

FORUM ENERGY TECHNOLOGIES, INC.

Form 10-Q

October 30, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

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

For the Quarterly Period Ended September 30, 2015

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 001-35504

FORUM ENERGY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

61-1488595

(I.R.S. Employer Identification No.)

920 Memorial City Way, Suite 1000

Houston, Texas 77024

(Address of principal executive offices)

(281) 949-2500

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ☒ No ☐

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

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

(Do not check if a smaller reporting  
company)

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

As of October 23, 2015, there were 90,411,485 common shares outstanding.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

Forum Energy Technologies, Inc. and subsidiaries

Condensed consolidated statements of comprehensive income

(Unaudited)

|                                                                            | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |             |
|----------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-------------|
| (in thousands, except per share information)                               | 2015                                | 2014      | 2015                               | 2014        |
| Net sales                                                                  | \$244,993                           | \$468,822 | \$877,504                          | \$1,301,039 |
| Cost of sales                                                              | 179,231                             | 316,784   | 617,733                            | 883,070     |
| Gross profit                                                               | 65,762                              | 152,038   | 259,771                            | 417,969     |
| Operating expenses                                                         |                                     |           |                                    |             |
| Selling, general and administrative expenses                               | 57,235                              | 81,316    | 197,020                            | 230,087     |
| Transaction expenses                                                       | 193                                 | 1,516     | 433                                | 2,326       |
| Loss (gain) on sale of assets and other                                    | 11                                  | (85)      | (264)                              | 320         |
| Total operating expenses                                                   | 57,439                              | 82,747    | 197,189                            | 232,733     |
| Earnings from equity investment                                            | 3,870                               | 6,749     | 12,281                             | 17,997      |
| Operating income                                                           | 12,193                              | 76,040    | 74,863                             | 203,233     |
| Other expense (income)                                                     |                                     |           |                                    |             |
| Interest expense                                                           | 7,453                               | 7,699     | 22,687                             | 23,174      |
| Foreign exchange (gains) losses and other, net                             | (2,910)                             | (5,222)   | (5,511)                            | (616)       |
| Total other expense                                                        | 4,543                               | 2,477     | 17,176                             | 22,558      |
| Income before income taxes                                                 | 7,650                               | 73,563    | 57,687                             | 180,675     |
| Provision for income tax expense                                           | 932                                 | 21,332    | 13,448                             | 52,395      |
| Net income                                                                 | 6,718                               | 52,231    | 44,239                             | 128,280     |
| Less: Income (loss) attributable to noncontrolling interest                | (2)                                 | 5         | (27)                               | 2           |
| Net income attributable to common stockholders                             | 6,720                               | 52,226    | 44,266                             | 128,278     |
| Weighted average shares outstanding                                        |                                     |           |                                    |             |
| Basic                                                                      | 90,058                              | 93,331    | 89,770                             | 92,728      |
| Diluted                                                                    | 91,687                              | 96,198    | 91,576                             | 95,631      |
| Earnings per share                                                         |                                     |           |                                    |             |
| Basic                                                                      | \$0.07                              | \$0.56    | \$0.49                             | \$1.38      |
| Diluted                                                                    | \$0.07                              | \$0.54    | \$0.48                             | \$1.34      |
| Other comprehensive income, net of tax:                                    |                                     |           |                                    |             |
| Net income                                                                 | 6,718                               | 52,231    | 44,239                             | 128,280     |
| Change in foreign currency translation, net of tax of \$0                  | (18,747)                            | (34,474)  | (30,553)                           | (21,754)    |
| Gain (loss) on pension liability                                           | (2)                                 | —         | 68                                 | 2           |
| Comprehensive income (loss)                                                | (12,031)                            | 17,757    | 13,754                             | 106,528     |
| Less: comprehensive loss (income) attributable to noncontrolling interests | 64                                  | (32)      | 118                                | (20)        |
| Comprehensive income (loss) attributable to common stockholders            | \$(11,967)                          | \$17,725  | \$13,872                           | \$106,508   |

