and services in the expanding and evolving Oil & Gas and power generation industries.

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, cryogenic, steam power generation systems and process systems.

We plan to grow Energy by expanding our capabilities in Oil & Gas - upstream, mid-stream and downstream, as well as focusing on the global power generation infrastructure build-out in emerging markets. We expect to grow organically and through acquisitions.

Energy is headquartered in Houston, Texas and has manufacturing facilities in Oklahoma, Florida, South Carolina, New York, China, Canada, United Kingdom, Italy, India, Brazil, Germany 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 as well as power generation including steam/process applications in both commercial and industrial markets. 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 instrumentation and sampling businesses.

- Upstream Oil & Gas 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 all the ancillary equipment - such as oil field heaters that warm crude oil and are required to move the product through the gathering and pipeline systems to the processing plants - 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.

- Downstream Oil & Gas: The downstream market includes the refining, distillation, stripping, degassing, dehydrating,

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desulpherizing, and purifying of the crude oil to its constituent components as well as the conversion of natural gas to methane.

- Power Generation: The power generation 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.

Brands

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

KF Valves, Pibiviesse, Circle Seal Controls, Contromatics, CPC Cryolab, Dopak Sampling, GO Regulators, Hoke, Gyrolok, Hydroseal, Laurence, Leslie Controls, Mallard Control, Nicholson Steam Trap, Pipeline Engineering, Rockwood Swendeman, RTK, Spence Engineering 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)
  Severe Service and General Service Control Valves
  Engineered Trunion and Floating Ball Valves
  Gate, Globe and Check Valves
- Instrumentation Fittings and Sampling Systems, including Sight Glasses & Gauge Valves
- Liquid Level Controllers, Liquid Level Switches, Needle Valves, Pilot Operated Relief Valves, Plugs & Probes
  Pressure Controllers, Pressure Regulators, Safety Relief Valves.

For our manufactured valve products, we ensure compliance with federal, state and local regulations, as well as 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, European Pressure Equipment Directive, and the American National Standards Institute. In addition, we need to meet standards that qualify us to be on authorized supplier lists with various global end users.

Customers

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

Revenue and Backlog

Energy accounted for $653.3 million, $661.0 million and $659.4 million, or 78%, 77% and 78%, of our net revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Energy's backlog as of February 1, 2015 was $248.4 million compared with $295.0 million as of January 26, 2014. We expect to ship all but $30.2 million of the February 1, 2015 backlog by December 31, 2015.

Energy backlog was reduced during the fourth quarter of 2014 by $25.4 million related to a business divestiture and customer order cancellations initially recorded in prior years.

Aerospace & Defense

Aerospace & Defense is a growing industry leader with primary focus areas of actuation systems and fluid control systems (electromechanical, pneumatic and hydraulic).

Aerospace & Defense sub-systems, components and products are flying on many commercial and military aircraft, including single and twin-aisle air transport, business and regional jets, military transports and fighters, and commercial and military rotorcraft. Other markets include unmanned aircraft, shipboard applications, military ground vehicles and space.

We have significant Aerospace & Defense facilities in California, New York, United Kingdom, France and Morocco. Our Aerospace & Defense headquarters is in Corona, California.

Markets and Applications

- Commercial Aerospace: 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).

- Defense: The defense market we serve includes military and naval applications where controls or motion switches are needed. We support fixed wing aircraft, rotorcraft, missile systems, ground vehicles, weapon systems and weapon launch systems, ordinance, fire control, fuel systems, pneumatic controls, and hydraulic and dockside support equipment including MRO.

Brands

Aerospace & Defense provides control solutions and services for critical aerospace and defense applications through the following brands: CIRCOR Aerospace, Circle Seal Controls, Aerodyne Controls, CIRCOR Bodet, CIRCOR Industria, and Hale Hamilton.

Products

Aerospace & Defense primarily manufactures controls (electromechanical, pneumatic, hydraulic), and 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.

Customers

Aerospace & Defense products and services are used by a range of customers, including those in the military and defense, commercial aerospace, and business and general aviation markets.

Revenue and Backlog

CIRCOR Aerospace & Defense accounted for $188.2 million, $196.8 million and $186.2 million, or 22%, 23% and 22%, of our net revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Aerospace & Defense backlog as of February 1, 2015 was $106.5 million compared with $171.9 million as of January 26, 2014. We expect to ship all but $12.1 million of the February 1, 2015 backlog by December 31, 2015.

Aerospace & Defense reduced backlog in the second quarter of 2014 by $28.6 million associated with the exit of certain landing gear product lines and in the fourth quarter of 2014 by $13.5 million associated with a business divestiture and change in policy.

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, Cameron International Corp., Curtiss-Wright Corporation, Flowserve Corporation, IMI plc, Pentair Ltd, PetrolValves, SPX Corporation, Swagelok Company, Emerson and Valvitalia S.p.A.

The primary competitors of our Aerospace & Defense segment include: Crane Co., Cobham PLC, Eaton Corporation, GE

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Aviation, Heroux Devtek, Lee, Magnaghi, Marotta, Maxon, Meggitt PLC, and Triumph.

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 Aerospace & Defense segment continues to expand its integrated systems design and testing capability to support bundled 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.

We have expanded our engineering capability and capacity for new designs by using our India organization as a global engineering and technology center. Our research and development expenditures for the years ended December 31, 2014, 2013 and 2012, were $7.8 million, $6.5 million and $8.4 million, respectively.

Customers

For the years ended December 31, 2014, 2013 and 2012, we did not have any customers with revenues that exceeded 5% of our consolidated revenues. Our businesses sell into both long term capital projects as well as short cycle rapid turn operators. 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 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. 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 2016 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 increasing 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 February 1, 2015, our worldwide operations directly employed approximately 2,800 people. We have 29 employees in the United States who are covered by a single collective bargaining agreement. We also have approximately 237 employees in France, 211 in Italy, 136 in Brazil, 68 in the United Kingdom, 38 in the Netherlands and 53 in Morocco covered by governmental regulations or workers' councils. We believe that our employee relations are good at this time.

Environmental Regulations and Proceedings

As a result of our manufacturing and assembly operations, our businesses are subject to federal, state, local and foreign laws, as well as other legal requirements relating to the generation, storage, transport and disposal of materials. These laws include, without limitation, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act and the Comprehensive Environmental Response and Compensation and Liability Act, and foreign equivalents of such laws.

We currently do not anticipate any materially adverse effect on our business, financial condition or results of operations as a result of our compliance with federal, state, local and foreign environmental laws. However, risk of environmental liability and charges associated with maintaining compliance with environmental laws is inherent in the nature of our manufacturing operations and there is no assurance that material liabilities or charges could not arise. During the year ended December 31, 2014, we capitalized approximately $0.3 million and expensed $1.7 million related to environmental and safety control facilities. For the year ending December 31, 2015, we expect to capitalize $0.7 million and expense $0.8 million related to environmental and safety control facilities.

Available Information

We file reports on Form 10-Q with the Securities and Exchange Commission ("SEC") 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," "est "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, pharmaceutical, medical, analytical equipment, 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 profit margins.

In particular, our energy businesses are cyclical in nature as the worldwide demand for oil and gas fluctuates. 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. As a result, we historically have generated lower revenues and profits in periods of declining demand for petrochemical products. Therefore, results of operations for any particular period are not necessarily indicative of the results of operations for any future period. In the latter half of 2014, the price of oil dropped dramatically due to various economic and geopolitical factors. A sustained depression of

oil prices would result in a decreased demand for our oil and gas products which could have a material adverse effect on our business, financial condition or results of operations. 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 that also 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 to competition, 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, involving 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. 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 Business 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 continued strategies is to increase our revenues and expand our markets through acquisitions that will provide us with complementary Energy and Aerospace & Defense 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 recent 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. 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.

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. For example, during the past few years, we have increased our investment in Brazil. During 2014, political activities in Brazil, including strong efforts by the Brazilian government to eliminate corruption from state owned entities such as Petrobras, have resulted in project deferrals, contract cancellations, as well as, payment delays to key contractors on various Petrobras projects. These delays created cash flow problems for certain contractors which, in turn, have resulted in delayed payment for product we have previously shipped as well as postponement or cancellation of pending orders. This situation and/or one or more of these factors could prevent us from successfully expanding our presence in these international markets and could also have a material adverse effect on our current international 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 result in reductions of our operating and net income in future periods.

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, Canada, Brazil and Asia.

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 do not subject us to significant 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.

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 will depend, 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.

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

We believe that our success will depend 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, results of operations and prospects.

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 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 damage 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, results of operations and prospects.

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; 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 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 could differ materially from our forecasts which could cause further volatility in the value of our common stock.

For example, 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.

If our internal control over financial reporting do not comply with the requirements of the Sarbanes-Oxley Act, our business and stock price could be adversely affected.

If either management or our independent registered public accounting firm identifies one or more material weaknesses in internal control over financial reporting that exist as of the end of our fiscal year, the material weakness(es) will be reported either by management in its self assessment or by our independent registered public accounting firm in its report or both, which may result in a loss of public confidence and could have an adverse affect on our business and our stock price. This could also result in significant additional expenditures responding to the Section 404 internal control audit and a diversion of management attention.

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

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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.

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.

If we fail to manufacture and deliver high quality products, 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, pharmaceutical, medical, 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. If we fail to maintain and enforce quality control and testing procedures, our products will not meet these stringent performance and safety standards. Substandard products would seriously harm our reputation, resulting in both a loss of current customers to our competitors and damage to our ability to attract new customers, which could have a material adverse effect on our business, financial condition or results of operations.

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 fluid 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 the People's Republic of China, India and Taiwan, 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, cash flow, capital resources and liquidity. Additionally, many lenders and institutional investors, at times, have reduced funding to borrowers, including other financial institutions. Although we do not currently anticipate a need to access the credit markets for new financing in the short-term, 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 the United States, Western Europe, the People’s Republic of China, Morocco, Brazil 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.

New 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.

