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

FORM 10-Q

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

For the quarterly period ended April 3, 2022

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.)**
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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CIR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

As of August 8, 2022, there were 20,360,542 shares of the registrant's Common Stock, par value $0.01 per share, outstanding.

CIRCOR INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CIRCOR INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(UNAUDITED)

	April 3, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 61,122	$ 59,924
Trade accounts receivable, net	95,638	100,149
Inventories	134,540	123,343
Prepaid expenses and other current assets	113,162	110,749
Total Current Assets	404,462	394,165
PROPERTY, PLANT AND EQUIPMENT, NET	150,546	154,461
OTHER ASSETS:		
Goodwill	122,256	122,906
Intangibles, net	290,335	303,476
Deferred income taxes	764	756
Other assets	43,275	43,534
TOTAL ASSETS	$ 1,011,638	$ 1,019,298
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 83,134	$ 83,382
Accrued expenses and other current liabilities	75,711	81,998
Accrued compensation and benefits	30,560	26,551
Short-term borrowings and current portion of long-term debt	2,531	1,611
Total Current Liabilities	191,936	193,542
LONG-TERM DEBT	532,580	511,694
DEFERRED INCOME TAXES	21,283	21,721
PENSION LIABILITY, NET	119,170	120,881
OTHER NON-CURRENT LIABILITIES	36,348	37,744
COMMITMENTS AND CONTINGENCIES (NOTE 9 AND 10)		
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; 21,683,147 and 21,633,131 issued at April 3, 2022 and December 31, 2021 respectively	217	217
Additional paid-in capital	454,269	454,852
Accumulated deficit	(219,562)	(198,081)
Common treasury stock, at cost (1,372,488 shares at April 3, 2022 and December 31, 2021)	(74,472)	(74,472)
Accumulated other comprehensive loss, net of tax	(50,131)	(48,800)
Total Shareholders' Equity	110,321	133,716
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,011,638	$ 1,019,298

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

CIRCOR INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(UNAUDITED)

	Three Months Ended	
	April 3, 2022	**As Restated April 4, 2021**
Net revenues	$ 185,655	$ 176,451
Cost of revenues	130,372	124,889
Gross profit	55,283	51,562
Selling, general and administrative expenses	58,069	57,637
Special and restructuring charges (recoveries), net	9,003	(809)
Operating (loss)	(11,789)	(5,266)
Other expense (income):		
Interest expense, net	9,456	8,369
Other (income), net	(1,287)	(1,781)
Total other expense, net	8,169	6,588
(Loss) from continuing operations before income taxes	(19,958)	(11,854)
Provision for (benefit from) income taxes	1,523	(297)
(Loss) from continuing operations, net of tax	(21,481)	(11,557)
(Loss) from discontinued operations, net of tax	—	(239)
Net (loss)	$ (21,481)	$ (11,796)
Basic (loss) per common share:		
Basic from continuing operations	$ (1.06)	$ (0.58)
Basic from discontinued operations	$ —	$ (0.01)
Net (loss)	$ (1.06)	$ (0.59)
Diluted (loss) per common share:		
Diluted from continuing operations	$ (1.06)	$ (0.58)
Diluted from discontinued operations	$ —	$ (0.01)
Net (loss)	$ (1.06)	$ (0.59)
Weighted average number of common shares outstanding:		
Basic	20,310	20,054
Diluted	20,310	20,054

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

CIRCOR INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)
(in thousands)
(UNAUDITED)

	Three Months Ended	
	April 3, 2022	As Restated April 4, 2021
Net (loss)	$ (21,481)	$ (11,796)
Other comprehensive (loss), net of tax:		
Foreign currency translation adjustments	(3,075)	(3,218)
Interest rate swap adjustments (1)	1,693	1,586
Pension adjustment	51	60
Other comprehensive (loss), net of tax	(1,331)	(1,572)
COMPREHENSIVE (LOSS)	$ (22,812)	$ (13,368)

(1) Net of an income tax effect of $0.0 million and $0.0 million for the three months ended April 3, 2022 and April 4, 2021 respectively.

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

CIRCOR INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)

	Three Months Ended	
OPERATING ACTIVITIES	**April 3, 2022**	**As Restated April 4, 2021**
Net (loss)	$ (21,481)	$ (11,796)
(Loss) from discontinued operations, net of income taxes	—	(239)
(Loss) from continuing operations, net of tax	(21,481)	(11,557)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	5,000	6,509
Amortization	9,397	10,696
Change in provision for bad debt expense	(89)	(465)
Write down of inventory	439	188
Compensation expense for share-based plans	(84)	1,402
Amortization of debt issuance costs	514	995
Deferred tax provision	—	(1,011)
(Gain) on sale of businesses	—	(1,947)
Other impairment charges	8,011	—
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Trade accounts receivable	4,242	(3,707)
Inventories	(15,465)	(8,255)
Prepaid expenses and other assets	(5,671)	(8,875)
Accounts payable, accrued expenses and other liabilities	(737)	(2,547)
Net cash used in continuing operating activities	(15,924)	(18,574)
Net cash used in discontinued operating activities	—	(636)
Net cash (used in) operating activities	(15,924)	(19,210)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,607)	(3,394)
Proceeds from the sale of property, plant and equipment	15	2
Proceeds from beneficial interest of factored receivables	927	812
Proceeds from the sale of business	—	7,193
Net cash (used in) provided by investing activities	(2,665)	4,613
FINANCING ACTIVITIES		
Proceeds from long-term debt	51,325	63,500
Payments of long-term debt	(30,875)	(46,500)
Net change in short-term borrowings	925	(22)
Proceeds from the exercise of stock options	—	151
Withholding tax payments on net share settlements on equity awards	(821)	(3,274)
Net cash provided by in financing activities	20,554	13,855
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(712)	(1,615)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,253	(2,357)
Cash, cash equivalents, and restricted cash at beginning of period	61,374	68,607
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	$ 62,627	$ 66,250

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

CIRCOR INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Accumulated deficit	Accumulated Other Comprehensive (Loss)	Treasury Stock	Total Shareholders' Equity
	Shares	Amount					
Balance as of December 31, 2021	20,261	$ 217	$ 454,852	$ (198,081)	$ (48,800)	$ (74,472)	$ 133,716
Net loss	—	—	—	(21,481)	—	—	(21,481)
Other comprehensive (loss), net of tax	—	—	—	—	(1,331)	—	(1,331)
Stock options exercised	—	—	—	—	—	—	—
Conversion of restricted stock units	50	—	(499)	—	—	—	(499)
Share-based plan compensation	—	—	(84)	—	—	—	(84)
Balance as of April 3, 2022	20,311	$ 217	$ 454,269	$ (219,562)	$ (50,131)	$ (74,472)	$ 110,321
Balance as of December 31, 2020	20,001	$ 214	$ 452,728	$ (136,443)	$ (89,129)	$ (74,472)	$ 152,898
Net loss	—	—	—	(11,796)	—	—	(11,796)
Other comprehensive (loss), net of tax	—	—	—	—	(1,572)	—	(1,572)
Stock options exercised	5	—	151	—	—	—	151
Conversion of restricted stock units	165	2	(2,423)	—	—	—	(2,421)
Share-based plan compensation	—	—	1,402	—	—	—	1,402
Balance as of April 4, 2021 (As Restated)	20,171	$ 216	$ 451,858	$ (148,239)	$ (90,700)	$ (74,472)	$ 138,663

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

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

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of CIRCOR International, Inc. (“CIRCOR” or the “Company”) have been prepared according to the rules and regulations of the United States (“U.S.”) Securities and Exchange Commission (“SEC”) for interim reporting, along with accounting principles generally accepted in the U.S. (“GAAP”). In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal and recurring items) necessary for a fair presentation of the Company’s results of operations, financial position and cash flows for the periods presented. The Company prepares its interim financial information using the same accounting principles it uses for its annual audited consolidated financial statements. Certain information and note disclosures normally included in the annual audited consolidated financial statements have been condensed or omitted in accordance with SEC rules. The Company believes that the disclosures made in its condensed consolidated financial statements and the accompanying notes are adequate to make the information presented not misleading.

The condensed consolidated balance sheet as of December 31, 2021 was derived from CIRCOR’s audited consolidated financial statements as of that date but does not include all of the information and notes required for annual financial statements. The Company recommends that the financial statements included in its Quarterly Report on Form 10-Q be read in conjunction with the consolidated financial statements and notes included in its Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report").

As further described in the Explanatory Note in its 2021 Annual Report and Note 2 and Note 23 in Item 8 of the 2021 Annual Report, the Company discovered accounting irregularities in its Pipeline Engineering business unit and restated financial statements for prior periods. The restatement of prior period financial statements include interim financial statements for the quarter ended April 4, 2021. The comparative financial statements presented for the quarter ended April 4, 2021, are restated for the matters as further described in the 2021 Annual Report.

CIRCOR operates and reports financial information using a fiscal year ending December 31. The data periods contained within its 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 to the calendar quarter-end date. Operating results for the three months ended April 3, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or any future period.

Unless otherwise indicated, all financial information and statistical data included in these notes to the Company's condensed consolidated financial statements relate to its continuing operations, with dollar amounts expressed in thousands (except share and per-share data).