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



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Forum Energy Technologies, Inc. and subsidiaries  
Condensed consolidated balance sheets  
(Unaudited)

| (in thousands, except share information)                                                               | September 30,<br>2015 | December 31,<br>2014 |
|--------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Assets                                                                                                 |                       |                      |
| Current assets                                                                                         |                       |                      |
| Cash and cash equivalents                                                                              | \$76,185              | \$76,579             |
| Accounts receivable—trade, net                                                                         | 157,591               | 287,045              |
| Inventories                                                                                            | 504,756               | 461,515              |
| Prepaid expenses and other current assets                                                              | 39,430                | 32,985               |
| Costs and estimated profits in excess of billings                                                      | 18,449                | 14,646               |
| Deferred income taxes, net                                                                             | 20,380                | 22,389               |
| Total current assets                                                                                   | 816,791               | 895,159              |
| Property and equipment, net of accumulated depreciation                                                | 196,804               | 189,974              |
| Deferred financing costs, net                                                                          | 11,189                | 13,107               |
| Intangibles                                                                                            | 257,050               | 271,739              |
| Goodwill                                                                                               | 799,601               | 798,481              |
| Investment in unconsolidated subsidiary                                                                | 56,457                | 49,675               |
| Other long-term assets                                                                                 | 3,494                 | 3,493                |
| Total assets                                                                                           | \$2,141,386           | \$2,221,628          |
| Liabilities and equity                                                                                 |                       |                      |
| Current liabilities                                                                                    |                       |                      |
| Current portion of long-term debt                                                                      | \$335                 | \$840                |
| Accounts payable—trade                                                                                 | 92,244                | 127,757              |
| Accrued liabilities                                                                                    | 79,241                | 126,890              |
| Deferred revenue                                                                                       | 9,342                 | 10,919               |
| Billings in excess of costs and profits recognized                                                     | 9,111                 | 15,785               |
| Total current liabilities                                                                              | 190,273               | 282,191              |
| Long-term debt, net of current portion                                                                 | 402,556               | 428,010              |
| Deferred income taxes, net                                                                             | 94,205                | 98,188               |
| Other long-term liabilities                                                                            | 23,409                | 17,318               |
| Total liabilities                                                                                      | 710,443               | 825,707              |
| Commitments and contingencies                                                                          |                       |                      |
| Equity                                                                                                 |                       |                      |
| Common stock, \$0.01 par value, 296,000,000 shares authorized, 98,522,054 and 97,865,278 shares issued | 985                   | 979                  |
| Additional paid-in capital                                                                             | 886,221               | 864,313              |
| Treasury stock at cost, 8,141,445 and 8,108,983 shares                                                 | (133,126)             | (132,480)            |
| Retained earnings                                                                                      | 743,771               | 699,505              |
| Accumulated other comprehensive income (loss)                                                          | (67,355)              | (36,961)             |
| Total stockholders' equity                                                                             | 1,430,496             | 1,395,356            |
| Noncontrolling interest in subsidiary                                                                  | 447                   | 565                  |
| Total equity                                                                                           | 1,430,943             | 1,395,921            |
| Total liabilities and equity                                                                           | \$2,141,386           | \$2,221,628          |

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



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Forum Energy Technologies, Inc. and subsidiaries  
Condensed consolidated statements of cash flows  
(Unaudited)