On August 22, 2012, the SEC adopted a new rule requiring disclosures by public companies of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The new rule, which became effective for 2013 and 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 new 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 18 major manufacturing facilities worldwide, including operations located in the United States, Western Europe, Morocco, India, Brazil and the People's Republic of China. 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.

Our Energy segment has major manufacturing facilities located in the United States, Italy, the United Kingdom, Brazil, Germany, India, the Netherlands and the People's Republic of China. Properties in Nerviano, Italy and Spartanburg, South Carolina are leased. Our Aerospace & Defense segment has major manufacturing facilities located in the United States, France, the United Kingdom and Morocco. Properties in Hauppauge, New York and Corona, California are leased.

Segment	Leased	Owned	Total
Energy	2	9	11
Aerospace & Defense	2	5	7
Total	4	14	18

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 on-going Lean manufacturing initiatives. We believe that our current facilities in mature markets 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 2014 our Board of Directors authorized a share repurchase program of up to $75 million of the Company's outstanding common stock. 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 16, 2015, there were 17,683,863 shares of our common stock outstanding and we had 63 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 and both a current and former peer group of companies engaged in the valve, pump, fluid control and related industries for the five-year period commencing December 31, 2009 and ending December 31, 2014. The calculation of total cumulative return assumes a $100 investment in the Company's common stock, the Standard & Poor's 500 Composite Index and the peer groups on December 31, 2009 and the reinvestment of all dividends. The historical information set forth below is not necessarily indicative of future performance.

	12/09		12/10		12/11		12/12		12/13		12/14	
CIRCOR International, Inc.	100.00	%	168.65	%	141.46	%	159.32	%	325.96	%	243.73	%
S&P 500	100.00		115.06		117.49		136.30		180.44		205.14	
Peer Group (1)	100.00		125.11		119.69		150.07		208.29		180.19	

(1) Peer Group companies include: Cameron International Corporation, Crane Co., Curtiss-Wright Corporation, Flowserve Corporation, IMI plc, Pentair Ltd., SPX Corporation, 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, 2014, 2013 and 2012, and the consolidated balance sheet data as of December 31, 2014 and 2013 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, 2011 and 2010, and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010, 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,				
	2014	2013	2012	2011	2010
Statement of Income Data (1):					
Net revenues	$841,446	$857,808	$845,552	$822,349	$685,910
Gross profit	257,020	267,601	241,543	225,395	197,269
Operating income	64,757	69,173	46,531	56,298	14,986
Income before interest and taxes	63,261	64,037	41,759	50,196	12,509
Net income	50,386	47,121	30,799	36,634	12,624
Balance Sheet Data:					
Total assets	$724,722	$726,650	$709,981	$722,523	$616,195
Total debt	13,684	49,638	70,484	105,123	1,535
Shareholders' equity	494,093	476,887	418,247	384,085	356,820
Total capitalization	507,777	526,525	488,731	489,208	358,355
Other Financial Data:					
Cash flow provided by (used in):					
Operating activities	$70,826	$72,206	$60,523	$(48,833)	$36,844
Investing activities	(1,842)	(13,264)	(17,629)	(38,005)	(27,781)
Financing activities	(37,724)	(19,235)	(37,408)	97,052	(8,615)
Net interest expense	2,652	3,161	4,259	3,930	2,516
Capital expenditures	17,328	17,328	18,170	17,901	14,913
Diluted earnings (loss) per common share	$2.84	$2.67	$1.76	$2.10	$0.73
Diluted weighted average common shares outstanding	17,768	17,629	17,452	17,417	17,297
Cash dividends declared per common share	$0.15	$0.15	$0.15	$0.15	$0.15

(1) See Goodwill and Other Intangible Assets in Note 7 and Special Charges / Recoveries in Note 4 of the consolidated financial statements for more detail on impairment charges, special charges and inventory restructuring actions for the twelve months ended December 31, 2014, December 31, 2013, and December 31, 2012 which are included in operating income above. No special or impairment charges were included in the statement of income data for the years ended December 31, 2011 and 2010. The statement of income data for the years ended December 31, 2011 and 2010 include Leslie asbestos and bankruptcy costs of $0.7 million and $32.8 million, respectively, primarily within our Energy segment.

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 valves and other highly engineered products and sub-systems used in the Oil & Gas, power generation, aerospace, defense and industrial markets. Within our major product groups, we develop, manufacture, sell and service a portfolio of fluid-control products, sub-systems and technologies that enable us to fulfill our customers' unique fluid-control application needs. See Part 1, Item 1, Business, for additional information regarding the description of our Business.

As we look to 2015, we are witnessing a correction in customer activity, especially in our upstream oil and gas markets, due to the current macro-economic uncertainty from the decline in oil prices, currency volatility, a weak European economy, and other geopolitical risks. We believe our North American short cycle business will be impacted in the short term due to the reduction of North American upstream activity and destocking of the channel. For our large engineered projects businesses, we are seeing project delays and capital expenditure reductions, which we expect to have an adverse impact on our large project revenue in the longer term. However, we expect to see modest growth in other markets we serve: the Asian power generation markets, the global liquefied natural gas market, and certain mid and down-stream energy markets. We believe the Aerospace & Defense markets will experience modest growth based on increases in OEM production rates and volume growth for specific defense related platforms.

We are implementing actions to mitigate the impact on our earnings and better align our businesses with potential lower demand. In addition we will continue to focus on both organic and 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, and consolidating suppliers among other actions. Finally, attracting and retaining talented personnel, including the development of our global sales, operations, and engineering organization, remains an important part of our strategy during 2015.

Operational excellence will be the foundation of our culture as we continue to transform CIRCOR into a world class company. We believe our cash flow from operations and financing capacity is adequate to support these activities.

Basis of Presentation

All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior period financial statement amounts have been reclassified to conform to currently reported presentations. We monitor our business in two segments: Energy and Aerospace & Defense.

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

Our critical accounting policies were selected because they are broadly applicable within our operating units. The expenses and accrued liabilities or allowances related to certain of these policies are initially based on our best estimates at the time of original entry in our accounting records. Adjustments are recorded when our actual experience, or new information concerning our expected experience, differs from underlying initial estimates. These adjustments could be material if our actual or expected experience were to change significantly in a short period of time. We make frequent comparisons of actual experience and expected experience in order to mitigate the likelihood of material adjustments.

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, 2013. For information regarding our critical accounting policies refer to Note 2 to the consolidated financial statements included in this Annual Report, which disclosure is incorporated by reference herein.

Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

The following tables set forth the results of operations, percentage of net revenue and the period-to-period percentage change in certain financial data for the years ended December 31, 2014 and December 31, 2013:

	Year Ended				
	December 31, 2014		December 31, 2013		% Change
	(Dollars in thousands)				
Net revenues	$841,446	100.0 %	$857,808	100.0 %	(1.9)%
Cost of revenues	584,426	69.5 %	590,207	68.8 %	(1.0)%
Gross profit	257,020	30.5 %	267,601	31.2 %	(4.0)%
Selling, general and administrative expenses	178,800	21.2 %	182,954	21.3 %	(2.3)%
Impairment charges	726	0.1 %	6,872	0.8 %	(89.4)%
Special charges, net	12,737	1.5 %	8,602	1.0 %	48.1 %
Operating income	64,757	7.7 %	69,173	8.1 %	(6.4)%
Other expense:					
Interest expense, net	2,652	0.3 %	3,161	0.4 %	(16.1)%
Other expense, net	(1,156)	(0.1)%	1,975	0.2 %	(158.5)%
Total other expense	1,496	0.2 %	5,136	0.6 %	(70.9)%
Income before income taxes	63,261	7.5 %	64,037	7.5 %	(1.2)%
Provision for income taxes	12,875	1.5 %	16,916	2.0 %	(23.9)%
Net income	$50,386	6.0 %	$47,121	5.5 %	6.9 %

Net Revenues

Net revenues for the year ended December 31, 2014 decreased by $16.4 million, or 2%, to $841.4 million from $857.8 million for the year ended December 31, 2013. The change in net revenues for the year ended December 31, 2014 was attributable to the following:

Segment	Year Ended December 31, 2014	December 31, 2013	Total Change	Operations	Foreign Exchange
	(Dollars In thousands)				
Energy	$653,257	$660,970	$(7,713)	$(1,862)	$(5,851)
Aerospace & Defense	188,189	196,838	(8,649)	(10,653)	2,004
Total	$841,446	$857,808	$(16,362)	$(12,515)	$(3,847)

Our Energy segment accounted for 78% of net revenues for the year ended December 31, 2014 compared to 77% for the year ended December 31, 2013 with the Aerospace & Defense segment accounting for the remainder.

Energy segment revenues decreased $7.7 million, or 1%, for the year ended December 31, 2014 compared to the same period in 2013. The decrease was primarily driven by lower shipment volumes in large international projects (4%) and our control valves businesses (2%) and unfavorable foreign currency of $5.9 million (1%), partially offset by higher shipment volumes in the upstream North American short-cycle (3%) and downstream instrumentation businesses (2%). Energy segment orders decreased $15.8 million, or 2.3%, to $675.9 million for the twelve months ended December 31, 2014 compared to $691.7 million for the same period in 2013 primarily due to lower bookings in upstream large international projects. Orders within our project businesses can be unpredictable or "lumpy" given the nature of the procurement process.

Aerospace & Defense segment revenues decreased by $8.6 million, or 4%, for the year ended December 31, 2014 compared to the same period in 2013. The decrease was primarily driven by declines in our California business related

to landing gear product line exits (4%) and our French operations (2%), partially offset by higher actuation shipments (2%) and favorable foreign currency of $2.0 million (1%). Aerospace & Defense orders decreased $16.2 million, or 8.5%, to $173.4 million for the twelve months ended December 31, 2014 compared to $189.6 million or the same period in 2013 primarily at our French and California operations.