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19, which continues to spread throughout the U.S. and the world, as a pandemic. The pandemic is having an impact on the global economy, resulting in rapidly changing market and economic conditions. The effects of the COVID-19 pandemic continue to negatively impact the Company’s results of operations, cash flows and financial position. The Company’s consolidated financial statements presented herein reflect management's estimates and assumptions regarding the effects of COVID-19 as of the date of the consolidated financial statements.

(2) Summary of Significant Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements for the three months ended April 3, 2022 are consistent with those discussed in Note 3 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying disclosures. Some of the more significant estimates, which are impacted by management's estimates and assumptions regarding the effects of COVID-19, relate to recoverability of goodwill and indefinite-lived trade names, estimated total costs for ongoing long-term revenue contracts where transfer of control occurs over time, inventory valuation, share-based compensation, amortization and impairment of long-lived assets, income taxes (including valuation allowance), fair value of disposal group, pension benefit obligations, acquisition accounting, penalty accruals for late shipments, asset valuations, and product warranties. 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.

(3) Revenue Recognition

The Company's revenue is derived from a variety of contracts. A significant portion of revenues are from contracts associated with the design, development, manufacture or modification of highly engineered, complex and severe environment products with customers who are either in or service the aerospace, defense and industrial markets. Contracts within the defense markets are primarily with U.S. military customers. These contracts typically are subject to the Federal Acquisition Regulations ("FAR"). The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Contracts may be modified to account for changes in contract specifications and requirements.

For revenue that is recognized from products and services transferred to customers over-time, the Company uses an input measure (e.g., costs incurred to date relative to total estimated costs at completion, known as the "cost-to-cost" method) to measure progress. The Company uses the cost-to-cost measure of progress because it best depicts the transfer of control to the customer which occurs as it incurs costs on its contracts. Under the cost-to-cost measure of progress, revenue is recognized proportionally as costs are incurred. Contract costs include labor, materials and subcontractors' costs, other direct costs and an allocation of overhead, as appropriate.

As of April 3, 2022 the Company had $201.6 million of transaction price related to remaining performance obligations. The Company expects to recognize approximately 59% of its remaining performance obligations as revenue during the remainder of 2022, 30% in 2023, and the remaining 11% in 2024 and thereafter.

In order to determine revenue recognized during the period from contract liabilities at the beginning of the period, the Company first allocates revenue to the individual contract liabilities balance outstanding at the beginning of the period until the revenue exceeds that balance. If additional advances are received on those contracts in the subsequent periods, it assumes all revenue recognized in the reporting period first applies to the beginning contract liability as opposed to a portion applying to the new advances for the period. Revenue recognized during the three months ended April 3, 2022 that was included in contract liabilities at the beginning of the period amounted to $14.3 million.

Disaggregation of Revenue

The Company determined that disaggregating revenue into these categories meets the disclosure objective in Topic 606 which is to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following tables present revenue disaggregated by major product line and geographical market (*in thousands*):

	Three Months Ended	
	April 3, 2022	**As Restated April 4, 2021**
Aerospace & Defense Segment		
Commercial Aerospace & Other	$ 25,214	$ 19,800
Defense	38,156	38,688
Total	63,370	58,488
Industrial Segment		
Valves	45,477	43,072
Pumps	76,808	74,891
Total	122,285	117,963
Net Revenues	$ 185,655	$ 176,451

	Three Months Ended	
	April 3, 2022	As Restated April 4, 2021
Aerospace & Defense Segment		
EMEA	$ 14,209	$ 15,214
North America	45,197	40,132
Other	3,964	3,142
Total	63,370	58,488
Industrial Segment		
EMEA	54,642	55,440
North America	40,837	31,779
Other	26,806	30,744
Total	122,285	117,963
Net Revenues	$ 185,655	$ 176,451

Contract Balances

The Company's contract assets and contract liabilities balances as of April 3, 2022 and December 31, 2021 are as follows (*in thousands*):

	April 3, 2022	December 31, 2021	Increase/(Decrease)
Contract assets:			
Recorded within prepaid expenses and other current assets	85,032	87,527	(2,495)
Recorded within other non-current assets	7,341	6,336	1,005
	92,373	93,863	(1,490)
Contract liabilities:			
Recorded within accrued expenses and other current liabilities	25,318	26,870	(1,552)
Recorded within other non-current liabilities	5,586	4,847	739
	30,904	31,717	(813)

Contract assets decreased by $1.5 million during the three months ended April 3, 2022, primarily due to invoicing upon project completion milestones in excess of revenue recognized within the Refinery Valves business partially offset by revenue recognized in excess of invoicing within the Defense business.

Contract liabilities decreased by $0.8 million during the three months ended April 3, 2022, primarily due to recognition of revenue against customer advances within the Defense and Refinery Valves businesses in excess of advances received during the period, partially offset by customer advances received in excess of revenue recognized in the Industrial Pumps and Valves businesses.

Revenue on over time contracts is recognized as the Company, in accordance with the terms of the applicable contract, transfers control in the underlying products or services to the customer, which occurs as it incurs costs on its contracts under the cost-to-cost measure of progress. Revenue on over time contracts may be recognized before or after payments, advances or progress billings from customers are received. Recognition of revenue on over time contracts before the Company can invoice the customer can result in contract assets. Receipt of progress billings or advances from customers in advance of recognizing revenue can result in contract liabilities. Contract assets and contract liabilities amounts presented above are determined at the contract level unit of account. At the contract level it is determined whether the contract is in a net contract asset or net contract liability position.

Contract assets are generally classified between current (one year or less) and non-current (more than one year) based on factors such as when payments are due. Contract liabilities are generally classified between current and non-current based on factors such as expected timing of satisfaction of performance obligation.

Allowance for Credit Losses

The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses or doubtful accounts based upon expected losses, its historical experience, expectation of changes in risk of loss and any specific customer collection issues that it has identified. During the three months ended April 3, 2022, there were no material changes in the allowance for credit losses including additional allowances, write-offs or recoveries other than charges in the amount of $1.5 million for Pipeline Engineering as described further in Note 4, Special and restructuring charges (recoveries), net. During the three months ended April 4, 2021, there were no material changes to the allowance for credit losses including additional allowances, write-offs or recoveries.

(4) Special and Restructuring Charges (Recoveries), net

Special and restructuring charges (recoveries), net

Special and restructuring charges (recoveries), net consist of restructuring costs (including costs to exit a product line or program) as well as certain special charges (recoveries) such as significant litigation settlements and other transactions (charges or recoveries) that are described below. All items described below are recorded in Special and restructuring charges (recoveries), net on the condensed consolidated statements of operations. Certain other special and restructuring charges (recoveries) such as inventory related items may be recorded in cost of revenues given the nature of the item.

The table below summarizes the amounts recorded within the special and restructuring charges (recoveries), net line item on the condensed consolidated statements of operations for the three months ended April 3, 2022 and April 4, 2021 (*in thousands*):

	Special & restructuring charges (recoveries), net	
	Three Months Ended	
	April 3, 2022	April 4, 2021
Special charges (recoveries), net	$ 2,556	$ (2,869)
Restructuring charges, net	6,447	2,060
Total special and restructuring charges (recoveries), net	$ 9,003	$ (809)

Special charges (recoveries), net

The table below details the special charges, net recognized for the three months ended April 3, 2022 (*in thousands*):

	Special charges, net			
	Three Months Ended April 3, 2022			
	Aerospace & Defense	Industrial	Corporate	Total
Pipeline Engineering investigation costs	$ —	$ —	$ 1,341	$ 1,341
Other special charges, net	—	136	1,079	1,215
Total special charges, net	$ —	$ 136	$ 2,420	$ 2,556

Pipeline Engineering investigation costs: During the three months ended April 3, 2022, the Company recognized special charges of $1.3 million related to the investigation into accounting irregularities at the Company's Pipeline Engineering businesses.

Other special charges: During the three months ended April 3, 2022, the special charges, net include a net $0.9 million charge for severance related to the former CEO, comprised of $1.7 million severance, partially offset by the accounting effects of forfeitures for certain unvested CEO stock based compensation awards.

The table below details the special charges (recoveries), net recognized for the three months ended April 4, 2021 (*in thousands*):

	Special charges (recoveries), net Three Months Ended April 4, 2021			
	Aerospace & Defense	Industrial	Corporate	Total
Cryo divestiture	$ —	$ (1,947)	$ —	$ (1,947)
Other special charges (recoveries), net	15	(629)	(308)	(922)
Total special charges (recoveries), net	$ 15	$ (2,576)	$ (308)	$ (2,869)

Cryo divestiture: During the three months ended April 4, 2021, the Company recognized a net special recovery of $1.9 million from the sale of the Cryo business. The Company received cash proceeds of $7.2 million and recognized a pre-tax gain on sale of $1.9 million.

Other special recoveries: The Company recognized special recoveries of $0.6 million for the three months ended April 4, 2021, with recoveries partially offset by charges from initiatives to streamline operations and reduce costs in the Industrial segment. The Company also recognized recoveries of $0.3 million in Corporate.