|                                                                                  | Nine Months Ended September 30, |               |
|----------------------------------------------------------------------------------|---------------------------------|---------------|
| (in thousands, except share information)                                         | 2015                            | 2014          |
| Cash flows from operating activities                                             |                                 |               |
| Net income                                                                       | \$44,239                        | \$128,280     |
| Adjustments to reconcile net income to net cash provided by operating activities |                                 |               |
| Depreciation expense                                                             | 28,721                          | 28,274        |
| Amortization of intangible assets                                                | 20,558                          | 20,608        |
| Share-based compensation expense                                                 | 17,090                          | 14,334        |
| Deferred income taxes                                                            | (1,528)                         | ) (4,477 )    |
| Earnings from equity investment, net of distributions                            | (6,782)                         | ) 3,092       |
| Other                                                                            | 4,523                           | 3,644         |
| Changes in operating assets and liabilities                                      |                                 |               |
| Accounts receivable—trade                                                        | 129,601                         | (67,793 )     |
| Inventories                                                                      | (24,729)                        | ) (14,520 )   |
| Prepaid expenses and other current assets                                        | (2,019)                         | ) (6,872 )    |
| Accounts payable, deferred revenue and other accrued liabilities                 | (81,496)                        | ) 66,744      |
| Costs and estimated profits in excess of billings, net                           | (10,472)                        | ) 8,439       |
| Net cash provided by operating activities                                        | \$117,706                       | \$179,753     |
| Cash flows from investing activities                                             |                                 |               |
| Acquisition of businesses, net of cash acquired                                  | (60,836)                        | ) (38,289 )   |
| Capital expenditures for property and equipment                                  | (28,046)                        | ) (39,932 )   |
| Proceeds from sale of business, property and equipment                           | 1,699                           | 8,735         |
| Net cash used in investing activities                                            | \$(87,183)                      | ) \$(69,486 ) |
| Cash flows from financing activities                                             |                                 |               |
| Borrowings under Credit Facility                                                 | 79,943                          | —             |
| Repayment of long-term debt                                                      | (105,985)                       | ) (91,760 )   |
| Excess tax benefits from stock based compensation                                | 206                             | 7,291         |
| Repurchases of stock                                                             | (6,246)                         | ) (1,328 )    |
| Proceeds from stock issuance                                                     | 4,618                           | 10,332        |
| Deferred financing costs                                                         | —                               | (6 )          |
| Net cash used in financing activities                                            | \$(27,464)                      | ) \$(75,471 ) |
| Effect of exchange rate changes on cash                                          | (3,453)                         | ) (294 )      |
| Net increase (decrease) in cash and cash equivalents                             | (394)                           | ) 34,502      |
| Cash and cash equivalents                                                        |                                 |               |
| Beginning of period                                                              | 76,579                          | 39,582        |
| End of period                                                                    | \$76,185                        | \$74,084      |

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

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Forum Energy Technologies, Inc. and subsidiaries  
Notes to condensed consolidated financial statements  
(Unaudited)

1. Organization and basis of presentation

Forum Energy Technologies, Inc. (the "Company"), a Delaware corporation, is a global oilfield products company, serving the subsea, drilling, completion, production and infrastructure sectors of the oil and natural gas industry. The Company designs, manufactures and distributes products and engages in aftermarket services, parts supply and related services that complement the Company's product offering.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Company include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

The Company's investment in an operating entity where the Company has the ability to exert significant influence, but does not control operating and financial policies, is accounted for using the equity method. The Company's share of the net income of this entity is recorded as "Earnings from equity investment" in the condensed consolidated statements of comprehensive income. The investment in this entity is included in "Investment in unconsolidated subsidiary" in the condensed consolidated balance sheets. The Company reports its share of equity earnings within operating income as the investee's operations are integral to the operations of the Company.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or any other interim period.

These interim financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("GAAP") for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014, which are included in the Company's 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015 (the "Annual Report").

2. Recent accounting pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB"), which are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In September 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. This new standard specifies that an acquirer in a business combination should recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, eliminating the current requirement to retrospectively account for these adjustments. Additionally, the full effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts should be recognized in the same period as the adjustments to the provisional amounts. The new standard will be effective for the Company for the fiscal year beginning January 1, 2016 and interim periods thereafter.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory, which requires companies to measure inventory at the lower of cost or net realizable value rather than at the lower of cost or market. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The new standard will be effective for the Company for the fiscal year beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the impacts of the adoption of this guidance.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires deferred financing costs to be presented in the balance sheet as a direct deduction from the carrying value of



the associated debt liability. The new standard will be effective for the Company for the fiscal year beginning January 1, 2016 and interim periods thereafter. The guidance is not expected to have a material impact on the consolidated financial statements.

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern. The new standard requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity's ability to continue as a going concern for both annual and interim reporting periods. The guidance is effective for the Company for the fiscal year beginning January 1, 2016 and interim periods thereafter. The guidance is not expected to have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The new standard is to be effective for the fiscal year beginning after December 15, 2017. Companies are able to early adopt the pronouncement, however not before fiscal years beginning after December 15, 2016. The Company is currently evaluating the impacts of the adoption and the implementation approach to be used.