Operating Income (Loss)

The change in operating income (loss) for the year ended December 31, 2014 compared to the year ended December 31, 2013 was as follows:

Segment	Year Ended December 31, 2014	December 31, 2013	Total Change	Operations	Foreign Exchange	Inventory Restructuring, Impairment, & Special (Recoveries) Charges, net
	(Dollars In thousands)					
Energy	$85,316	$90,786	$(5,470)	$5,094	$(1,281)	$(9,283)
Aerospace & Defense	3,473	6,177	(2,704)	(6,630)	502	3,424
Corporate	(24,032)	(27,790)	3,758	3,230	1	527
Total	$64,757	$69,173	$(4,416)	$1,694	$(778)	$(5,332)

Inventory restructuring, impairment, and special charges for the twelve months ended December 31, 2014 and December 31, 2013 were as follows:

Segment	Year Ended December 31, 2014	Inventory Restructuring (1)	Impairment Charges (2)	Special (Recoveries) Charges, net (3)
	(in thousands)			
Energy	$11,801	$ —	$ 425	$ 11,376
Aerospace & Defense	9,035	7,990	301	744
Corporate	617	—	—	617
Total	$21,453	$7,990	$726	$12,737

Segment	Year Ended December 31, 2013	Inventory Restructuring (1)	Impairment Charges (2)	Special (Recoveries) Charges, net (3)
	(in thousands)			
Energy	$2,518	$296	$—	$2,222
Aerospace & Defense	12,459	351	6,872	5,236
Corporate	1,144	—	—	1,144
Total	$16,121	$647	$6,872	$8,602

(1) Inventory Restructuring charges are included in Cost of Revenues. See Note 4, Special Charges, for additional detail on inventory restructuring charges.
(2) See Note 7, Goodwill and Other Intangible Assets, for additional detail on Impairment Charges.
(3) See Note 4, Special charges, net for additional detail on Special (Recovery) Charges.

See Goodwill and Other Intangible Assets in Note 7 and Special Charges / Recoveries in Note 4 of the consolidated financial statements for more detail on these impairment charges, special charges and inventory restructuring actions for the twelve months ended December 31, 2014 and December 31, 2013.

Operating income decreased 6%, or $4.4 million, to $64.8 million for the year ended December 31, 2014 compared to $69.2 million for the same period in 2013.

Operating income for our Energy segment decreased $5.5 million, or 6%, to $85.3 million for the year ended December 31, 2014 compared to $90.8 million for the same period in 2013. The decrease was primarily driven by higher net inventory restructuring, impairment, and special charges of $9.3 million (10%) and unfavorable foreign currency fluctuations of $1.3 million (1%), partially offset by operational increases of $5.1 million (6%) which included lower operating costs due to productivity and restructuring activities. Special charges, for the year ended December 31, 2014 included $3.0 million associated with a pre-tax loss on the December divestiture of one of our businesses as well as a $6.2 million charge associated with the settlement of a customer legal matter. Operating margins declined 60 basis points to 13.1% compared to the same period in 2013 primarily due to a charge recorded in the fourth quarter of 2014 for certain Brazilian customers' overdue

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accounts receiveable balances, partially offset by better product mix within our upstream North American short-cycle and higher shipment volumes within our downstream instrumentation businesses, as well as savings from productivity and restructuring actions.

Operating income for the Aerospace & Defense segment decreased $2.7 million, or 44%, to $3.5 million for the year ended December 31, 2014 compared to $6.2 million for the same period in 2013. The decrease in operating income was driven by operational decreases of $6.6 million (107%) primarily due to lower volume and productivity inefficiencies from our California and French operations, partially offset by lower net inventory restructuring, impairment, and special charges of $3.4 million (55%) and favorable foreign currency of $0.5 million (8%). Special charges for the year ended December 31, 2014 includes a pre-tax loss of $0.4 million associated with a business that was classified as held for sale. Operating margins declined 130 basis points to 1.8% compared to the same period in 2013 primarily due to operational inefficiencies at our California and French operations.

Corporate operating expenses decreased $3.8 million, or 14%, to $24.0 million, for the year ended December 31, 2014 compared to the same period in 2013, primarily due to lower compensation costs, professional fees, and special charges.

Interest Expense, Net

Interest expense, net, decreased $0.5 million to $2.7 million for the year ended December 31, 2014 compared to $3.2 million for the year ended December 31, 2013. This change in interest expense was primarily due to lower outstanding debt balances during the period.

Other (Income) Expense, Net

Other income, net, was $1.2 million for the year ended December 31, 2014 compared to other expense, net of $2.0 million in the same period of 2013. The difference of $3.2 million was primarily due to foreign currency fluctuations.

Provision for Income Taxes

The effective tax rate was 20.4% for the year ended December 31, 2014 compared to 26.4% for the same period of 2013. The primary driver of the lower 2014 tax rate was the benefit from recognition of foreign tax credits and the reversal of the related valuation allowance.

Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

The following tables set forth the results of operations, percentage of net revenue and the period-to-period percentage change in certain financial data for the years ended December 31, 2013 and December 31, 2012:

	Year Ended							
	December 31, 2013			December 31, 2012			% Change	
	(Dollars in thousands)							
Net revenues	$857,808	100.0	%	$845,552	100.0	%	1.4	%
Cost of revenues	590,207	68.8	%	604,009	71.4	%	(2.3	)%
Gross profit	267,601	31.2	%	241,543	28.6	%	10.8	%
Selling, general and administrative expenses	182,954	21.3	%	179,382	21.2	%	2.0	%
Impairment charges	6,872	0.8	%	10,348	1.2	%	(33.6	)%
Special charges, net	8,602	1.0	%	5,282	0.6	%	62.9	%
Operating income	69,173	8.1	%	46,531	5.5	%	48.7	%
Other expense:								

Interest expense, net	3,161	0.4 %	4,259	0.5 %	(25.8)%
Other expense, net	1,975	0.2 %	513	0.1 %	285.0 %
Total other expense	5,136	0.6 %	4,772	0.6 %	7.6 %
Income before income taxes	64,037	7.5 %	41,759	4.9 %	53.3 %
Provision for income taxes	16,916	2.0 %	10,960	1.3 %	54.3 %
Net income	$47,121	5.5 %	$30,799	3.6 %	53.0 %

Net Revenues

Net revenues for the year ended December 31, 2013 increased by $12.3 million, or 1%, to $857.8 million from $845.6 million for the year ended December 31, 2012. The change in net revenues for the year ended December 31, 2013 was attributable to the following:

Segment	Year Ended December 31, 2013	December 31, 2012	Total Change	Operations	Foreign Exchange
	(Dollars In thousands)				
Energy	$660,970	$659,382	$1,588	$(2,153)	$3,741
Aerospace & Defense	196,838	186,170	10,668	10,066	602
Total	$857,808	$845,552	$12,256	$7,913	$4,343

Our Energy segment accounted for 77% of net revenues for the year ended December 31, 2013 compared to 78% for the year ended December 31, 2012 with the Aerospace & Defense segment accounting for the remainder.

Energy segment revenues increased slightly, for the year ended December 31, 2013 compared to the same period in 2012. The increase was primarily driven by a favorable foreign currency impact of $3.7 million partially offset by organic declines. Organic revenue decreases of 4% in the North American short-cycle business driven in large part by lower rig counts year over year, were partially offset by increases in large international projects (4%). Increased shipments from our power group and instrumentation and sampling businesses were offset by lower shipments from our Brazilian business. Energy segment orders decreased $22.5 million (3%) to $691.7 million for the twelve months ended December 31, 2013 compared to $714.2 million for the same period in 2012, primarily due to lower North American short-cycle orders (4%) driven in large part by lower rig counts in North America and higher inventory levels at our distribution customers partially offset by higher orders from our instrumentation and sampling business (1%).

Aerospace & Defense segment revenues increased by $10.7 million (6%) for the year ended December 31, 2013 compared to the same period in 2012 primarily as a result of organic increases of $10.1 million plus favorable foreign currency fluctuations of $0.6 million. The organic increases were primarily due to higher sales across most of our businesses as we began delivering products for our new programs. Aerospace & Defense orders remained consistent at $189.6 million for the twelve months ended December 31, 2013 and the same period in 2012.

Operating Income (Loss)

The change in operating income (loss) for the year ended December 31, 2013 compared to the year ended December 31, 2012 was as follows:

Segment	Year Ended December 31, 2013	December 31, 2012	Total Change	Operations	Foreign Exchange	Inventory Restructuring, Impairment, & Special (Recoveries) Charges, net
	(Dollars In thousands)					
Energy	$90,786	$67,761	$23,025	$19,264	$1,148	$2,613
Aerospace & Defense	6,177	4,774	1,403	2,063	(127)	(533)
Corporate	(27,790)	(26,004)	(1,786)	(3,376)	—	1,590

Total	$69,173	$46,531	$22,642	$17,951	$1,021	$3,670

Inventory restructuring, impairment, and special charges for the twelve months ended December 31, 2013 and December 31, 2012 were as follows:

Segment	Year Ended December 31, 2013 (in thousands)	Inventory Restructuring (1)	Impairment Charges (2)	Special (Recoveries) Charges, net (3)
Energy	$2,518	$ 296	$ —	$ 2,222
Aerospace & Defense	12,459	351	6,872	5,236
Corporate	1,144	—	—	1,144
Total	$16,121	$647	$6,872	$8,602

Segment	Year Ended December 31, 2012 (in thousands)	Inventory Restructuring (1)	Impairment Charges (2)	Special (Recoveries) Charges, net (3)
Energy	$5,131	$ 924	$ 2,156	$ 2,051
Aerospace & Defense	11,926	3,237	8,193	496
Corporate	2,734	—	—	2,734
Total	$19,791	$4,161	$10,349	$5,281

(1) Inventory Restructuring charges are included in Cost of Revenues. See Note 4, Special Charges, for additional detail on inventory restructuring charges.
(2) See Note 7, Goodwill and Other Intangible Assets, for additional detail on Impairment Charges.
(3) See Note 4, Special charges, net for additional detail on Special (recovery) Charges.

Impairment Charges

During fourth quarter of 2013, in connection with a change to our organizational structure to simplify the way the Company is managed as well as other evolving business factors, we determined that certain Aerospace & Defense trade name intangible assets had no future usage and should be impaired. This resulted in an indefinite-lived intangible asset impairment charge during the year ended December 31, 2013 of $6.9 million.