Restructuring charges, net

The tables below detail the charges associated with restructuring actions recorded for the three months ended April 3, 2022 and April 4, 2021. Accruals associated with the restructuring actions are recorded within Accrued expenses and other current liabilities on the condensed consolidated balance sheets *(in thousands*):

	Restructuring charges, net Three Months Ended April 3, 2022			
	Aerospace & Defense	Industrial	Corporate	Total
Facility and other related charges, net	$ —	$ 5,432	$ —	$ 5,432
Employee related charges, net	—	722	293	1,015
Total restructuring charges, net	$ —	$ 6,154	$ 293	$ 6,447

Accrued restructuring charges as of December 31, 2021	$ 1,839
Total charges, net (shown above)	6,447
Charges paid/settled, written-off, net	(6,335)
Accrued restructuring charges as of April 3, 2022	$ 1,951

The Company recorded restructuring charges of $6.4 million during the three months ended April 3, 2022, of which, $5.9 million related to the exit of Pipeline Engineering business. The $5.9 million consisted of $5.3 million in impairments and $0.6 million of termination benefits. Impairments of $5.3 million included $3.8 million related to the write downs of Property, Plant and Equipment, Right of Use Assets and Intangibles which is a level 3 fair value measurement based on expected cash proceeds from disposition of the assets In addition the Company recorded $1.5 million in write downs of working capital accounts, including primarily $1.0 million for accounts receivables. Included in the Industrial employee related charges is $0.6 million in severance and termination benefits related to the exit of the Pipeline Engineering business. The Company expects to make payment or settle the majority of the restructuring charges accrued as of April 3, 2022, during the remainder of 2022.

In addition, the Company recorded a charge of $2.8 million for write down of inventories related to the exit of the Pipeline Engineering business classified within Cost of Revenues on the Condensed Consolidated Statements of Operations.

During the same period, the Company recorded $0.3 million of employee related charges, not associated with the exit of the Pipeline Engineering business.

	Restructuring charges, net			
	Three Months Ended April 4, 2021			
	Aerospace & Defense	Industrial	Corporate	Total
Facility and other related charges	$ 8	$ (75)	$ —	$ (67)
Employee related charges	833	976	318	2,127
Total restructuring charges, net	$ 841	$ 901	$ 318	$ 2,060

Accrued restructuring charges as of December 31, 2020	$ 1,512
Total year to date charges, net (shown above)	2,060
Charges paid/settled, written-off, net	(1,777)
Accrued restructuring charges as of April 4, 2021	$ 1,795

During the three months ended April 4, 2021, the Company recorded $2.1 million of restructuring charges to reduce expenses, primarily through reductions in force across both administrative functions and manufacturing operations.

(5) Inventories

Inventories consisted of the following as of April 3, 2022 and December 31, 2021 (*in thousands*):

	April 3, 2022	December 31, 2021
Raw materials	$ 53,995	$ 51,911
Work in process	58,407	55,942
Finished goods	22,138	15,490
Total inventories	$ 134,540	$ 123,343

(6) Goodwill and Intangibles, net

The following table shows the movement in goodwill by segment from December 31, 2021 to April 3, 2022 (*in thousands*):

	Aerospace & Defense	Industrial	Total
Goodwill as of December 31, 2021	$ 57,360	$ 65,546	$ 122,906
Currency translation adjustments	(27)	(623)	(650)
Goodwill as of April 3, 2022	$ 57,333	$ 64,923	$ 122,256

The Company performs an impairment assessment for goodwill at the reporting unit level on an annual basis during the fourth quarter, or more frequently if circumstances warrant. At April 3, 2022, the Company performed a review and determined there were no indicators of impairment requiring interim assessment.

The table below presents gross intangible assets and the related accumulated amortization as of April 3, 2022 (*in thousands*):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Patents	$ 5,368	$ (5,368)	$ —
Customer relationships	299,794	(142,835)	156,959
Acquired technology	135,096	(75,303)	59,793
Total Amortized Intangibles	$ 440,258	$ (223,506)	$ 216,752
Non-amortized intangibles (trademarks and trade names)	$ 73,583	$ —	$ 73,583
Total Non-Amortized Intangibles	$ 73,583	$ —	$ 73,583
Net carrying value of intangible assets			$ 290,335

The table below presents estimated remaining amortization expense for intangible assets recorded as of April 3, 2022 *(in thousands):*

	2022	2023	2024	2025	2026	After 2026
Estimated amortization expense	$ 27,305	$ 31,924	$ 28,056	$ 24,563	$ 21,392	$ 83,512

(7) Segment Information

The Company's Chief Operating Decision Maker (the “CODM”) evaluates segment operating performance using segment operating income. Segment operating income is defined as GAAP operating income excluding intangible amortization and amortization of fair value step-ups of inventory and fixed assets from acquisitions completed subsequent to December 31, 2011, the impact of restructuring related inventory write-offs, impairment charges and special charges or gains. The Company also refers to this measure as adjusted operating income. The Company uses this measure because it helps management understand and evaluate the segments’ core operating results and serves as the basis for determining incentive compensation achievement.

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

	Three Months Ended	
	April 3, 2022	As Restated April 4, 2021
Net revenues		
Aerospace & Defense	$ 63,370	$ 58,488
Industrial	122,285	117,963
Net revenues	$ 185,655	$ 176,451
Results from continuing operations before income taxes		
Aerospace & Defense - Segment Operating Income	$ 11,320	$ 9,988
Industrial - Segment Operating Income	6,857	5,834
Corporate expenses	(7,770)	(9,035)
Subtotal	10,407	6,787
Special charges (recoveries), net	2,556	(2,869)
Restructuring charges (recoveries), net	6,447	2,060
Special and restructuring charges (recoveries), net	9,003	(809)
Restructuring related inventory charges (recoveries), net	2,757	—
Acquisition amortization	9,391	10,487
Acquisition depreciation	1,045	2,375
Restructuring, impairment and other costs, net	13,193	12,862
Consolidated Operating Income (loss)	(11,789)	(5,266)
Interest expense, net	9,456	8,369
Other expense (income), net	(1,287)	(1,781)
Income (loss) from continuing operations before income taxes	$ (19,958)	$ (11,854)

	Three Months Ended	
	April 3, 2022	As Restated April 4, 2021
Capital expenditures		
Aerospace & Defense	$ 1,286	$ 1,286
Industrial	1,663	2,023
Corporate	352	154
Consolidated capital expenditures	$ 3,301	$ 3,463
Depreciation and amortization		
Aerospace & Defense	$ 2,521	$ 2,824
Industrial	11,706	14,203
Corporate	170	178
Consolidated depreciation and amortization	$ 14,397	$ 17,205

Identifiable assets	April 3, 2022	December 31, 2021
Aerospace & Defense	$ 476,607	$ 464,964
Industrial	1,233,543	1,256,974
Corporate	(698,512)	(702,640)
Consolidated identifiable assets	$ 1,011,638	$ 1,019,298

The total assets for each reportable segment have been reported as the Identifiable Assets for that segment, including inter-segment intercompany receivables, payables and investments in other CIRCOR subsidiaries. Identifiable assets reported in Corporate include both corporate assets, such as cash, deferred taxes, prepaid and other assets, fixed assets, as well as the elimination of all inter-segment intercompany assets. The elimination of intercompany assets results in negative amounts reported in Corporate for Identifiable Assets.

(8) Financing Arrangements

Fair Value

The Company utilizes fair value measurement guidance prescribed by accounting standards to value its financial instruments. The guidance establishes a fair value hierarchy based on the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- **Level One**: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- **Level Two**: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- **Level Three**: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The aggregate net fair value of the Company’s interest rate swap as of April 3, 2022 and December 31, 2021 are summarized in the table below (*in thousands*):

	Significant Other Observable Inputs Level 2	
	April 3, 2022	December 31, 2021
Derivative liabilities	$ (530)	$ (2,187)

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables and trade payables approximate fair value because of the short term maturity of these financial instruments. Cash equivalents are carried at cost which approximates fair value at the balance sheet date and is a Level 1 financial instrument. As of April 3, 2022, the estimated fair value of the Company's gross debt (before netting debt issuance costs) was $534.0 million, compared to carrying cost of $547.7 million. At December 31, 2021, the estimated fair value of the Company’s gross debt (before netting debt issuance costs) was $524.3 million, compared to carrying cost of $526.3 million. The Company’s outstanding debt balances are characterized as Level 2 financial instruments.

Financial Instruments

As of April 3, 2022 and December 31, 2021, the Company had restricted cash balances of $1.5 million and $1.4 million, respectively. These balances are recorded within prepaid expenses and other current assets on the condensed consolidated balance sheets, and are included within cash, cash equivalents and restricted cash in the condensed consolidated statements of cash flows.

The Company has a receivable purchasing agreement with a bank whereby the Company can sell selected accounts receivable and obtain between 90% and 100% of the purchase price upfront, net of applicable discount fee, and the residual amount as the receivables are collected. During the three months ended April 3, 2022, the Company sold a total of $14.1 million of receivables under the program, receiving $12.7 million in upfront cash. During the three months ended April 4, 2021, the Company sold a total of $8.4 million of receivables under the program, receiving $8.2 million in upfront cash. At April 3, 2022, a beneficial interest balance of $1.4 million was recorded in prepaid expenses and other current assets on the condensed consolidated balance sheet.