3. Acquisitions

2015 Acquisition

Effective February 2, 2015, the Company completed the acquisition of J-Mac Tool, Inc. ("J-Mac") for consideration of \$64.2 million. J-Mac is a Fort Worth, Texas based manufacturer of high quality hydraulic fracturing pumps, power ends, fluid ends and other pump accessories. J-Mac is included in the Production & Infrastructure segment. As the value of certain assets and liabilities are preliminary in nature, they are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the acquisition date, including any post-closing purchase price adjustments. When the valuation is final, any changes to the preliminary valuation of acquired assets and liabilities could result in adjustments to identified intangibles and goodwill. The following table summarizes the current preliminary fair values of the assets acquired and liabilities assumed at the date of the acquisition (in thousands):

|                                                      | 2015<br>Acquisition |
|------------------------------------------------------|---------------------|
| Current assets, net of cash acquired                 | \$37,095            |
| Property and equipment                               | 11,506              |
| Intangible assets (primarily customer relationships) | 10,400              |
| Tax-deductible goodwill                              | 15,350              |
| Current liabilities                                  | (10,138 )           |
| Long-term liabilities                                | (22 )               |
| Net assets acquired                                  | \$64,191            |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## 2014 Acquisition

Effective May 1, 2014, the Company completed the acquisition of Quality Wireline & Cable, Inc. ("Quality") for consideration of \$38.3 million. Quality is a Calgary, Alberta based manufacturer of high-performance cased-hole electro-mechanical wireline cables and specialty cables for the oil and gas industry. Quality is included in the Drilling & Subsea segment. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the acquisition (in thousands):

|                                                      | 2014<br>Acquisition |
|------------------------------------------------------|---------------------|
| Current assets, net of cash acquired                 | \$7,596             |
| Property and equipment                               | 3,837               |
| Intangible assets (primarily customer relationships) | 11,527              |
| Non-tax-deductible goodwill                          | 20,573              |
| Current liabilities                                  | (1,615 )            |
| Deferred tax liabilities                             | (3,629 )            |
| Net assets acquired                                  | \$38,289            |

Revenues and net income related to the acquisitions were not significant for the year ended December 31, 2014 or the nine months ended September 30, 2015. Pro forma results of operations for the 2015 and 2014 acquisitions have not been presented because the effects were not material to the consolidated financial statements on either an individual or aggregate basis.

## 4. Inventories

The Company's significant components of inventory at September 30, 2015 and December 31, 2014 were as follows (in thousands):

|                         | September 30,<br>2015 | December 31,<br>2014 |
|-------------------------|-----------------------|----------------------|
| Raw materials and parts | \$156,595             | \$153,768            |
| Work in process         | 51,636                | 50,913               |
| Finished goods          | 330,180               | 286,290              |
| Gross inventories       | 538,411               | 490,971              |
| Inventory reserve       | (33,655 )             | (29,456 )            |
| Inventories             | \$504,756             | \$461,515            |

## 5. Goodwill and intangible assets

### Goodwill

The changes in the carrying amount of goodwill from December 31, 2014 to September 30, 2015, were as follows (in thousands):

|                                               | Drilling &<br>Subsea | Production &<br>Infrastructure | Total     |
|-----------------------------------------------|----------------------|--------------------------------|-----------|
| Goodwill Balance at December 31, 2014 net     | \$719,860            | \$78,621                       | \$798,481 |
| Acquisitions                                  | —                    | 15,350                         | 15,350    |
| Impact of non-U.S. local currency translation | (13,756 )            | (474 )                         | (14,230 ) |
| Goodwill Balance at September 30, 2015 net    | \$706,104            | \$93,497                       | \$799,601 |

Goodwill and intangible assets with indefinite lives are assessed for impairment annually or whenever an event indicating impairment may have occurred. During the quarter ended September 30, 2015, the Company elected to change the



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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

date of the Company's annual assessments of goodwill and indefinite lived intangible assets impairment from December 31 to October 1. This is a change in method of applying an accounting principle, which management believes is a preferable alternative as it better aligns the timing of the assessment with our planning and forecasting process and alleviates constraints on accounting resources during our annual reporting process. The change in the assessment date does not delay, accelerate, or avoid a potential impairment charge.