During the year ended December 31, 2012 we recorded intangible asset impairment charges of $2.2 million and $8.2 million for the Energy and Aerospace & Defense segments, respectively. These impairment charges were primarily a result of restructuring activities at operations in Brazil and California.

Special Charges / (Recoveries)

During the twelve months ended December 31, 2013 we incurred $8.6 million of special charges, net of recoveries. These charges of $5.4 million and $5.2 million for the Energy and Aerospace & Defense segments, respectively, were associated with restructuring actions that were announced in both 2013 and 2012. In addition we incurred $1.1 million of Corporate special compensation-related charges associated with the retirement of our former CFO. These special charges were offset by special recoveries associated with an arbitration recovery of $3.2 million in the Energy segment.

During the twelve months ended December 31, 2012 we incurred $5.3 million in special charges; $2.5 million associated with our 2012 Announced Restructuring and $2.7 million associated with the separation of our former CEO.

Operating income increased 49%, or $22.6 million, to $69.2 million for the year ended December 31, 2013 compared to $46.5 million for the same period in 2012.

Operating income for our Energy segment increased $23.0 million, or 34%, to $90.8 million for the year ended December 31, 2013 compared to the same period in 2012. The increase in operating income was primarily driven by higher organic increases of $19.3 million, favorable foreign currency impacts of $1.1 million and lower inventory restructuring, impairment, and special charges of $2.6 million in 2013 compared to 2012. Operating margins improved 340 basis points to 13.7% on essentially flat revenue growth. Organic operating margins increased 280 basis points primarily driven by higher shipments and favorable pricing within our large international project business (approximately 290 basis points) and power businesses (approximately

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90 basis points). These organic increases were partially offset by decreased revenue in the North American short cycle market (approximately 100 basis points) driven primarily by lower rig counts year over year.

Operating income for the Aerospace & Defense segment increased $1.4 million, or 29%, to $6.2 million for the year ended December 31, 2013 compared to the same period in 2012. Operating income improved primarily due to $2.1 million of operational improvements offset by higher inventory restructuring, impairment, and special charges of $0.5 million in 2013 compared to 2012. Organically operating income increased $1.0 million primarily due to increased shipments in our UK-based defense businesses, productivity from restructuring actions, partially offset by increased new program development and start- up costs and factory reorganization costs associated with landing gear production.

Corporate operating expenses increased $1.8 million, or 7%, to $27.8 million, for the year ended December 31, 2013 compared to the same period in 2012, primarily due to higher incentive and share based compensation and professional fees partially offset by lower special charges.

Interest Expense, Net

Interest expense, net, decreased $1.1 million to $3.2 million for the year ended 2013 compared to $4.3 million for the year ended December 31, 2012. This decrease in interest expense was primarily due to lower interest charges from lower international borrowings.

Other Expense, Net

Other expense, net, was $2.0 million for the year ended December 31, 2013 compared to $0.5 million in the same period of 2012 due largely as a result of unfavorable foreign exchange expenses associated with the remeasurement of foreign currency balances.

Provision for Income Taxes

The effective tax rate was 26.4% for the year ended December 31, 2013 compared to 26.2% for the same period of 2012. The primary driver of the lower 2012 tax rate was higher foreign source income which is taxed at a lower rate than U.S. income.

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 twelve month periods indicated (in thousands):

	2014	2013	2012
Cash flow provided by (used in):			
Operating activities	$70,826	$72,206	$60,523
Investing activities	(1,842)	(13,264)	(17,629)
Financing activities	(37,724)	(19,235)	(37,408)
Effect of exchange rates on cash balances	(12,156)	735	1,397

Increase in cash and cash equivalents	$19,104	$40,442	$6,883

During the year ended December 31, 2014, we generated $70.8 million in cash flow from operating activities compared to $72.2 million during the twelve months ended December 31, 2013. The $1.4 million decrease in cash generated from operating activities was primarily due to lower cash inflows from accounts receivables, net of $45.4 million partially offset by lower accounts payable outflows of $42.0 million as compared to the prior year.

During the year ended December 31, 2014, we used $1.8 million for investing activities as compared to $13.3 million during the twelve months ended December 31, 2013. The reduction of cash used for investing activities was directly related to $10.2 million of proceeds we received for 2014 business divestitures.

During the year ended December 31, 2014, we used $37.7 million for financing activities as compared to $19.2 million during the twelve months ended December 31, 2013. The increase of cash used for financing activities was primarily due to net $18.5 million repayment of borrowings during 2014.

As of December 31, 2014, total debt was $13.7 million compared to $49.6 million at December 31, 2013 due to repayments on existing borrowings including our credit facility. Total debt as a percentage of total shareholders' equity was 2.8% as of December 31, 2014 compared to 10.4% as of December 31, 2013.

As a result of a significant portion of our cash balances being denominated in Euros and Canadian Dollars, the strengthening of the US Dollar resulted in a $12.1 million dollar decrease in cash balances as compared to the prior year.

On July 31, 2014, we entered into a new five year unsecured credit agreement ("2014 Credit Agreement"), that provides for a $400 million revolving line of credit. The 2014 Credit Agreement includes a $200 million accordion feature for a maximum facility size of $600 million. The 2014 Credit Agreement also allows for additional indebtedness not to exceed $110 million. We anticipate using this 2014 Credit Agreement to fund potential acquisitions, to support our operational growth initiatives and working capital needs, and for general corporate purposes. As of December 31, 2014, we had borrowings of $5.0 million outstanding under our credit facility and $51.3 million outstanding under letters of credit.

The 2014 Credit Agreement contains covenants that require, among other items, maintenance of certain financial ratios and also limit our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. 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, 2014 and we believe it is reasonably likely that we will continue to meet such covenants in the near future.

The ratio of current assets to current liabilities was 2.73:1 at December 31, 2014 compared to 2.84:1 at December 31, 2013. The decrease in the current ratio was primarily due to a $16.5 million increase in accounts payable as of December 31, 2014 as compared to December 31, 2013. As of December 31, 2014, cash and cash equivalents totaled $121.3 million, all held in foreign bank accounts with the exception of $5.4 million. This compares to $102.2 million of cash and cash equivalents as of December 31, 2013 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 Facility for U.S. based subsidiary cash needs. As a result, we believe that we will not need to repatriate cash from our foreign subsidiaries with earnings that are indefinitely reinvested.

In 2015, we expect to generate positive cash flow from operating activities sufficient to support our capital expenditures and pay dividends of approximately $2.7 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. We continue to search for strategic acquisitions; a larger acquisition may require additional borrowings and/or the issuance of our common stock.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2014 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)				
Current portion of long-term debt	$8,423	$8,423	$—	$—	$—
Total short-term borrowings	8,423	8,423	—	—	—
Long-term debt, less current portion	5,262	— 44	5,255	7	—
Interest payments on debt	2,547	1,098	815	634	—
Operating leases	18,915	6,006	7,246	4,095	1,568
Total contractual cash obligations	$35,147	$15,527	$13,316	$4,736	$1,568
Other Commercial Commitments:					
U.S. standby letters of credit	$2,620	$2,178	$442	$0	$0
International standby letters of credit	48,667	32,131	6,612	9,690	234
Commercial contract commitments	112,030	106,838	4,461	731	—
Total commercial commitments	$163,317	$141,147	$11,515	$10,421	$234

The interest on certain of our other debt balances, with scheduled repayment dates between 2015 and 2018 and interest rates ranging between 1.90% and 15.92%, have been included in the "Interest payments on debt" line within the Contractual Cash Obligations schedule. The most significant of our long-term debt balances is the $5.0 million in outstanding borrowings under the 2014 Credit Agreement. Capital lease obligations of $0.2 million and $0.2 million are included in the “Current portion of long-term debt” and “Long-term debt, less current portion” line items, respectively.

The most significant of our commercial contract commitments relate to approximately $110.0 million of commitments related to open purchase orders, $3.6 million of which extend to 2016 and beyond. The remaining $2.0 million in commitments primarily relate to loan commitment fees and employment agreements.

In 2014 and 2013, we contributed $1.6 million to our qualified defined benefit pension plan in addition to $0.4 million in payments to our nonqualified supplemental plan each year. In 2015, 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.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements 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 cyclicality 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 facilities 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 petrochemical sales orders. As a result, the timing and magnitude of changes in market demand for oil and gas valve products are difficult to predict. 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. These fluctuations may have a material adverse effect on our business, financial condition or results of operations.

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, which disclosure is incorporated by reference herein.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and the notes related 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.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have 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 amended) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to give 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.

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, 2014 that could materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 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 in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Our internal control over financial reporting as of December 31, 2014 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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 not later than 120 days after the close of the Company's fiscal year ended December 31, 2014.

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 not later than 120 days after the close of the Company’s fiscal year ended December 31, 2014.

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 not later than 120 days after the close of the Company’s fiscal year ended December 31, 2014.

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	361,792	(1)	$ 54.78	1,687,568
Inducement Award for New President and CEO	200,000	(2)	$ 41.17	N/A
Inducement Awards for New Executive VP and CFO	109,454	(3)	$ 79.33	N/A
Total	671,246		$ 54.73	1,687,568

(1) Reflects 186,004 stock options and 169,245 restricted stock units granted under the Company’s Amended and Restated 1999 Stock Option and Incentive Plan. and 6,543 restricted stock units granted under the Company's 2014 Stock Option and Incentive Plan.

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

(3) Reflects 100,000 stock options and 9,454 restricted stock units issued to our Executive VP and CFO on 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 are set forth in Note 11, Share-Based Compensation, to the consolidated financial statements.

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 not later than 120 days after the close of the Company’s fiscal year ended December 31, 2014.

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 not later than 120 days after the close of the Company's fiscal year ended December 31, 2014.

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

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Schedule II Valuation and Qualifying Accounts	67

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not material, and therefore have been omitted.