Effective April 2018, the Company entered into an interest rate swap pursuant to an ISDA Master Agreement with Citizens Bank, National Association. The four-year interest rate swap had a fixed notional value of $400.0 million with a 1% LIBOR floor and a maturity date of April 12, 2022. The ISDA Master Agreement, together with its related schedules, contain customary representations, warranties, and covenants. The interest rate swap continues to be effective at achieving offsetting cash flows attributable to the hedged risk under the New Credit Agreement for its remaining term to April 2022. The interest rate swap is a qualifying hedging instrument and is accounted for as a cash flow hedge pursuant to ASC 815, Derivatives and Hedging.

There were no open forward contracts as of April 3, 2022 and December 31, 2021, respectively.

The fair value of the interest rate swap was a net liability position of $0.5 million and $2.2 million at April 3, 2022 and December 31, 2021, respectively. These balances are recorded in accrued expenses and other current liabilities of $0.5 million and $2.2 million on the condensed consolidated balance sheet as of April 3, 2022 and December 31, 2021, respectively.

The amount of gains (loss) recognized in other comprehensive loss ("OCI") and reclassified from accumulated other comprehensive loss ("AOCI") to earnings are summarized below (*in thousands*):

	Three Months Ended April 3, 2022	
Amount of (loss) recognized in OCI	$	(9)
Amount of (loss) reclassified from AOCI to earnings (interest expense, net)	$	(1,702)

Amounts expected to be reclassified from AOCI into interest expense, net in the next 12 months is a loss of $0.1 million. Interest expense, net (including the effects of the cash flow hedges) related to the portion of the Company's term loan subject to the aforementioned interest-rate swap agreement was $6.9 million for the three months ended April 3, 2022.

Debt

As of April 3, 2022, total debt (including short-term borrowings and current portion of long-term debt) was $535.1 million compared to $513.3 million as of December 31, 2021. Total debt is net of unamortized term loan debt issuance costs of $12.6 million and $13.0 million at April 3, 2022 and December 31, 2021, respectively. The Company made interest payments of $8.9 million and $7.6 million during the three months ended April 3, 2022, and April 4, 2021, respectively.

(9) Guarantees and Indemnification Obligations

As permitted under Delaware law, the Company has agreements whereby it indemnifies certain of its officers and directors for certain events or occurrences while the officer or director is, or was, serving at its request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. However, it has directors' and officers' liability insurance policies that insure it with respect to certain events covered under the policies and should enable it to recover a portion of any future amounts paid under the indemnification agreements. The Company has no liabilities recorded from those agreements as of April 3, 2022.

The Company records provisions for the estimated cost of product warranties, primarily from historical information, at the time product revenue is recognized. The Company also records provisions with respect to any significant individual warranty issues as they arise. While the Company engages in extensive product quality programs and processes, its warranty obligation is affected by product failure rates, utilization levels, material usage, service delivery costs incurred in correcting a product failure, and supplier warranties on parts delivered to us. Should actual product failure rates, utilization levels, material usage, service delivery costs or supplier warranties on parts differ from the Company's estimates, revisions to the estimated warranty liability would be required.

The following table sets forth information related to product warranty reserves for the three months ended April 3, 2022 and April 4, 2021 (*in thousands*):

	Three Months Ended	
	April 3, 2022	April 4, 2021
Balance beginning	$ 2,739	$ 2,206
Provisions	451	548
Claims settled	(644)	(629)
Currency translation adjustment	(20)	(21)
Balance ending	$ 2,526	$ 2,104

Warranty obligations are recorded within Accrued expenses and other current liabilities on the condensed consolidated balance sheets.

(10) Commitments and Contingencies

The Company is subject to various legal proceedings and claims pertaining to matters such as product liability or contract disputes. The Company is also subject to other proceedings and governmental inquiries, inspections, audits or investigations pertaining to issues such as tax matters, patents and trademarks, pricing, contractual issues, business practices, governmental regulations, employment and other matters. Although the results of litigation and claims cannot be predicted with certainty, the Company expects that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on its business, financial condition, results of operations or liquidity.

Asbestos-related product liability claims continue to be filed against two of the Company's subsidiaries: CIRCOR Instrumentation Technologies, Inc. (f/k/a Hoke, Inc.) (“Hoke”), the stock of which the Company acquired in 1998, and Spence Engineering Company, Inc., the stock of which the Company acquired in 1984. The Hoke subsidiary was divested in January 2020 through the sale of the I&S business. However, the Company has indemnified the buyer for asbestos-related claims that are made against Hoke. Due to the nature of the products supplied by these entities, the markets they serve and the Company's historical experience in resolving these claims, the Company does not expect that these asbestos-related claims will have a material adverse effect on the financial condition, results of operations or liquidity of the Company.

During the second quarter of 2021, the Company was notified of a contract termination by one of its Industrial segment customers. The basis for termination is under dispute and the ultimate outcome of this matter is uncertain. During the fourth quarter of 2021 the Company recorded a full allowance against the outstanding receivables resulting in a charge of $6.3 million. The Company also has outstanding guarantees of its performance under the contract in the aggregate amount of $3.4 million. Further, the Company is exposed to claims from sub-contractors for contract termination. The Company has received claims from sub-contractors and has accrued an additional $1.6 million in charges during the fourth quarter of 2021 as its best estimate of probable loss. Should the negotiations or settlement process be unfavorable for the Company, the Company may be unable to collect the outstanding receivables, be exposed to risk of loss on the outstanding performance guarantees, additional claims from sub-contractors, losses in excess of amounts accrued on claims from subs-contractors and potential future claims should any be asserted.

Standby Letters of Credit

The Company executes standby letters of credit, which include bid bonds and performance bonds, in the normal course of business to ensure performance or payments to third parties. The aggregate notional value of these instruments at April 3, 2022 was $36.3 million of which $29.0 million was syndicated under the Company’s credit agreement. This compares with aggregate notional value of $32.5 million of which $24.7 million was syndicated under the credit agreement as of December 31, 2021. These instruments generally have expiration dates ranging from less than 1 month to 5 years from April 3, 2022.

During May 2022, a Russian customer drew on a letter of credit related to an equipment system in the amount of $3.9 million, which the Company funded. The Company is contesting the draw and is pursuing actions to recover this amount from the customer.

Restatement of Prior Period Financial Statements and Non-Timely Filing of Financial Statements

As described in Note 1, Basis of Presentation, the Company discovered accounting irregularities in its Pipeline

Engineering business going back to 2017. The Company conducted an investigation into the accounting irregularities at the Pipeline Engineering business and restated its consolidated financial statements for the annual periods of 2020 and 2019, interim and year to date periods for 2020 and interim and year to date periods for the nine months ended October 3, 2021.

The Company was unable to timely file its Annual Report on Form 10-K for 2021 and Quarterly Report on Form 10-Q for the first quarter of 2022 with the Securities and Exchange Commission ("the SEC"). The discovery of accounting irregularities, restatement of prior period financial statements and non-timely filing of financial statements could expose the Company to future claims and losses. The Company has self-reported the identified accounting irregularities at the Pipeline Engineering business to the SEC and the Company continues to respond to requests for information from the SEC.

(11) Retirement Plans

The following table sets forth the components of total net periodic benefit (income) cost of the Company's defined benefit pension plans and other post-retirement employee benefit plans (*in thousands*):

	Three Months Ended	
	April 3, 2022	April 4, 2021
Pension Benefits - U.S. Plans		
Interest cost	$ 1,000	$ 773
Expected return on plan assets	(2,150)	(2,629)
Amortization	48	51
Net periodic benefit income	$ (1,102)	$ (1,805)
Pension Benefits - Non-U.S. Plans		
Service cost	$ 621	$ 823
Interest cost	366	247
Expected return on plan assets	(203)	(156)
Amortization	—	179
Net periodic benefit cost	$ 784	$ 1,093
Other Post-Retirement Benefits		
Service cost	$ 1	$ 1
Interest cost	53	42
Net periodic benefit cost	$ 54	$ 43

The periodic benefit service costs are included in both costs of revenues, as well as selling, general, and administrative expenses, while the remaining net periodic benefit costs are included in other expense (income), net in the condensed consolidated statements of operations for the three months ended April 3, 2022 and April 4, 2021.

The Company did not make any employer contributions to the Company's U.S. or non-U.S. based defined benefit pension plans during the three months ended April 3, 2022 and April 4, 2021.

(12) Income Taxes

The provision for (benefit from) for income taxes to income (loss) from continuing operations is as follows *(in thousands)*:

	Three Months Ended	
	April 3, 2022	As Restated April 4, 2021
(Loss) from continuing operations before income taxes	$ (19,958)	$ (11,854)
Effective tax rate	(7.6)%	2.5 %
Provision for (benefit from) income taxes	$ 1,523	$ (297)

The Company is required to compute income tax expense in each jurisdiction in which it operates. This process requires the Company to project its current tax liability and estimate its deferred tax assets and liabilities, including net operating loss ("NOL") and tax credit carryforwards. In assessing the ability to realize the net deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the net deferred tax assets will not be realized.

The effective tax rate for the three months ended April 3, 2022, differed from the U.S. federal statutory rate of 21% primarily due to adjustments to the domestic and foreign valuation allowances. The effective tax rate for the three months ended April 4, 2021, differed from the U.S. federal statutory rate primarily due to adjustments to the domestic and foreign valuation allowances and adjustments related to uncertain tax positions. In 2020 the Company recorded a full valuation allowance in the U.S. and Germany. The Company intends to continue maintaining valuation allowances on these deferred tax assets until there is sufficient evidence to support the release of all or some portion of these allowances.