At December 31, 2014, the Company performed its annual impairment test on each of the reporting units and concluded that there had been no impairment because the estimated fair values of each of those reporting units exceeded its carrying value. Relevant events and circumstances which could have a negative impact on goodwill include macroeconomic conditions; industry and market conditions, such as commodity prices; operating cost factors; overall financial performance; the impact of dispositions and acquisitions; and other entity-specific events. Further declines in commodity prices or sustained lower valuation for the Company's common stock could indicate a reduction in the estimate of reporting unit fair value which, in turn, could lead to an impairment of reporting unit goodwill. The Company will continue to monitor events and circumstances which could have a negative impact on estimates of reporting unit fair value. Commodity prices have remained at low levels and the active rig count has continued to decline resulting in a significant decline in the Company's market capitalization. While the Company incorporated a downturn into its forecasts in the previous annual test, should current conditions worsen, or continue for an extended period of time, the Company may identify and record an impairment charge related to the reporting units previously identified or other intangible assets as a result of an interim impairment test.

Intangible assets

Intangible assets consisted of the following as of September 30, 2015 and December 31, 2014, respectively (in thousands):

|                           | September 30, 2015    |                          |                             |                                |
|---------------------------|-----------------------|--------------------------|-----------------------------|--------------------------------|
|                           | Gross carrying amount | Accumulated amortization | Net amortizable intangibles | Amortization period (in years) |
| Customer relationships    | \$282,989             | \$(98,177)               | ) \$184,812                 | 4-15                           |
| Patents and technology    | 34,425                | (9,721)                  | ) 24,704                    | 5-17                           |
| Non-compete agreements    | 7,339                 | (6,233)                  | ) 1,106                     | 3-6                            |
| Trade names               | 49,834                | (17,302)                 | ) 32,532                    | 10-15                          |
| Distributor relationships | 22,160                | (13,494)                 | ) 8,666                     | 8-15                           |
| Trademark                 | 5,230                 | —                        | 5,230                       | Indefinite                     |
| Intangible Assets Total   | \$401,977             | \$(144,927)              | ) \$257,050                 |                                |

  

|                           | December 31, 2014     |                          |                             |                                |
|---------------------------|-----------------------|--------------------------|-----------------------------|--------------------------------|
|                           | Gross carrying amount | Accumulated amortization | Net amortizable intangibles | Amortization period (in years) |
| Customer relationships    | \$284,120             | \$(84,947)               | ) \$199,173                 | 4-15                           |
| Patents and technology    | 31,069                | (8,074)                  | ) 22,995                    | 5-17                           |
| Non-compete agreements    | 7,086                 | (5,761)                  | ) 1,325                     | 3-6                            |
| Trade names               | 48,149                | (14,747)                 | ) 33,402                    | 10-15                          |
| Distributor relationships | 22,160                | (12,546)                 | ) 9,614                     | 8-15                           |
| Trademark                 | 5,230                 | —                        | 5,230                       | Indefinite                     |
| Intangible Assets Total   | \$397,814             | \$(126,075)              | ) \$271,739                 |                                |

6. Investment in unconsolidated subsidiary

Effective July 1, 2013, the Company jointly purchased Global Tubing, LLC ("Global Tubing") with an equal partner, with management retaining a small interest. Global Tubing is a Dayton, Texas based provider of coiled tubing strings and related services. The Company's equity investment is reported in the Production & Infrastructure segment and is

accounted for using the equity method of accounting. As Global Tubing's products are complementary to the Company's

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

well intervention and stimulation products and the investment's business is integral to the Company's operations, the earnings from the equity investment are included within operating income.

Condensed financial data for the equity investment in the unconsolidated subsidiary is summarized as follows (in thousands):

|                                               | Three months ended September 30, |          | Nine Months Ended September 30, |           |
|-----------------------------------------------|----------------------------------|----------|---------------------------------|-----------|
|                                               | 2015                             | 2014     | 2015                            | 2014      |
| Net revenues                                  | \$26,033                         | \$37,204 | \$81,513                        | \$102,113 |
| Gross profit                                  | 11,731                           | 18,253   | 36,505                          | 49,160    |
| Net income                                    | 8,063                            | 14,060   | 25,588                          | 37,659    |
| The Company's earnings from equity investment | 3,870                            | 6,749    | 12,281                          | 17,997    |