(a)(3) Exhibits

Exhibit No.	Description and Location
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:
2.1	Distribution Agreement by and between Watts Industries, Inc. and CIRCOR International, Inc., dated as of October 1, 1999, is incorporated herein by reference to Exhibit 2.1 to Amendment No. 2 to CIRCOR International, Inc.'s Form 10-12B, File No. 000-26961 ("Form 10"), filed with the Securities and Exchange Commission on October 6, 1999
3	Articles of Incorporation and By-Laws:
3.1	Amended and Restated Certificate of Incorporation of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009
3.2	Amended and Restated By-Laws, as amended, of CIRCOR International, Inc., is incorporated herein by reference to Exhibit 3.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 31, 2013
10	Material Contracts:
10.1§	CIRCOR International, Inc. Amended and Restated 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 4.4 to CIRCOR International, Inc.'s Form S-8, File No. 333-125237, filed with the Securities and Exchange Commission on May 25, 2005
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§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Five Year Graduated Vesting Schedule), is incorporated herein by reference to Exhibit 10.3 to Amendment No. 1 to the Form 10
10.4§	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Form 10
10.5§	Form of Non-Qualified Stock Option Agreement for Independent Directors under the 1999 Stock Option and Incentive Plan, 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 February 22, 2005
10.6§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005
10.7§	Form of Non-Qualified Stock Option Agreement for Employees under the 1999 Stock Option and Incentive Plan (Three Year Cliff Vesting), is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange

	Commission on May 5, 2010
10.8§	Form of Restricted Stock Unit Agreement for Employees and Directors under the 1999 Stock Option and Incentive Plan (Three Year Annual Vesting), is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on May 5, 2010
10.9§	Form of Restricted Stock Unit Agreement for Employees and Directors under the 1999 Stock Option and Incentive Plan, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 22, 2005.
10.10§	CIRCOR International, Inc. Management Stock Purchase Plan, is incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Form 10
10.11§	Form of CIRCOR International, Inc. Supplemental Employee Retirement Plan, is incorporated herein by reference to Exhibit 10.7 to Amendment No. 1 to the Form 10

10.12	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, is incorporated herein by reference to Exhibit 10.1 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on August 1, 2014 (the "Credit Agreement")
10.13§	Form of Indemnification Agreement by and between CIRCOR International, Inc. and its Officers and Directors, dated November 6, 2002, is incorporated herein by reference to Exhibit 10.12 to CIRCOR International, Inc.’s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 12, 2003
10.14§	Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated September 16, 2005, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.’s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on September 20, 2005
10.15§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.44 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.16§	Second Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and John F. Kober III, dated November 4, 2010, is incorporated by reference to Exhibit 10.5 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.17§	Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated August 8, 2000, is incorporated herein by reference to Exhibit 10.26 to CIRCOR International, Inc.’s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 9, 2001
10.18§	First Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated December 7, 2001, is incorporated herein by reference to Exhibit 10.30 to CIRCOR International, Inc.’s Form 10-K405, File No. 001-14962, filed with the Securities and Exchange Commission on March 15, 2002
10.19§	Executive Change of Control Agreement between Hoke, Inc. and Wayne F. Robbins, dated March 21, 2006, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.’s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on March 24, 2006
10.20§	Amendment to Executive Change of Control Agreement between CIRCOR Instrumentation Technologies, Inc. and Wayne F. Robbins, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.38 to CIRCOR International, Inc.’s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.21§	Second Amendment to Executive Change of Control Agreement between CIRCOR Instrumentation Technologies, Inc. and Wayne F. Robbins, dated November 4, 2010, is incorporated by reference to Exhibit 10.7 to CIRCOR International, Inc.’s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.22§	Second Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Alan J. Glass, dated December 23, 2008, is incorporated herein by reference to Exhibit 10.41 to CIRCOR International, Inc.'s Form 10-K, File No. 001-14962, filed with the Securities and Exchange Commission on February 26, 2009
10.23§	Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated September 1, 2009, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.’s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on October 29, 2009

10.24§	Amendment to Executive Change of Control Agreement between CIRCOR, Inc. and Arjun Sharma, dated November 4, 2010, is incorporated by reference to Exhibit 10.8 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.25§	Restricted Stock Unit Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, 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 April 15, 2013
10.26§	Performance-Based Restricted Stock Unit Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.27§	Stock Option Inducement Award Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.3 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.28§	Severance Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.4 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013
10.29§	Executive Change of Control Agreement, dated as of April 9, 2013, between CIRCOR International, Inc. and Scott A Buckhout, is incorporated herein by reference to Exhibit 10.5 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on April 15, 2013

10.30§	Third Amendment to Executive Change of Control Agreement, dated as of November 4, 2010, between CIRCOR, Inc. and Alan J. Glass, is incorporated herein by reference to Exhibit 10.4 to CIRCOR International, Inc.'s Form 8-K, File No. 001-14962, filed with the Securities and Exchange Commission on November 5, 2010
10.31§	Performance-Based Stock Option Award Agreement, dated as of March 5, 2014, between CIRCOR International, Inc. and Scott A. Buckhout, 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 March 11, 2014
10.32§	Severance Agreement, dated as of March 19, 2014, between CIRCOR International, Inc. and Vincent Sandoval, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on April 22, 2014
10.33§	Executive Change of Control Agreement, dated as of March 19, 2014, between CIRCOR International, Inc. and Vincent Sandoval, is incorporated herein by reference to Exhibit 10.2 to CIRCOR International, Inc.'s Form 10-Q, File No. 001-14962, filed with the Securities and Exchange Commission on April 22, 2014
10.34§	CIRCOR International, Inc. 2014 Stock Option and Incentive Plan is incorporated herein by reference to Exhibit A to CIRCOR International, Inc.'s Definitive Proxy Statement, File No. 001-14962, filed with the Securities and Exchange Commission on March 21, 2014 (the "2014 Stock Option and Incentive Plan")
10.35*	First Amendment to Credit Agreement, dated December 31, 2014, by and among CIRCOR International, Inc., as borrower, certain subsidiaries of CIRCOR International, Inc. as guarantors, the several banks and financial institutions parties thereto and Suntrust Bank, in its capacity as administrative agent
10.36§*	First Amendment to 2014 Stock Option and Incentive Plan, dated December 31, 2014
21*	Schedule of Subsidiaries of CIRCOR International, Inc.
23.1*	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, 2014, as filed with the Securities and Exchange Commission on February 18, 2015, formatted in XBRL (eXtensible Business Reporting Language), as follows:
(i)	Consolidated Balance Sheets as of December 31, 2014 and 2013
(ii)	Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012
(iii)	Statements of Consolidated Comprehensive Income for the years ended December 31, 2014, 2013 and 2012
(iv)	Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012
(v)	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012
(vi)	Notes to the Consolidated Financial Statements

*Filed with this report.

**Furnished with this report.

§Indicates management contract or compensatory plan or arrangement.

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 18, 2015

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 18, 2015
/s/ Rajeev Bhalla Rajeev Bhalla	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 18, 2015
/s/ John F. Kober John F. Kober	Vice President, Corporate Controller and Treasurer (Principal Accounting Officer)	February 18, 2015
/s/ David F. Dietz David F. Dietz	Chairman of the Board of Directors	February 18, 2015
/s/ Jerome D. Brady Jerome D. Brady	Director	February 18, 2015
/s/ Douglas M. Hayes Douglas M. Hayes	Director	February 18, 2015
/s/ Norman E. Johnson Norman E. Johnson	Director	February 18, 2015
/s/ John A. O'Donnell John A. O’Donnell	Director	February 18, 2015
/s/ Peter M. Wilver Peter M. Wilver	Director	February 18, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of CIRCOR International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits 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 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CIRCOR International Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 18, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP
Boston, Massachusetts
February 18, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Circor International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated February 18, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP
Boston, Massachusetts
February 18, 2015

CIRCOR INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$121,286	$102,180
Short-term investments	86	95
Trade accounts receivable, less allowance for doubtful accounts of $9,536 and $2,449, respectively	156,738	144,742
Inventories, net	183,434	199,404
Prepaid expenses and other current assets	21,626	19,815
Deferred income tax asset	22,861	17,686
Total Current Assets	506,031	483,922
PROPERTY, PLANT AND EQUIPMENT, NET	96,212	107,724
OTHER ASSETS:		
Goodwill	72,430	75,876
Intangibles, net	26,887	35,656
Deferred income tax asset	19,048	18,579
Other assets	4,114	4,893
TOTAL ASSETS	$724,722	$726,650
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$87,112	$70,589
Accrued expenses and other current liabilities	63,911	57,507
Accrued compensation and benefits	24,728	31,289
Income taxes payable	1,312	3,965
Notes payable and current portion of long-term debt	8,423	7,203
Total Current Liabilities	185,486	170,553
LONG-TERM DEBT, NET OF CURRENT PORTION	5,261	42,435
DEFERRED INCOME TAXES	7,771	9,666
OTHER NON-CURRENT LIABILITIES	32,111	27,109
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; 17,681,955 and 17,610,526 shares issued and outstanding at December 31, 2014 and 2013, respectively	177	176
Additional paid-in capital	277,227	269,884
Retained earnings	250,635	202,930
Accumulated other comprehensive (loss) gain, net of taxes	(33,946)	3,897
Total Shareholders' Equity	494,094	476,887
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$724,722	$726,650

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,		
	2014	2013	2012
Net revenues	$841,446	$857,808	$845,552
Cost of revenues	584,426	590,207	604,009
GROSS PROFIT	257,020	267,601	241,543
Selling, general and administrative expenses	178,800	182,954	179,382
Impairment charges	726	6,872	10,348
Special charges, net	12,737	8,602	5,282
OPERATING INCOME	64,757	69,173	46,531
Other (income) expense:			
Interest expense, net	2,652	3,161	4,259
Other (income) expense, net	(1,156)	1,975	513
TOTAL OTHER EXPENSE	1,496	5,136	4,772
INCOME BEFORE INCOME TAXES	63,261	64,037	41,759
Provision for income taxes	12,875	16,916	10,960
NET INCOME	$50,386	$47,121	$30,799
Earnings per common share:			
Basic	$2.85	$2.68	$1.77
Diluted	$2.84	$2.67	$1.76
Weighted average common shares outstanding:			
Basic	17,660	17,564	17,405
Diluted	17,768	17,629	17,452
Dividends paid per common share	$0.15	$0.15	$0.15

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

CIRCOR INTERNATIONAL, INC.
Statements of Consolidated Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Net income	$50,386	$47,121	$30,799
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(30,658)	2,147	3,924
Other changes in plan assets - amortization of actuarial gains (losses) (1)	(6,863)	4,456	(2,826)
Net periodic pension costs amortization (loss) gain (2)	(322)	474	391
Other comprehensive income (loss)	(37,843)	7,077	1,490
COMPREHENSIVE INCOME	12,543	54,198	32,289

(1) Net of an income tax effect of $(4.2) million, $2.7 million and $(1.7) million for the years ended December 31, 2014, 2013 and 2012, respectively.