As of April 3, 2022 and December 31, 2021, the Company had $2.0 million of unrecognized tax benefits including penalty and interest, all of which would affect the Company's effective tax rate if recognized in any future period.

(13) Share-Based Compensation

As of April 3, 2022, the Company had 510,663 stock options and 239,526 Restricted Stock Unit Awards ("RSU Awards") and Restricted Stock Unit Management Stock Plan Awards ("RSU MSPs") outstanding. On May 25, 2021 at the Company's annual meeting, the Company's shareholders approved an amendment to the 2019 Stock Option and Incentive Plan (the "2019 Plan") to increase the number of shares available for issuance by 1,000,000 shares. The 2019 Plan now authorizes issuance of up to 2,000,000 shares of common stock (subject to adjustment for stock splits and similar events). Under the 2019 Plan, there were 1,454,975 shares available for grant as of April 3, 2022.

During the three months ended April 3, 2022 and April 4, 2021, there were no stock options granted.

For additional information regarding the historical issuance of stock options, refer to Note 14 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

During the three months ended April 3, 2022 and April 4, 2021, the Company granted 1,009 and 233,618 RSU Awards with approximate fair values of $26.60 and $40.85 per RSU Award, respectively. Due to the delay in filing of the Company's annual report on Form 10-K for the year ended December 31, 2021, the grant of annual equity awards, which typically takes place during the first quarter of each fiscal year, has been postponed. During the three months ended April 3, 2022, the Company did not grant any performance-based RSU Awards. This compares to 70,933 performance-based RSU Awards granted during the three months ended April 4, 2021. The performance-based RSU Awards granted in 2021 include a market condition based on the Company's total shareholder return relative to a subset of the S&P 600 SmallCap Industrial Companies over a three year performance period. The target payout range for the 2021 awards is 0% to 200% with a cap not to exceed 600% of the target value on the grant date. The 2021 performance-based RSUs are valued using a Monte Carlo Simulation model to account for the market condition on grant date.

There were no RSU MSPs granted during the three months ended April 3, 2022. This compares to 31,248 RSU MSPs granted during the three months ended April 4, 2021, which had a per unit discount of $13.14 per share representing fair value.

Compensation expense related to the Company's share-based plans for the three months ended April 3, 2022 and April 4, 2021 was $(0.1) million and $1.4 million, respectively. The significant decrease in compensation cost in the three months ended April 3, 2022 relates primarily to forfeitures associated with the departure of the Company's former CEO in January 2022. Compensation expense for the three months ended April 3, 2022 was recorded as follows: $0.5 million in selling, general and administrative expenses and $(0.6) million in special charges. Special charges recoveries, net relate to forfeitures associated with the departure of the Company's former CEO, partially offset by certain equity accelerations for the Company's former CEO and other Corporate staff whose positions were eliminated. Compensation expense for the three months ended April 4, 2021 was recorded entirely in selling, general and administrative expenses. As of April 3, 2022, there were $3.4 million of total unrecognized compensation costs related to the Company's outstanding share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 1.8 years.

The weighted average contractual term for stock options outstanding and options exercisable as of April 3, 2022 was 0.5 years and 0.5 years, respectively.

The aggregate intrinsic value of RSU Awards settled and outstanding during the three months ended April 3, 2022 was $1.8 million and $5.8 million, respectively. The aggregate intrinsic value of RSU MSP Awards settled and outstanding during the three months ended April 4, 2021 was $0.2 million and $0.9 million, respectively.

(14) Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss, net of tax, which is reported as a component of shareholders' equity, for the three months ended April 3, 2022 and April 4, 2021 (*in thousands*):

	Foreign Currency Translation Adjustments	Pension, net	Derivative	Total
Balance as of December 31, 2020	$ (50,060)	$ (33,359)	$ (5,710)	$ (89,129)
Other comprehensive (loss) income	(3,218)	60	1,586	(1,572)
Balance as of April 4, 2021 (As Restated)	$ (53,278)	$ (33,299)	$ (4,124)	$ (90,700)
Balance as of December 31, 2021	$ (54,432)	$ 4,944	$ 688	$ (48,800)
Other comprehensive (loss) income	(3,075)	51	1,693	(1,331)
Balance as of April 3, 2022	$ (57,507)	$ 4,995	$ 2,381	$ (50,131)

(15) Income (Loss) Per Common Share ("EPS")

For the three months ended April 3, 2022 and April 4, 2021, outstanding stock options, RSU Awards and RSU MSPs were not included in the calculation of dilutive EPS because to do so would be anti-dilutive. For the three months ended April 3, 2022, there were 511,896 anti-dilutive stock options, RSUs, and RSU MSPs with exercise prices ranging from $31.52 to $60.99. For the three months ended April 4, 2021, there were 870,829 anti-dilutive stock options, RSU Awards and RSU MSPs with exercise prices ranging from $33.63 to $60.99.

(16) Subsequent Events

In February 2022, the Company entered into an agreement for the sale of a facility of a previously divested business, where the net carrying value of the facility is approximately $0.7 million. The Company closed on the transaction on May 12, 2022 and received net cash proceeds in the amount of $7.1 million.

On April 8, 2022, the Company amended (the "First Amendment") its credit agreement dated as of December 21, 2021 (the "Credit Agreement"). The First Amendment makes certain changes to the Credit Agreement, including, among other things, (i) extending the deadline for the Company to deliver its annual financial statements for the fiscal year ended December 31, 2021 to May 31, 2022, (ii) increasing the interest rate margins for (a) the term loan facility to 5.50% with respect to Eurodollar loans, (b) the revolving facility to 4.75% with respect to Eurodollar loans and (c) the swing line facility to 3.75%, (iii) in the event of a step-down in the debt ratings of the facilities, increasing the interest rate margins for the term loan facility by an additional 0.50% during any such step-down period, (iv) decreasing certain debt, lien, investment, restricted payment and affiliate transaction baskets and negative covenant thresholds by 15%, (v) further decreasing or eliminating the use of certain debt, lien, investment and restricted payment baskets until the Company is able to deliver its annual financial statements for the fiscal year ended December 31, 2021, (vi) eliminating the minimum threshold and reinvestment rights with respect to mandatory prepayments of the term loans with the net cash proceeds of sale-leaseback transactions, subject to certain exceptions, (vii) restricting the Company's ability to borrow swing loans or revolving loans if the aggregate amount of cash and cash equivalents of the Company and its domestic subsidiaries exceeds $10.0 million and creating a requirement to prepay outstanding swing loans and revolving loans with any such excess, in each case, during the period beginning on the effective date of the First Amendment and ending on the date of delivery of the Company's financial statements for the year ended December 31, 2021 (the "Restricted Period"), (viii) resetting the "soft call" prepayment premium for 12-months from the date of the First Amendment, and (ix) requiring the Company to hold private-side lender calls twice upon request of the Administrative Agent during the Restricted Period and promptly after the delivery of all quarterly and annual financial statements. In connection with the execution of the First Amendment, the Company paid approximately $12.5 million in customary arranger and lender consent fees, attorney fees, and reasonable and documented expenses of the Administrative Agent.

On May 27, 2022, the Company amended (the "Second Amendment") the Credit Agreement, as amended by the First Amendment. The Second Amendment makes certain changes to the Credit Agreement, including, among other things, (i) extending the deadline for the Company to deliver its audited financial statements for the fiscal year ended December 31, 2021 to July 30, 2022, (ii) extending the deadline for the Company to deliver its quarterly financial statements for the fiscal quarter ended April 3, 2022 to July 30, 2022, (iii) extending the deadline for the Company to deliver its quarterly financial statements for the fiscal quarter ended July 3, 2022 to September 30, 2022, and (iv) requiring the Company to hold private-side lender calls once per month upon request of the Administrative Agent during the period beginning on the the date of the Second Amendment and ending on the last day of the Restricted Period (as extended to the date of delivery of the date on which the Company has delivered each of the Company's financial statements for the year ended December 31, 2021, the Company's financial statements for the quarter ended April 3, 2022 and the Company's financial statements for the quarter ended July 3, 2022), and promptly after the delivery of all quarterly and annual financial statements.

On April 8, 2022, the Company completed a sale-leaseback transaction for its Tampa, Florida facility. For the sale of the land and building the Company received net proceeds of $19.3 million in cash. Concurrent with the sale, the Company leased back the facility at market for an initial lease term of 5 years with an option to renew for an additional term of 5 years. The Company will account for the transaction during the second quarter of 2022 and while the Company has not completed its accounting analysis it currently expects the sale-leaseback transaction to qualify as sale resulting in derecognition of the facility and an operating lease for the leaseback transaction.

In the second quarter of 2022 the Company substantially completed the exit of its Pipeline Engineering business. On April 14, 2022 the Company placed the Catterick, UK entity of the Pipeline Engineering business into Administration under the U.K. Insolvency Act of 1986 and the Insolvency (England and Wales) Rules 2016 (IR 2016). Further, the Company substantially completed the exit of the Houston, Texas and Dubai locations of the Pipeline Engineering business. Upon placing the Catterick, UK entity into Administration in the second quarter of 2022, the Company expects to deconsolidate the subsidiary under the provisions of ASC Topic 810, *Consolidation*. The exit of the Pipeline Engineering business will continue to result in additional cash and non-cash charges in 2022, including, but not limited to, the accounting write-off for Cumulative Translation Adjustment, the accounting for which is in process.