## 7. Debt

Notes payable and lines of credit as of September 30, 2015 and December 31, 2014 consisted of the following (in thousands):

|                                          | September 30, 2015 | December 31, 2014 |
|------------------------------------------|--------------------|-------------------|
| 6.25% Senior Notes due October 2021      | \$402,497          | \$402,801         |
| Senior secured revolving credit facility | —                  | 25,000            |
| Other debt                               | 394                | 1,049             |
| Total debt                               | 402,891            | 428,850           |
| Less: current maturities                 | (335)              | (840)             |
| Long-term debt                           | \$402,556          | \$428,010         |
| Senior Notes Due 2021                    |                    |                   |

The Senior Notes bear interest at a rate of 6.250% per annum, payable on April 1 and October 1 of each year, and mature on October 1, 2021. The Senior Notes are senior unsecured obligations, and are guaranteed on a senior unsecured basis by the Company's subsidiaries that guarantee the Credit Facility and rank junior to, among other indebtedness, the Credit Facility to the extent of the value of the collateral securing the Credit Facility.

## Credit Facility

The Company has a Credit Facility with several financial institutions as lenders that provides for a \$600.0 million credit facility with up to \$75.0 million available for letters of credit and up to \$25.0 million in swingline loans. Subject to terms of the Credit Facility, the Company has the ability to increase the Credit Facility by an additional \$300.0 million. The Credit Facility matures in November 2018. Weighted average interest rates under the Credit Facility for the nine months ended September 30, 2015 and for the twelve months ended December 31, 2014 were approximately 2.00%.

As of September 30, 2015, we had no borrowings outstanding under the Credit Facility, \$13.3 million of outstanding letters of credit and the capacity to borrow an additional \$586.7 million subject to certain limitations in the Credit Facility. There have been no changes to the financial covenants disclosed in Item 8 of the Annual Report and the Company was in compliance with all financial covenants at September 30, 2015.

## 8. Income taxes

The Company's effective tax rate was 23.3% for the nine months ended September 30, 2015 and 29.0% for the nine months ended September 30, 2014. The tax rate is lower than the comparable period in 2014 primarily due to a higher proportion of our earnings being generated outside the United States in jurisdictions subject to lower tax rates. The effective tax rate can vary from period to period depending on the Company's relative mix of U.S. and non-U.S. earnings. The effective tax rate was 12.2% for the three months ended September 30, 2015 and 29.0% for the three

months ended September 30, 2014. The tax rate for the three months ended September 30, 2015 is lower than the comparable



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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

period in 2014 primarily due to a higher proportion of our earnings being generated outside the United States in jurisdictions subject to lower tax rates.

## 9. Fair value measurements

At September 30, 2015, the carrying value of the Credit Facility was \$0.0 million. Substantially all of the debt incurs interest at a variable interest rate and, therefore, the carrying amount approximates fair value. The fair value of the debt is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities.

The fair value of the Company's Senior Notes is estimated using Level 2 inputs in the fair value hierarchy and is based on quoted prices for those or similar instruments. At September 30, 2015, the fair value and the carrying value of the Company's Senior Notes approximated \$351.8 million and \$402.5 million, respectively. At December 31, 2014, the fair value and the carrying value of the Company's Senior Notes approximated \$378.1 million and \$402.8 million, respectively.

There were no outstanding financial assets as of September 30, 2015 and December 31, 2014 that required measuring the amounts at fair value. The Company did not change its valuation techniques associated with recurring fair value measurements from prior periods and there were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2015.