(2) Net of an income tax effect of $(0.2) million, $0.3 million and $0.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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

CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net income	$50,386	$47,121	$30,799
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	16,446	16,034	15,732
Amortization	3,116	3,039	3,596
Provision for bad debt expense	7,817	1,194	667
Intangible impairment charges	726	6,872	10,348
Compensation expense of stock-based plans	7,188	5,056	4,374
Tax effect of share-based compensation	(756)	(732)	642
Deferred (benefit) income taxes	(2,740)	5,778	(832)
(Gain) loss on disposal of property, plant and equipment	(79)	(322)	1,135
Loss on sale of businesses	3,413		
Gain on return of acquisition purchase price	—	(3,400)	—
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(38,439)	7,009	6,396
Inventories, net	(3,952)	(311)	6,592
Prepaid expenses and other assets	884	160	(2,422)
Accounts payable, accrued expenses and other liabilities	26,816	(15,292)	(16,504)
Net cash provided by operating activities	70,826	72,206	60,523
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(12,810)	(17,328)	(18,170)
Proceeds from the sale of property, plant and equipment	791	664	541
Business acquisitions, return of purchase price	—	3,400	
Proceeds from divestitures	10,177	—	—
Net cash used in investing activities	(1,842)	(13,264)	(17,629)
FINANCING ACTIVITIES			
Proceeds from long-term debt	150,062	146,578	186,409
Payments of long-term debt	(185,361)	(166,239)	(220,918)
Debt issuance costs	(920)	—	—
Dividends paid	(2,681)	(2,700)	(2,663)
Proceeds from the exercise of stock options	420	2,394	406
Tax effect of share-based compensation	756	732	(642)
Net cash used in financing activities	(37,724)	(19,235)	(37,408)
Effect of exchange rate changes on cash and cash equivalents	(12,156)	735	1,397
INCREASE IN CASH AND CASH EQUIVALENTS	19,106	40,442	6,883
Cash and cash equivalents at beginning of year	102,180	61,738	54,855
CASH AND CASH EQUIVALENTS AT END OF YEAR	$121,286	$102,180	$61,738
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$16,672	$8,143	$16,699
Interest	$2,476	$960	$1,080

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

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CIRCOR INTERNATIONAL, INC.
Consolidated Statements of Shareholders' Equity
(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
BALANCE AT DECEMBER 31, 2011	17,268	$173	$258,209	$130,373	$ (4,670)	$384,085
Net income				30,799		30,799
Other comprehensive income, net of tax					1,490	1,490
Common stock dividends paid				(2,663)		(2,663)
Stock options exercised	24		406			406
Tax effect of share-based compensation			642			642
Conversion of restricted stock units	154	1	(887)			(886)
Share-based compensation			4,374			4,374
BALANCE AT DECEMBER 31, 2012	17,446	$174	$262,744	$158,509	$ (3,180)	$418,247
Net income				47,121		47,121
Other comprehensive income, net of tax					7,077	7,077
Common stock dividends paid				(2,700)		(2,700)
Stock options exercised	83	1	2,393			2,394
Tax effect of share-based compensation			732			732
Conversion of restricted stock units	82	1	(1,041)			(1,040)
Share-based compensation			5,056			5,056
BALANCE AT DECEMBER 31, 2013	17,611	$176	$269,884	$202,930	$ 3,897	$476,887
Net income				50,386		50,386
Other comprehensive loss, net of tax					(37,843)	(37,843)
Common stock dividends paid				(2,681)		(2,681)
Stock options exercised	13		419			419
Tax effect of share-based compensation			756			756
Conversion of restricted stock units	58	1	(1,020)			(1,019)
Share-based compensation			7,188			7,188
BALANCE AT DECEMBER 31, 2014	17,682	$177	$277,227	$250,635	$ (33,946)	$494,094

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

CIRCOR INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

(1) Description of Business

CIRCOR International, Inc. ("CIRCOR" or the "Company" or "we") designs, manufactures and distributes a broad array of valves and related fluid-control products and certain services to a variety of end-markets for use in a wide range of applications to optimize the efficiency and/or ensure the safety of fluid-control systems. We have a global presence and operate 20 major manufacturing facilities that are located in the United States, Western Europe, Morocco, Brazil, India and the People's Republic of China.

We have organized our business segment reporting structure into two segments: Energy and Aerospace & Defense.

(2) Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of CIRCOR and its subsidiaries. The results of companies acquired during the year (if any) are included in the consolidated financial statements from the date of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Some of the more significant estimates relate to acquisition accounting, inventory valuation, depreciation, share-based compensation, amortization and impairment of long-lived assets, pension obligations, income taxes, penalty accruals for late shipments, asset valuations, environmental liability, and product liability. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ materially from those estimates.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, no significant post delivery obligations remain, the price to the buyers is fixed or determinable and collection of the resulting receivable is reasonably assured. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues.

Cost of Revenue

Cost of revenue primarily reflects the costs of manufacturing and preparing products for sale and, to a much lesser extent, the costs of performing services. Cost of revenue is primarily comprised of the cost of materials, inbound freight, production, direct labor and overhead, which are expenses that directly result from the level of production activity at the manufacturing plant. Additional expenses that directly result from the level of production activity at the manufacturing plant include: purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, utility expenses, property taxes, depreciation of production building and equipment assets, salaries and benefits paid to plant manufacturing management and maintenance supplies.

Inventories

Inventories are stated at the lower of cost or market. Cost is generally determined on the first-in, first-out ("FIFO") basis. Where appropriate, standard cost systems are utilized for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual cost. Estimates for obsolescence or slow moving inventory are maintained based on current economic conditions, historical sales quantities and patterns and, in some cases, the risk of loss on specifically identified inventories. Such inventories are recorded at estimated realizable value net of the cost of disposal.

Inventory Allowances

We typically analyze our inventory aging and projected future usage on a quarterly basis to assess the adequacy of our inventory allowances. We provide inventory allowances for excess, slow-moving, and obsolete inventories determined primarily by estimates of future demand. The allowance is measured on an item-by-item basis determined based on the difference between the cost of the inventory and estimated market value. The provision for inventory allowance is a component of our cost of revenues. Assumptions about future demand are among the primary factors utilized to estimate market value. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Our net inventory balance was $183.4 million as of December 31, 2014, compared to $199.4 million as of December 31, 2013. Our inventory allowances, which include amounts primarily for obsolescence and net realizable value estimates was $27.0 million as of December 31, 2014, compared to $21.3 million as of December 31, 2013.

Our provision for inventory obsolescence allowances was $5.0 million, $5.1 million, and $5.1 million for the twelve months ended of 2014, 2013 and 2012, respectively. During the second and third quarters of 2014, in connection with the restructuring of certain structural landing gear product lines, we recorded inventory related charges of $5.1 million and $2.9 million, respectively, within the Aerospace & Defense segment. During 2013, we recorded inventory related charges of $0.4 million and $0.3 million within our Aerospace & Defense segment and Energy segment, respectively. During 2012, we recorded inventory related charges of $3.2 million and $0.9 million within our Aerospace & Defense segment and Energy segment, respectively. These restructuring related inventory charges were included as cost of revenues for each respective period. We believe our inventory allowances remain adequate with the net realizable value of our inventory being higher than our current inventory cost after allowances.

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

Inventory management remains an area of focus as we balance the need to maintain adequate inventory levels to ensure competitive lead times against the risk of excess or obsolete inventory.

Penalty Accruals

Certain customer agreements, primarily in our project related businesses and large aerospace programs, contain late shipment penalty clauses whereby we are contractually obligated to pay consideration to our customers if we do not meet specified shipment dates. The accrual for estimated penalties is shown as a reduction of revenue and is based on several factors including historical customer settlement experience and management's assessment of specific shipment delay information. Accruals related to these potential late shipment penalties as of December 31, 2014 and 2013 were $7.1 million and $10.3 million, respectively. As we conclude performance under these agreements, the actual amount of consideration paid to our customers may vary from the amounts we currently have accrued.

Business Acquisitions / Divestitures

In connection with our acquisitions, we assess and formulate a plan related to the future integration of the acquired entity. This process begins during the due diligence phase and is concluded within twelve months of the acquisition. We account for business combinations under the purchase method, and accordingly, the assets and liabilities of the acquired businesses are recorded at their estimated fair value on the acquisition date with the excess of the purchase

price over their estimated fair value recorded as goodwill. We determine acquisition related asset and liability fair values through established valuation techniques for industrial manufacturing companies and utilize third party valuation firms to assist in the valuation of certain tangible and intangible assets.

Accounting Standards Codification ("ASC") Topic 805, Business Combinations, provides guidance regarding business combinations and requires acquisition-date fair value measurement of identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree. ASC Topic 360, Property, Plant, and Equipment, provides guidance regarding long-lived asset (disposal group) to be sold, held for sale classification on the consolidated balance sheet, fair value measurement of long-lived asset (disposal group) held for sale, and gain/loss recognition for long-lived asset sale. For more detailed information, refer to Note 3, Business Acquisitions and Divestitures.

Concentration of Credit Risk

For more information related to our concentration of credit risk, see "Concentrations of Risk" in Note 14 of the consolidated financial statements.