On August 10, 2022, the Company's Board of Directors appointed Tony Najjar as the Company's President and Chief Executive Officer. Tony Najjar previously held the title of Chief Operating Officer and Interim President and Chief Executive Officer.

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

This Quarterly Report on Form 10-Q contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act"). The words "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," and other expressions, which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements, although not all forward-looking statements are accompanied by such words. 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, including statements about our future performance, including the expected and potential direct and indirect impacts of the COVID-19 pandemic on our business, the timing and potential outcome, if any, of the Board of Director's review of strategic alternatives, our ability to remediate the material weakness in our internal control over financial reporting, the number of new product launches and future cash flows from operating activities, 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 duration and scope of the COVID-19 pandemic and its impact on the global economy; any adverse changes in governmental policies; variability of raw material and component pricing; changes in our suppliers' performance; fluctuations in foreign currency exchange rates; changes in tariffs or other taxes related to doing business internationally; our ability to hire and retain key personnel; our ability to operate our manufacturing facilities at efficient levels, including our ability to prevent cost overruns and reduce costs; our ability to generate increased cash by reducing our working capital; our prevention of the accumulation of excess inventory; fluctuations in interest rates; our ability to successfully defend product liability actions; the outcome of litigation or claims made against us; the inability to identify or complete a strategic transaction; 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, including as a result of the COVID-19 pandemic, rising inflation, increasing interest rates, natural disasters, military conflicts, including the conflict between Russia and Ukraine, terrorist attacks and other similar matters. ***We advise you to read further about these and other risk factors set forth in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021, which is filed with the Securities and Exchange Commission ("SEC") and is available on the SEC's website at www.sec.gov.*** *We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

Company Overview

CIRCOR is one of the world's leading providers of mission critical flow control products and services for the Industrial and Aerospace & Defense markets. The Company has a product portfolio of market-leading brands serving its customers' most demanding applications. CIRCOR markets its solutions directly and through various sales and distribution partners to more than 14,000 customers in approximately 100 countries. The Company has a global presence with approximately 3,100 employees and is headquartered in Burlington, Massachusetts.

We organize our reporting structure into two segments: Aerospace & Defense and Industrial. Both the current and prior periods are reported under these two segments.

The Company's Aerospace & Defense segment has been and continues to be impacted by the COVID-19 pandemic, primarily in our Commercial Aerospace end markets. Commercial Aerospace order rates improved in 2021 compared to 2020 as demand for OEM components and aftermarket services increased with air framer production rates and aircraft utilization. However, we continue to expect that a recovery to pre-pandemic levels of demand will not occur until the end of 2023. While our Defense business has been less impacted by the pandemic, we did experience a slowdown in government spending on spare parts as well as some delays on key programs which impacted our revenues in 2021. However, we expect a return to near term and long term growth in this end market driven by our positions on key U.S. defense programs, including the Joint Strike Fighter and Columbia class submarines, strong backlog, and new product introductions in close partnership with our customers. We continue to focus on increasing our global aftermarket and deploying value-based pricing across the segment, both of which will contribute to growth and margin expansion.

The Company's Industrial reporting segment has been and continues to be impacted by the COVID-19 pandemic. In 2021, we saw a significant increase in demand across end markets and geographies as the commercial impact of COVID-19 lessened through the year. We exited 2021 with a strong backlog that positions the Industrial segment well for future revenue growth in 2022 and beyond. In the near term, we expect strong growth in our longer-cycle end markets, such as Commercial Marine and Downstream Oil & Gas, as we deliver on improved orders from 2021. Our General Industrial end market, which includes products that serve power generation, chemical processing, and other customers, is expected to experience moderate growth. We continue to focus on increasing our global aftermarket, deploying value-based pricing across the segment, and simplifying our organizational structure to drive growth and margin expansion.

In both reporting segments, the Company's results from operations were, and continue to be, adversely impacted by global supply chain constraints and rising inflation. In 2021, we faced unexpected difficulties in procuring certain raw material, castings, and components, additional labor constraints due to COVID-19 and a challenging labor market, and inflation on both material and logistics. These challenges were most acute in the second half of the year and continue to evolve in 2022 as some governments impose lockdowns and restrictions due to rising cases of COVID-19. In order to mitigate the impact of these factors on our operations and financial position, we continue to implement actions across the company including, but not limited to: list price increases and surcharges, structural cost out actions, changes in suppliers from which we procure material, and manufacturing productivity through the implementation of the CIRCOR Operating System and 80/20 across the company. Finally, continuing to attract and retain diverse and talented personnel, including the enhancement of our global sales, operations, product management and engineering organizations, remains an important part of our strategy during 2022.

Finally, we continue to monitor and evaluate additional sanctions and export restrictions that may be imposed by the U.S. Government and other governments along with any responses from Russia that could directly affect our supply chain, business partners or customers. The aggregate revenue from customers in Russia and Ukraine for each of the fiscal years ended 2021 and 2020 was less than 1% of consolidated net revenues, primarily related to our Downstream Oil & Gas business in the Industrial reporting segment. However, the conflict in Russia and Ukraine is likely to adversely impact demand in that region, increase energy costs related to our operations, and negatively impact material cost and availability.

Basis of Presentation

All significant intercompany balances and transactions have been eliminated in consolidation.

We operate and report financial information using a 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.

The effects of the COVID-19 pandemic continue to negatively impact the Company's results of operations, cash flows and financial position. The Company's condensed consolidated financial statements presented herein reflect management's estimates and assumptions regarding the effects of COVID-19 as of the date of the condensed consolidated financial statements.

Critical Accounting Policies

Critical accounting policies are those that are both important to the accurate portrayal of a company's financial condition and results and require subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The critical accounting policies used in preparation of our condensed consolidated financial statements for the three months ended April 4, 2022 are consistent with those discussed in Note 3 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year-ended December 31, 2021, except as updated by Note 2 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q with respect to newly adopted accounting standards. The expenses and accrued liabilities or allowances related to certain of our accounting 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 an effort to mitigate the likelihood of material adjustments.

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying disclosures. Some of the more significant estimates relate to estimated total costs for ongoing long-term revenue contracts where transfer of control occurs over time, inventory valuation, share-based compensation, amortization and impairment of long-lived assets, income taxes (including valuation allowance), fair value of disposal group, pension benefit obligations, penalty accruals for late shipments, asset valuations, and product warranties. 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.

Results of Operations

Three Months Ended April 3, 2022 Compared with Three Months Ended April 4, 2021 (As Restated)

Consolidated Operations

	Three Months Ended				
(in thousands)	**April 3, 2022**	**April 4, 2021 (As Restated)**	**Total Change**	**Operations**	**Foreign Exchange**
Net revenues					
Aerospace & Defense	$ 63,370	$ 58,488	$ 4,882	$ 5,701	$ (820)
Industrial	122,285	117,963	4,322	9,233	(4,910)
Net revenues	$ 185,655	$ 176,451	$ 9,204	$ 14,934	$ (5,730)

Net revenues for the three months ended April 3, 2022 were $185.7 million, an increase of $9.2 million, or 5%, as compared to the three months ended April 4, 2021, driven by operational increases of 8% and unfavorable currency fluctuations of 3%.

Segment Results

In accordance with GAAP, a company's segment reporting should follow how the business is reviewed by its CODM, which is the function that allocates the resources of the enterprise and assesses the performance of the Company's reportable operating segments. CIRCOR has determined that the CODM is its Chief Executive Officer ("CEO"), as the CEO has the ultimate responsibility for CIRCOR's strategic decision-making and resource allocation.

Our CODM evaluates segment operating performance using segment operating income. Segment operating income is defined as GAAP operating income excluding intangible amortization and amortization of fair value step-ups of inventory and fixed assets from acquisitions completed subsequent to December 31, 2011, the impact of restructuring related inventory write-offs, impairment charges and special charges or gains. The Company also refers to this measure as adjusted operating income. The

Company uses this measure because it helps management understand and evaluate the segments' core operating results and serves as the basis for determining incentive compensation achievement.

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

(in thousands, except percentages)	Three Months Ended April 3, 2022	Three Months Ended April 4, 2021 (As Restated)
Net revenues		
Aerospace & Defense	$ 63,370	$ 58,488
Industrial	122,285	117,963
Net revenues	$ 185,655	$ 176,451
Income (loss) from continuing operations before income taxes		
Aerospace & Defense - Segment Operating Income	$ 11,320	$ 9,988
Industrial - Segment Operating Income	6,857	5,834
Corporate expenses	(7,770)	(9,035)
Subtotal	10,407	6,787
Restructuring charges (recoveries), net	6,447	2,060
Special charges (recoveries), net	2,556	(2,869)
Special and restructuring charges (recoveries), net (1)	9,003	(809)
Restructuring related inventory charges (recoveries), net	2,757	—
Acquisition amortization (2)	9,391	10,487
Acquisition depreciation (2)	1,045	2,375
Restructuring, impairment and other costs, net	13,193	12,862
Consolidated Operating Income (loss)	(11,789)	(5,266)
Interest expense, net	9,456	8,369
Other expense (income), net	(1,287)	(1,781)
Income (loss) from continuing operations before income taxes	$ (19,958)	$ (11,854)
Consolidated Operating Margin	(6.3)%	(3.0)%

(1) See Special and Restructuring Charges (Recoveries), net in Note 4 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional details.