## 10. Business segments

The Company's operations are divided into the following two operating segments, which are our reportable segments: Drilling & Subsea ("D&S") and Production & Infrastructure ("P&I"). The amounts indicated below as "Corporate" relate to costs and assets not allocated to the reportable segments. Summary financial data by segment follows (in thousands):

|                                         | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |             |
|-----------------------------------------|-------------------------------------|-----------|------------------------------------|-------------|
|                                         | 2015                                | 2014      | 2015                               | 2014        |
| Revenue:                                |                                     |           |                                    |             |
| Drilling & Subsea                       | \$139,073                           | \$307,454 | \$523,850                          | \$848,474   |
| Production & Infrastructure             | 106,186                             | 161,696   | 354,278                            | 453,640     |
| Intersegment eliminations               | (266)                               | (328)     | (624)                              | (1,075)     |
| Total Revenue                           | \$244,993                           | \$468,822 | \$877,504                          | \$1,301,039 |
| Operating income:                       |                                     |           |                                    |             |
| Drilling & Subsea                       | \$6,675                             | \$57,929  | \$51,261                           | \$155,330   |
| Production & Infrastructure             | 10,715                              | 29,816    | 45,108                             | 80,260      |
| Corporate                               | (4,993)                             | (10,274)  | (21,337)                           | (29,711)    |
| Total segment operating income          | 12,397                              | 77,471    | 75,032                             | 205,879     |
| Transaction expenses                    | 193                                 | 1,516     | 433                                | 2,326       |
| Loss (gain) on sale of assets and other | 11                                  | (85)      | (264)                              | 320         |
| Income from operations                  | \$12,193                            | \$76,040  | \$74,863                           | \$203,233   |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

A summary of consolidated assets by reportable segment is as follows (in thousands):

|                             | September 30,<br>2015 | December 31,<br>2014 |
|-----------------------------|-----------------------|----------------------|
| Assets                      |                       |                      |
| Drilling & Subsea           | \$1,525,824           | \$1,674,934          |
| Production & Infrastructure | 546,712               | 488,225              |
| Corporate                   | 68,850                | 58,469               |
| Total assets                | \$2,141,386           | \$2,221,628          |

Corporate assets include, among other items, prepaid assets, cash and deferred loan costs.

## 11. Earnings per share

The calculation of basic and diluted earnings per share for each period presented was as follows (dollars and shares in thousands, except per share amounts):

|                                                | Three months ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|------------------------------------------------|-------------------------------------|----------|------------------------------------|-----------|
|                                                | 2015                                | 2014     | 2015                               | 2014      |
| Net Income attributable to common stockholders | \$6,720                             | \$52,226 | \$44,266                           | \$128,278 |
| Average shares outstanding (basic)             | 90,058                              | 93,331   | 89,770                             | 92,728    |
| Common stock equivalents                       | 1,629                               | 2,867    | 1,806                              | 2,903     |
| Diluted shares                                 | 91,687                              | 96,198   | 91,576                             | 95,631    |
| Earnings per share                             |                                     |          |                                    |           |
| Basic earnings per share                       | \$0.07                              | \$0.56   | \$0.49                             | \$1.38    |
| Diluted earnings per share                     | \$0.07                              | \$0.54   | \$0.48                             | \$1.34    |

The diluted earnings per share calculation excludes approximately 2.0 million and 0.4 million stock options for the three months ended September 30, 2015 and 2014, respectively, and 1.8 million and 0.5 million stock options for the nine months ended September 30, 2015 and 2014, respectively, because they were anti-dilutive as the option exercise price was greater than the average market price of the common stock.

## 12. Commitments and contingencies

In the ordinary course of business, the Company is, and in the future could be, involved in various pending or threatened legal actions that may or may not be covered by insurance. Management has reviewed such pending judicial and legal proceedings, the reasonably anticipated costs and expenses in connection with such proceedings, and the availability and limits of insurance coverage, and has established reserves that are believed to be appropriate in light of those outcomes that are considered to be probable and can be reasonably estimated. The reserves accrued at September 30, 2015 and December 31, 2014, respectively, are immaterial. It is management's opinion that the Company's ultimate liability, if any, with respect to these actions is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

## 13. Stockholders' equity

## Share-based compensation

During the nine months ended September 30, 2015, the Company granted 564,950 options and 987,411 shares of restricted stock or restricted stock units, which includes 161,660 performance share awards with a market condition. The stock options were granted with exercise prices of \$18.68 and \$13.92. Of the restricted stock or restricted stock units granted, 765,523 vest ratably over four years on each anniversary of the grant date. 60,228 shares of restricted stock or restricted stock units were granted to the non-employee members of the Board of Directors, which have a

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

twelve month vesting period from the date of grant. The performance share awards granted may settle for between zero and two shares of the Company's common stock. The number of shares issued pursuant to the performance share awards will be determined based on the total shareholder return of the Company's common stock as compared to a group of peer companies, measured annually over a one year, two year and three-year performance period.