Legal Contingencies

For more information related to our outstanding legal proceedings, see “Contingencies, Commitments and Guarantees” in Note 14 of the consolidated financial statements.

Goodwill and Indefinite-Lived Intangible Assets - Impairment

In accordance with ASC 350, Intangibles-Goodwill and Other, we utilize each of our operating segments as our goodwill reporting units as we have discrete financial information that is regularly reviewed by operating segment management and the businesses within each segment have similar economic characteristics. For the year-ended December 31, 2014, the Company’s two reporting units were Energy and Aerospace & Defense with respective goodwill balances of $50.0 million and $22.4 million.

Goodwill is measured as the excess of the cost of acquisition over the sum of the amounts assigned to identifiable tangible and intangible assets acquired less liabilities assumed. Goodwill and intangible assets are recorded at cost; intangible assets with definitive lives are amortized over their useful lives. For goodwill and intangible assets with indefinite lives, 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. The first step requires a comparison of the implied fair value of each of our reporting units to the respective carrying value. If the carrying value of a reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step of the evaluation must be performed. In the second step, the potential impairment is calculated by comparing the implied fair value of the reporting unit’s goodwill with the carrying value of the goodwill. If the carrying value of the reporting unit’s goodwill is greater than the implied fair value of its goodwill, an impairment loss will be recognized for the excess.

Determining the fair value of a reporting unit is subjective and requires the use of significant estimates and assumptions. With the assistance of an independent third-party appraisal firm, we estimate the fair value of our reporting units using an income approach based on the present value of future cash flows. We believe this approach yields the most appropriate evidence of fair value. We also utilize the comparable company multiples method and market transaction fair value method to validate the fair value amount we obtain using the income approach. The key assumptions utilized in our discounted cash flow model include our estimates of future cash flows from operating activities offset by estimated capital expenditures of the reporting unit, the estimated terminal value for each reporting unit, a discount rate based on a weighted average cost of capital, overall economic conditions, and our assessment of our current market capitalization. Any unfavorable material changes to these key assumptions could potentially impact our fair value determinations. As such, we may experience fluctuations in revenues and operating results resulting in the non-achievement of our estimated growth rates, operating performance and working capital estimates utilized in our discounted cash flow models.

In fiscal year 2014 when we performed our step one 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 2014 goodwill assessment exceeded the carrying amounts by approximately 245% and 59% for our Energy and Aerospace & Defense reporting units, respectively. The growth rate assumptions utilized were consistent with growth rates within the markets that we serve. Actual 2014 results were substantially consistent overall with estimates and assumptions made for purposes of our goodwill impairment analysis performed in October. If our results significantly

vary from our estimates, related projections, or business assumptions in the future due to changes in industry or market conditions, we may be required to record impairment charges. By way of example, a 10% reduction in our Aerospace & Defense reporting unit projected and terminal cash flows would not result in the fair value being lower than the carrying value.

Indefinite-lived intangible assets, such as trade names, are generally recorded and valued in connection with a business acquisition. These assets are reviewed at least annually for impairment, or more frequently if facts and circumstances warrant. We also utilized a fair value calculation to evaluate these intangibles.

For more information related to our Goodwill and Intangible Assets, see "Goodwill and Other Intangible Assets" in Note 7 of the consolidated financial statements.

Other Long-Lived Assets - Impairment

In accordance with ASC 360, Plant, Property, and Equipment, we perform impairment analyses of our other long-lived assets, such as property, plant and equipment, whenever events and circumstances indicate that they may be impaired. When the undiscounted future cash flows are expected to be less than the carrying value of identified asset groupings being reviewed for impairment, the asset groupings are written to fair value.

See Note 7 to the consolidated financial statements for further information on impairment of other long-lived assets.

Pension Benefits

Pension obligations and other post-retirement benefits are actuarially determined and are affected by several assumptions including the discount rate and projected annual rates of return on plan assets. Changes in discount rate and differences from actual results will affect the amounts of pension and other post-retirement expense recognized in future periods. These assumptions may also have an effect on the amount and timing of future cash contributions.

As required in the recognition and disclosure provisions of ASC Topic 715, Compensation - Retirement Benefits, the Company recognizes the over-funded or under-funded status of defined benefit post-retirement plans in its balance sheet, measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other post-retirement plans). The change in the funded status of the plan is recognized in the year in which the change occurs through other comprehensive income. These provisions also require plan assets and obligations to be measured as of the Company’s balance sheet date.

Unrecognized actuarial gains and losses in excess of the 10% corridor (defined as the threshold above which gains or losses need to be amortized) are being recognized over approximately a twenty-six year period for the qualified plan, and a twenty year period for the nonqualified plan, which represents the weighted average expected remaining life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected returns and actual returns on plan assets.

See Note 13 of the consolidated financial statements for further information on our benefit plans.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if we anticipate that it is more likely than not that we may not realize some or all of a deferred tax asset.

In accordance with the provisions of FASB ASC Topic 740, Income Taxes, the Company initially recognizes the financial statement effect of a tax position when, based solely on its technical merits, it is more likely than not (a likelihood of greater than fifty percent) that the position will be sustained upon examination by the relevant taxing authority. Those tax positions failing to qualify for initial recognition are recognized in the first interim period in which they meet the more likely than not standard, are resolved through negotiation or litigation with the taxing

authority, or upon expiration of the statute of limitations. De-recognition of a tax position that was previously recognized occurs when an entity subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained.

Under ASC Topic 740, only the portion of the liability that is expected to be paid within one year is classified as a current liability. As a result, liabilities expected to be resolved without the payment of cash (e.g., due to the expiration of the statute of limitations) or are not expected to be paid within one year are classified as non-current. It is the Company’s policy to record estimated interest and penalties as income tax expense and tax credits as a reduction in income tax expense.

It is the Company’s policy to record estimated interest and penalties as income tax expense and tax credits as a reduction in income tax expense. The Company recognizes both interest and penalties as part of the income tax provision.

For more information related to our Income Taxes, see "Income Taxes" in Note 8 of the consolidated financial statements.

Share-Based Compensation

Share-based compensation costs are based on the grant date fair value estimated in accordance with the provisions of ASC 718, Accounting for Share Based Payments, and these costs are recognized over the requisite vesting period. For all of our non-market condition stock option grants, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historic volatility of the Company's stock price. The risk free interest rate is derived from the U.S. Treasury Yield curve in effect at the time of the grant. The model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data.

Market condition stock option awards are not granted under the Company's 1999 Stock Plan and include both a service period and a market performance vesting condition. The stock options vest if certain stock price targets are met based on the stock price closing at or above 60 consecutive trading days. Vested options may be exercised 25% at the time of vesting, 50% one year from the date of vesting and 100% two years from the date of vesting. These market condition stock option awards are being expensed utilizing a graded method and are subject to forfeiture in the event of employment termination (whether voluntary or involuntary) prior to vesting. To the extent that the market conditions above (stock price targets) are not met, those options will not vest and will forfeit 5 years from grant date. The Company used a Monte Carlo simulation option pricing model to value these option awards.

See Note 11 to the consolidated financial statements for further information on share-based compensation.

Environmental Compliance and Remediation

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations, which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. In accordance with ASC 450, Contingencies, estimated costs are based upon current laws and regulations, existing technology and the most probable method of remediation.

Foreign Currency Translation

Our international subsidiaries operate and report their financial results using local functional currencies. Accordingly, all assets and liabilities of these subsidiaries are translated into United States dollars using exchange rates in effect at the end of the relevant periods, and revenues and costs are translated using weighted average exchange rates for the relevant periods. The resulting translation adjustments are presented as a separate component of other comprehensive income. We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not generally provide for such taxes on undistributed earnings of foreign subsidiaries. Our net foreign exchange (gains) / losses recorded for the years ended December 31, 2014, 2013 and 2012 were $(1.1) million, $1.8 million, and $0.5 million, respectively.

See Note 16, Fair Value, of the consolidated financial statements for additional information on foreign currency exchange risk.

Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the number of weighted average common shares outstanding. Diluted earnings per common share is calculated by dividing net income by the weighted average common shares outstanding and assumes the conversion of all dilutive securities when the effects of such conversion

would not be anti-dilutive.

Earnings per common share and the weighted average number of shares used to compute net earnings per common share, basic and assuming full dilution, are reconciled below (in thousands, except per share data):

	Year Ended December 31,								
	2014			2013			2012		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$50,386	17,660	$2.85	$47,121	17,564	$2.68	$30,799	17,405	$1.77
Dilutive securities, principally common stock options	0	108	(0.01)	0	65	(0.01)	0	47	(0.01)
Diluted EPS	$50,386	17,768	$2.84	$47,121	17,629	$2.67	$30,799	17,452	$1.76

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Certain stock options to purchase common shares and restricted stock units (RSUs) were anti-dilutive. There were 23,390 anti-dilutive options and RSUs for the year ended December 31, 2014 with exercise prices ranging from $29.37 to $79.33. There were 279,075 anti-dilutive options and RSUs for the year ended December 31, 2013 with exercise prices ranging from $29.37 to $60.83. There were 173,771 anti-dilutive options and RSUs for the year ended December 31, 2012 with exercise prices ranging from $30.91 to $60.83.

As of December 31, 2014, there were no outstanding restricted stock units that contain rights to nonforfeitable dividend equivalents and are considered participating securities that are included in our computation of basic and fully diluted earnings per share. There is no difference in the earnings per share amounts between the two class method and the treasury stock method, which is why we continue to use the treasury stock method.

Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations including foreign currency exchange rate risk and interest rate risk. The Company currently uses derivative instruments to manage foreign currency risk on certain business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, these forward contracts do not subject us to significant risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. These forward contracts do not qualify as hedging instruments and, therefore, do not qualify for fair value or cash flow hedge treatment. Any unrealized gains and losses on our contracts are recognized as a component of other expense in our consolidated statements of income.

See Note 16, Fair Value, of the consolidated financial statements for additional information on derivative financial instruments.