(2) Acquisition amortization and depreciation is recorded in either cost of revenues or selling, general, and administrative expenses depending upon the nature of the underlying asset.

Aerospace & Defense Segment

(in thousands, except percentages)	Three Months Ended April 3, 2022	Three Months Ended April 4, 2021 (As Restated)	Change
Segment Orders	$ 77,890	$ 72,999	$ 4,891
Net Revenues	$ 63,370	$ 58,488	$ 4,882
Segment Operating Income	$ 11,320	$ 9,988	$ 1,332
Segment Operating Margin	17.9 %	17.1 %	

Aerospace & Defense segment orders increased $4.9 million, or 7%, for the three months ended April 3, 2022 as compared to the three months ended April 4, 2021, primarily driven by an increase in our Commercial business of 70% partially offset by a decrease in our Defense business of 19% and unfavorable foreign currency fluctuations of 1%. Defense orders were down as a result of the non-repeat of a large Defense order in the three months ended April 4, 2021.

Aerospace & Defense segment net revenues increased by $4.9 million, or 8%, to $63.4 million for the three months ended April 3, 2022 as compared to the three months ended April 4, 2021. The increase was driven by an increase in our Commercial business of 27%, partially offset by a decrease in our Defense business of 1% and unfavorable foreign currency fluctuations of 1%.

Segment operating income increased $1.3 million, or 13% for the three months ended April 3, 2022 as compared to the three months ended April 4, 2021. The increase in operating income was driven by pricing and higher volumes.

Segment operating margin increased from 17.1% in the three months ended April 4, 2021 to 17.9% for the three months ended April 3, 2022. The increased operating margin reflects the impact of pricing, higher volume and favorable mix.

Industrial Segment

	Three Months Ended		
(in thousands, except percentages)	**April 3, 2022**	**April 4, 2021 (As Restated)**	**Change**
Segment Orders	$ 143,727	$ 153,695	$ (9,968)
Net Revenues	$ 122,285	$ 117,963	$ 4,322
Segment Operating Income	$ 6,857	$ 5,834	$ 1,023
Segment Operating Margin	5.6 %	4.9 %	

Industrial segment orders decreased $10.0 million or 6%, for the three months ended April 3, 2022 as compared to the three months ended April 4, 2021, primarily driven by a decrease in the Valves business of 34% and unfavorable foreign currency fluctuation of 4%, partially offset by an increase in the Pumps business of 12%.

Industrial segment net revenue increased $4.3 million, or 4% for the three months ended April 3, 2022 as compared to the three months ended April 4, 2021, primarily driven by an increase in our Pumps business of 3% and Valves business of 6%, partially offset by unfavorable foreign currency fluctuation of 4%.

Segment operating income increased $1.0 million, or 18% ,for the three months ended April 3, 2022 as compared to the three months ended April 4, 2021. The increase was driven by pricing and higher volume in both the Pumps and Valves businesses.

Industrial segment operating margin increased to 5.6% in the three months ended April 3, 2022 from 4.9% for the three months ended April 4, 2021. The improved margin was driven by pricing and increased volume.

Corporate Expenses

Corporate expenses were $7.8 million for the three months ended April 3, 2022 compared to $9.0 million for the three months ended April 4, 2021, primarily driven by reduced share based compensation and benefit costs.

Special and Restructuring Charges (Recoveries), net

During the three months ended April 3, 2022 the Company recorded Restructuring and Special charges, net of $9.0 million compared to a net recovery in the three months ended April 4, 2021 of $0.8 million These amounts are recorded within our condensed consolidated statements of operations caption “Special and restructuring charges (recoveries), net”. These charges are described in further detail in Note 4 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Acquisition Amortization

During the three months ended April 3, 2022 and April 4, 2021, the Company recorded amortization expense of $9.4 million and $10.5 million, respectively, for intangibles acquired in acquisitions completed subsequent to December 31, 2011. These amortization expenses are recorded in either cost of revenues or selling, general, and administrative expenses depending upon the nature of the underlying asset.

Acquisition Depreciation

During the three months ended April 3, 2022 and April 4, 2021, the Company recorded depreciation expense of $1.0 million and $2.4 million, respectively, related to the step-up to fair value of the plant, property, and equipment from the acquisition of the fluid handling business of Colfax Corporation.

Interest Expense, net

During three months ended April 3, 2022 and April 4, 2021, the Company recorded interest expense of $9.5 million and $8.4 million, respectively. The increase in interest expense was primarily due to higher debt balances and higher interest rates.

Other Expense (Income), net

During the three months ended April 3, 2022, the Company recorded other income, net of $1.3 million, as compared to other income, net of $1.8 million for the three months ended April 4, 2021. The year-over-year decrease is driven by lower return on pension assets and increase in pension interest cost.

Provision for (Benefit from) Income Taxes

The table below outlines the change in effective tax rate for the three months ended April 3, 2022 and April 4, 2021 (*in thousands, except percentages*).

	Three Months Ended	
	April 3, 2022	**April 4, 2021 (As Restated)**
Loss from continuing operations before income taxes	$ (19,958)	$ (11,854)
Effective tax rate	(7.6)%	2.5 %
Provision for (benefit from) provision for income taxes	$ 1,523	$ (297)

The Company is required to compute income tax expense in each jurisdiction in which it operates. This process requires the Company to project its current tax liability and estimate its deferred tax assets and liabilities, including net operating loss (“NOL”) and tax credit carryforwards. In assessing the ability to realize the net deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the net deferred tax assets will not be realized.

The effective tax rate for the three months ended April 3, 2022, differed from the U.S. federal statutory rate of 21% primarily due to adjustments to the domestic and foreign valuation allowances. The effective tax rate for the three months ended April 4, 2021, differed from the U.S. federal statutory rate primarily due to adjustments to the domestic and foreign valuation allowances and adjustments related to uncertain tax positions. In 2020 the Company recorded a full valuation allowance in the U.S. and Germany. The Company intends to continue maintaining valuation allowances on these deferred tax assets until there is sufficient evidence to support the release of all or some portion of these allowances.

Off-Balance Sheet Arrangements and Contractual Obligations

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. There have been no material changes outside of the ordinary course of business in contractual obligations set forth in the table included within our most recent Annual Report on Form 10-K.

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, and debt service costs. We have historically generated cash from operations and have adequate liquidity, with resources available for reinvesting in existing businesses and managing our capital structure on a short and long-term basis.

The following table summarizes our cash flow activities for the three month periods indicated (*in thousands*):

	April 3, 2022	April 4, 2021 (As Restated)
Cash flow provided by (used in):		
Operating activities	$ (15,924)	$ (19,210)
Investing activities	(2,665)	4,613
Financing activities	20,554	13,855
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(712)	(1,615)
Increase (Decrease) in cash, cash equivalents and restricted cash	$ 1,253	$ (2,357)

During the three months ended April 3, 2022, cash used in operations was $15.9 million compared to cash used in operations of $19.2 million during the prior corresponding period. The $3.3 million decrease in cash used in operating activities was driven by reduction in accounts receivable and a reduction in net cash used in discontinued operating activities.

During the three months ended April 3, 2022, cash used by investing activities was $2.7 million compared to $4.6 million cash provided by investing activities in the prior corresponding period. The $7.3 million period over period decrease in cash generated was primarily driven by the cash received in the three months ended April 4, 2021 from the sale of certain product lines.

During the three months ended April 3, 2022, cash provided by financing activities was $20.6 million as compared to $13.9 million during the prior corresponding period. The $6.7 million period over period increase in cash used in financing activities is a result of increased debt borrowings in the current period.

As of April 3, 2022, total debt (including current portion and other short-term borrowings) was $535.1 million compared to $513.3 million as of December 31, 2021. Total debt is net of unamortized term loan debt issuance costs of $12.6 million and $13.0 million at April 3, 2022 and December 31, 2021, respectively. Total debt as a percentage of total shareholders' equity was 485% as of April 3, 2022 compared to 384% as of December 31, 2021.

We entered into a new secured Credit Agreement, dated as of December 20, 2021 ("New Credit Agreement"), which provides for a $100.0 million revolving line of credit with a five year maturity and a $530.0 million term loan with a seven year maturity of which the term loan was funded in full at closing. This New Credit Agreement replaced and terminated the Credit Agreement dated December 11, 2017 ("Prior Credit Agreement") under which the Company had borrowings of $492.0 million on its term loan and $38.7 million on its revolving line of credit as of, December 20, 2021.

The New Credit Agreement contains covenants that require, among other items, maintenance of certain financial ratios and also limits our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue certain types of additional shares of our stock which limits our ability to borrow under the credit facility. The primary financial covenant is total net leverage, a ratio of total secured debt (less cash and cash equivalents up to a maximum of $75.0 million) to total earnings before interest expense, taxes, depreciation, and amortization based on the four fiscal quarters at the testing period. Subsequent to the quarter ended April 3, 2022, the Company amended its credit agreement with the First Amendment on April 8, 2022 and the Second Amendment on May 27, 2022. See further discussion within Note 16 above.

As of April 3, 2022, we had gross borrowings of $525 million outstanding under our term loan, $21.8 million outstanding under our revolving credit facility, $0.9 million in other short-term borrowings, and $36.3 million outstanding letters of credit with available capacity to borrow an additional $49.2 million under the revolving credit facility, subject to the terms and conditions of that facility.

We were in compliance with all financial covenants related to our existing debt obligations at April 3, 2022 and we believe it is likely that we will continue to meet such covenants for at least the next twelve months from date of issuance of the financial statements.

As of April 3, 2022, cash and cash equivalent balances, totaled $61.1 million. The majority of the Company's cash and cash equivalent balances are held in foreign bank accounts. This compares to $59.9 million of cash and cash equivalents as of December 31, 2021, 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 U.S. or other jurisdictions without certain tax implications. If we should require more capital in the U.S. than is generated by our domestic operations, we could elect to repatriate future earnings from foreign jurisdictions or we may utilize our Credit Agreement. These alternatives could result in a higher effective tax rate or increase to our interest expense.

Based on our existing cash reserves, expected cash flows from operations and contractually available borrowings under our credit facility, we expect to have sufficient liquidity to fund working capital needs and future growth over at least the next twelve months from date of filing the quarterly financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Business performance in the oil & gas refining sector is largely tied to refining margins, which are also driven by the market price of crude oil and gasoline demand. Seasonal factors such as hurricanes and peak gasoline demand in the summer months may also drive high crack spread margins. During periods when high crack spread margins exist, refineries prefer to operate continuously at full capacity. Refiners may decide to delay planned maintenance (commonly called "unit turnarounds") during these periods to maximize their returns. Refining crack spread margins moderated in 2018, which resulted in unit turnarounds. As a result, the timing of major capital projects in our severe service refinery valves business were impacted. While planned maintenance and unit turnarounds are necessary for safe and efficient operation of the refineries, project timing driven by these factors may continue to create fluctuations in our performance.

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. During 2019, the Company entered into a cross-currency swap ("cross-currency swap") agreement to hedge against future volatility in exchange rates between the U.S. dollar and the Euro. The cross-currency swap was pursuant to an ISDA Master Agreement with Deutsche Bank AG and provided for early termination if the counterparty ceased to be part of the Company's secured lender group. Concurrent with the closing of the Credit Agreement, the cross-currency swap was terminated in December 2021. For additional information regarding our foreign currency exchange risk refer to Note 8, Financing Arrangements, of the condensed consolidated financial statements included in this Quarterly Report Form 10-Q.

Interest Rate Risk

Loans under our credit facility bear interest at variable rates which reset every 30 to 180 days depending on the rate and period selected by the Company. These loans are subject to interest rate risk as interest rates will be adjusted at each rollover date to the extent such amounts are not repaid. As of March 31, 2022, the interest rate on the Company's hedged loan portion was 7.1475%, whereas, the unhedged portion was 5.0%. In 2018, the Company entered into an interest rate swap to mitigate the inherent rate risk associated with our outstanding variable rate debt. This hedging instrument matured in April 2022 and the Company is currently unhedged against changes in interest rates. Refer to Financial Instruments in Note 8, Financing Arrangements, of the condensed consolidated financial statements included in this Quarterly Report Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our interim Chief Executive Officer ("CEO") and interim Chief Financial Officer ("CFO") (our principal executive officer and principal financial officer, respectively), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information we disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, our interim CEO and interim CFO concluded that, as of April 3, 2022, the Company's disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting described below.

The Company did not maintain a sufficient number of finance and accounting personnel across the organization to identify and prevent the misstatements that resulted in the restatement of the prior period financial statements.

This material weakness contributed to the following additional material weaknesses detailed below.

a. The Company did not maintain a sufficient level of centralized oversight over smaller reporting locations. Specifically, the Company did not adequately design controls to validate the completeness and accuracy of amounts that were used in controls designed to mitigate the risks of material misstatements within significant accounts of smaller reporting locations. Also, the Company did not design and maintain effective controls over the preparation, review and approval of cash account reconciliations and did not obtain direct access to bank accounts at certain smaller reporting locations.

a. The Company did not maintain a sufficient complement of effective process level controls at smaller locations to validate activity recorded within the trial balances of smaller reporting locations based on criteria established in Internal Control – Integrated Framework issue by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Additionally, the Company did not maintain sufficient level of monitoring of that activity at the segment level.

These material weaknesses resulted in misstatements to the Company's consolidated financial statements across a number of financial statement line items, including but not limited to revenues, net income, goodwill, cash and cash equivalents and other working capital accounts resulting in restatement of the prior period financial statements.

<u>Remediation Plan for Material Weakness in Internal Control over Financial Reporting</u>

The Company has been actively addressing the identified material weaknesses. Actions have been taken to strengthen controls, and further actions are planned including:

a. The Company is in the process of reassessing its staffing needs and adding personnel in key roles or external resources as necessary, to address the identified control gaps
b. Redesign monitoring controls to provide more direct and centralized oversight over smaller reporting locations
c. Implement additional controls targeted to prevent and detect a material misstatement arising at smaller reporting locations including an additional control designed to have Corporate independently review cash account reconciliations and obtain direct access to bank accounts of the Company's smaller reporting locations
d. Continue training on a regular basis related to internal control over financial reporting for finance and accounting personnel

The Company expects that the actions described above and resulting improvements in controls will strengthen its internal control over financial reporting and will address the identified material weaknesses. The Company does not anticipate that the material weaknesses will be fully remediated by December 31, 2022.

Changes in Internal Control over Financial Reporting

Other than the changes related to the remediation efforts described above, there were no changes in our internal control over financial reporting during the quarter ended April 3, 2022, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding our legal proceedings refer to the first two paragraphs of Note 10 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, which disclosure is referenced herein.

ITEM 1A. RISK FACTORS

Not applicable.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.		Description and Location
10.1		Arjun Sharma Retention Agreement dated January 14, 2022, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 19, 2022.
10.2		Jessica Wenzell Retention Agreement dated January 14, 2022, incorporated herein by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K, filed with the SEC on July 26, 2022.
10.3		Agreement and Release by and between the Company and Scott Buckhout dated as of January 28, 2022, incorporated herein by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K, filed with the SEC on July 26, 2022.
10.4		Amendment No. 1 to Credit Agreement, dated as of April 8, 2022, by and among the Company, as borrower, the other credit parties party thereto, each lender and letter of credit issuer from time to time party thereto and Truist Bank, as administrative agent and collateral agent, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on April 13, 2022.
10.5		Amendment No. 2 to Credit Agreement, dated as of May 27, 2022, by and among the Company, as borrower, the other credit parties party thereto, each lender and letter of credit issuer from time to time party thereto and Truist Bank, as administrative agent and collateral agent, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on May 31, 2022.
31.1*		Certification of interim Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*		Certification of interim Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**		Certification of interim Chief Executive Officer and interim 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 (Unaudited) from CIRCOR International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended April 3, 2022, as filed with the Securities and Exchange Commission on August 11, 2022, formatted in XBRL (eXtensible Business Reporting Language), as follows:
	(i)	Condensed Consolidated Balance Sheets as of April 3, 2022 and December 31, 2021
	(ii)	Condensed Consolidated Statements of Operations for the Three Months Ended April 3, 2022 and April 4, 2021 (As Restated)
	(iii)	Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended April 3, 2022 and April 4, 2021 (As Restated)
	(iv)	Condensed Consolidated Statements of Cash Flows for the Three Months ended April 3, 2022 and April 4, 2021 (As Restated)
	(v)	Condensed Consolidated Statements of Shareholders' Equity for the Three Months Ended April 3, 2022 and April 4, 2021 (As Restated)
	(vi)	Notes to Condensed Consolidated Financial Statements (As Restated)
104		Cover Page Interactive Date File (formatted as inline XBRL and contained in Exhibit 101)
*	Filed with this report.	
**	Furnished with this report.	

SIGNATURES

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

CIRCOR INTERNATIONAL, INC.

August 11, 2022	/s/ Tony Najjar **Tony Najjar** **President and Chief Executive Officer** ***Principal Executive Officer***
August 11, 2022	/s/ Arjun Sharma **Arjun Sharma** **Chief Financial Officer and Senior Vice President, Business Development** ***Principal Financial Officer***
August 11, 2022	/s/ Amit Goel **Amit Goel** **Vice President and Chief Accounting Officer** ***Principal Accounting Officer***

Exhibit 31.1

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

I, Tony Najjar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIRCOR International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

Signature: /s/ Tony Najjar

Tony Najjar

President and Chief Executive Officer
Principal Executive Officer

Exhibit 31.2

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

I, Arjun Sharma, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIRCOR International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

Signature: /s/ Arjun Sharma

Arjun Sharma

Chief Financial Officer and Senior Vice President Business Development

(Principal Financial Officer)

Exhibit 32

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

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

/s/ Tony Najjar	/s/ Arjun Sharma
Tony Najjar	**Arjun Sharma**
President and Chief Executive Officer **(Principal Executive Officer)**	**Chief Financial Officer and Senior Vice President Business Development** **(Principal Financial Officer)**
August 11, 2022	August 11, 2022