Fair Value

Financial Accounting Standards Board ("FASB") ASC Topic 820, Fair Value Measurement, defines fair value and includes a framework for measuring fair value and disclosing fair value measurements in financial statements. Fair value is a market-based measurement rather than an entity-specific measurement. The fair value hierarchy makes a distinction between assumptions developed based on market data obtained from independent sources (observable inputs) and the reporting entity's own assumptions (unobservable inputs). This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). We utilize fair value measurements for forward currency contracts, guarantee and indemnification obligations, pension plan assets, and certain intangible assets.

See Note 16, Fair Value, of the consolidated financial statements for additional information on fair value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the assets, which typically range from 3 to 50 years for buildings and improvements, 3 to 10 years for manufacturing machinery and equipment, computer equipment and software, and furniture and fixtures. Motor vehicles are depreciated over a range of 2 to 6 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred.

The Company reports depreciation of property, plant and equipment in cost of revenue and selling, general and administrative expenses based on the nature of the underlying assets. Depreciation primarily related to the production

of inventory is recorded in cost of revenue. Depreciation related to selling and administrative functions is reported in selling, general and administrative expenses.

See Note 6, Property, Plant, and Equipment, of the consolidated financial statements for additional information.

Research and Development

Research and development expenditures are expensed when incurred and are included in selling, general and administrative expenses. Our research and development expenditures for the years ended December 31, 2014, 2013 and 2012 were $7.8 million, $6.5 million and $8.4 million, respectively.

New Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity, to modify the requirements for reporting a discontinued operation. The new guidance is applicable for all disposals (or classification as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers. The new standard substantially converges revenue recognition under U.S. GAAP and International Financial Reporting Standards. The new standard is effective for public companies for fiscal years beginning after December 15, 2017, and interim and annual periods thereafter. Early adoption is not permitted.

Reclassifications

Certain items in the prior period footnote disclosures have been reclassified to conform to currently reported presentations.

Subsequent events

The Company evaluated the December 31, 2014 financial statements for subsequent events through the date that the financial statements were available to be issued and noted no material events requiring either recognition as of December 31, 2014 or disclosure herein, other than noted below:

We divested Cambridge Fluid Systems ("Cambridge") on January 5, 2015. See Note 3, Business Acquisitions and Divestitures, of the consolidated financial statements for additional information.

(3) Business Acquisitions and Divestitures

Our growth strategy includes strategic acquisitions that complement and extend our broad array of valves and fluid control products and services. Our historical acquisitions typically have well established brand recognition and are well known within the industry. We have historically financed our acquisitions from available cash or credit lines. We had no acquisitions for the twelve months ended December 31, 2014, 2013, and 2012.

As part of our simplification strategy during 2014, we identified two non-core businesses. We considered these businesses as non-core because the products or services did not complement our existing businesses and the long-term growth prospects were below our expectations. Divestiture of these non-core businesses enables us to focus resources on businesses where there is greater opportunity to achieve sales growth, higher margins, and market leadership. We divested Sagebrush Pipeline Equipment Company ("Sagebrush") on December 30, 2014 and divested Cambridge Fluid Systems ("Cambridge") on January 5, 2015.

Sagebrush, part of the Energy segment, was sold through a management buyout agreement. Based in Tulsa, Oklahoma, Sagebrush primarily provides engineering, design, and fabrication of custom skids for measurement, control, and operation of oil and gas pipelines. We recorded a $3.4 million pre-tax loss on the sale of Sagebrush in our Energy segment, of which $3.0 million was recorded in the Special charges, net caption and $0.4 million of allocated goodwill was recorded in the Impairment charges caption within our consolidated statements of income for the three and twelve months ended December 31, 2014.

Cambridge, part of our Aerospace & Defense segment, is located in the United Kingdom and is a full-service provider of fabricated control systems for semiconductor and LED manufacturing industries. As of December 31, 2014, Cambridge was classified as held for sale in our consolidated balance sheet and had net assets of $3.2 million and net liabilities of $1.8 million included in other current assets and other current liabilities, respectively. Our expected pre-tax loss on the sale of Cambridge is $0.7 million, of which $0.4 million was recorded in the Special charges, net caption and $0.3 million of allocated goodwill was recorded in the Impairment charges caption within our consolidated statements of income for the three and twelve months ended December 31, 2014.

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(4) Special Charges

During the third quarter of 2012, we announced restructuring actions in the Energy and Aerospace & Defense segments including actions to consolidate facilities, shift expenses to lower cost regions, and restructure some non-strategic product lines ("2012 Announced Restructuring").

During the fourth quarter of 2012 we recorded special charges of $2.7 million associated with the separation of our Chief
Executive Officer. These charges primarily related to one time cash payments, equity award modification charges as well as
executive search fees ("CEO Separation").

On July 12, 2013 we reached a settlement on the SF Valves arbitration ("Energy Settlement") and have received a refund of a portion of the purchase price which resulted in a gain of approximately $3.2 million during the third quarter of 2013. This gain was recorded as a special recovery during the third quarter of 2013.

On August 1, 2013 and October 31, 2013, we announced restructuring actions associated with our Energy and Aerospace & Defense segments under which we have simplified the manner in which we manage our businesses ("2013 Announced Restructuring"). Under these restructurings, we consolidated facilities, shifted expenses to lower cost regions, restructured certain non-strategic product lines, and also consolidated our group structure from three groups to two, reducing management layers and administrative expenses.

During 2013 we announced that our Chief Financial Officer would be retiring and recorded special charges of $1.1 million primarily related to one time cash payments and equity award modifications (“CFO retirement”).

On January 24, 2014, we reached a settlement on the T.M.W. Corporation ("TMW") arbitration where it was agreed that TMW would waive all rights to amounts due from us under a contingent consideration promissory note established at the time of acquisition, resulting in a special gain of approximately $2.2 million during the first quarter of 2014.

On March 28, 2014, we entered into a settlement agreement for $1.5 million with Watts Water Technologies, Inc. ("Watts Settlement"). Accordingly, we recorded a $0.3 million special charge in the quarter, net of amounts previously accrued.
On April 22, 2014, we announced additional restructuring actions ("2014 Announced Restructurings"), under which we are continuing to simplify our businesses. Under this restructuring, we are reducing certain general and administrative expenses, including the reduction of certain management layers, and closing or consolidating a number of smaller facilities. The savings from these restructuring actions will be utilized for growth investments.

During the fourth quarter of 2014, we recorded a special gain of $0.2 million in connection with revaluing certain liabilities recorded in connection with a 2013 Energy segment purchase price arbitration settlement ("Energy Settlement").

On January 6, 2015 we announced the divestiture of two of our non-core business ("Divestitures") as part of our simplification strategy. During the fourth quarter of 2014, we recorded $3.4 million of special charges associated with losses related to these divestitures. See Business Acquisitions and Divestitures in Note 3 of the consolidated financial statements for more detail on these divestitures.

In February 2015, we agreed to resolve a longstanding customer dispute regarding our design and fabrication of cable protection systems for an off-shore windfarm ("Customer Settlement"), a product line in which we no longer are

involved. The resolution of this dispute was recorded as a Special Charge during the fourth quarter of 2014 in the amount of $6.2 million.

Inventory Restructuring

During 2012, we recorded inventory related charges of $3.2 million and $0.9 million within our Aerospace & Defense segment and Energy segment, respectively. These restructuring related inventory charges were included as cost of revenues.

During 2013, we recorded inventory related charges of $0.4 million and $0.3 million within our Aerospace & Defense segment and Energy segment, respectively. These restructuring related inventory charges were included as cost of revenues.

During the second and third quarters of 2014, in connection with the restructuring of certain structural landing gear product lines, we recorded inventory related charges of $5.1 million and $2.9 million, respectively, within the Aerospace & Defense segment. These restructuring related inventory charges were included as cost of revenues.

2014

As of and for the twelve months ended December 31, 2014 we incurred $12.7 million of non-inventory restructuring related and special charges, net of recoveries, as shown in the table below (in thousands):

	Special Charges / (Recoveries) As of and for the twelve months ended December 31, 2014			
	Energy	Aerospace & Defense	Corporate	Total
Accrued special charges as of December 31, 2013				$4,180
Facility and professional fee related expenses	$447	$252	$—	699
Employee related expenses	1,923	2,307	317	4,547
Total restructuring charges	$2,370	$2,559	$317	5,246
Watts settlement	—	—	300	300
Divestitures	2,983	430	—	3,413
Energy settlement	(210)		—	(210)
Customer settlement	6,232	—	—	6,232
TMW settlement	—	(2,243)	—	(2,243)
Total special and restructuring charges	$11,375	$746	$617	$12,737
Special charges paid / settled				(7,784)
Accrued special charges as of December 31, 2014				$9,133

2013

As of and for the twelve months ended December 31, 2013 we incurred $8.6 million of non-inventory restructuring related and special charges, net of recoveries, as shown in the table below (in thousands):

	Special Charges / (Recoveries) As of and for the twelve months ended December 31, 2013			
	Energy	Aerospace & Defense	Corporate	Total
Accrued special charges as of December 31, 2012				$800
Facility and professional fee related expenses	$2,432	$2,933	$—	5,365
Employee related expenses	2,959	2,286	—	5,245
Total restructuring charges	$5,391	$5,219	$—	$10,610
CFO retirement charges	—	—	1,144	1,144
Energy Settlement	(3,151)	—	—	(3,151)
Total special and restructuring charges (recoveries)	$2,240	$5,219	$1,144	8,602
Special charges paid / settled				(5,222)
Accrued special charges as of December 31, 2013				$4,180

2012

As of and for the twelve months ended December 31, 2012 we incurred $5.3 million in special charges associated with our 2012 Announced Restructuring and CEO Separation. The following table summarizes our special charges by expense type and
business segment (in thousands).

	Special Charges / (Recoveries) As of and for the twelve months ended December 31, 2012			
	Energy	Aerospace & Defense	Corporate	Total
Accrued special charges as of December 31, 2011				$—
Facility and professional fee related expenses	$1,437	$311	$—	1,748
Employee related expenses	614	186	—	800
Total restructuring charges	$2,051	$497	$—	$2,548
CEO Separation charges	—			