## 14. Related party transactions

The Company has sold and purchased equipment and services to and from various affiliates of certain directors. The dollar amounts related to these related party activities are not material to the Company's condensed consolidated financial statements.

## 15. Condensed consolidating financial statements

The Senior Notes are guaranteed by our domestic subsidiaries which are 100% owned, directly or indirectly, by the Company. The guarantees are full and unconditional, joint and several and on an unsecured basis.

Condensed consolidating statements of comprehensive income

|                                                             | Three months ended September 30, 2015 |                           |                                                 |              |              |
|-------------------------------------------------------------|---------------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                             | FET<br>(Parent)                       | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations | Consolidated |
| Net sales                                                   | \$—                                   | \$182,986                 | \$83,751                                        | \$(21,744)   | \$244,993    |
| Cost of sales                                               | —                                     | 140,444                   | 60,494                                          | (21,707)     | 179,231      |
| Gross profit                                                | —                                     | 42,542                    | 23,257                                          | (37)         | 65,762       |
| Operating expenses                                          |                                       |                           |                                                 |              |              |
| Selling, general and administrative expenses                | —                                     | 41,157                    | 16,078                                          | —            | 57,235       |
| Transaction expenses                                        | —                                     | 193                       | —                                               | —            | 193          |
| Loss (gain) on sale of assets and other                     | —                                     | (15)                      | ) 26                                            | —            | 11           |
| Total operating expenses                                    | —                                     | 41,335                    | 16,104                                          | —            | 57,439       |
| Earnings from equity investment                             | —                                     | 3,870                     | —                                               | —            | 3,870        |
| Equity earnings from affiliate, net of tax                  | 11,568                                | 8,286                     | —                                               | (19,854)     | —            |
| Operating income                                            | 11,568                                | 13,363                    | 7,153                                           | (19,891)     | 12,193       |
| Other expense (income)                                      |                                       |                           |                                                 |              |              |
| Interest expense (income)                                   | 7,458                                 | (1)                       | ) (4)                                           | ) —          | 7,453        |
| Foreign exchange (gains) losses and other, net              | —                                     | (253)                     | ) (2,657)                                       | ) —          | (2,910)      |
| Total other expense (income)                                | 7,458                                 | (254)                     | ) (2,661)                                       | ) —          | 4,543        |
| Income before income taxes                                  | 4,110                                 | 13,617                    | 9,814                                           | (19,891)     | 7,650        |
| Provision for income tax expense                            | (2,610)                               | ) 2,049                   | 1,493                                           | —            | 932          |
| Net income                                                  | 6,720                                 | 11,568                    | 8,321                                           | (19,891)     | 6,718        |
| Less: Income (loss) attributable to noncontrolling interest | —                                     | —                         | (2)                                             | ) —          | (2)          |
| Net income attributable to common stockholders              | 6,720                                 | 11,568                    | 8,323                                           | (19,891)     | 6,720        |
| Other comprehensive income, net of tax:                     |                                       |                           |                                                 |              |              |
| Net income                                                  | 6,720                                 | 11,568                    | 8,321                                           | (19,891)     | 6,718        |
| Change in foreign currency translation, net of tax of \$0   | (18,747)                              | ) (18,747)                | ) (18,747)                                      | ) 37,494     | (18,747)     |
| Change in pension liability                                 | (2)                                   | ) (2)                     | ) (2)                                           | ) 4          | (2)          |

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|                                                                            |             |            |             |          |             |
|----------------------------------------------------------------------------|-------------|------------|-------------|----------|-------------|
| Comprehensive income (loss)                                                | (12,029 )   | (7,181 )   | (10,428 )   | 17,607   | (12,031 )   |
| Less: comprehensive (income) loss attributable to noncontrolling interests | —           | —          | 64          | —        | 64          |
| Comprehensive income (loss) attributable to common stockholders            | \$(12,029 ) | \$(7,181 ) | \$(10,364 ) | \$17,607 | \$(11,967 ) |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating statements of comprehensive income

|                                                                            | Three months ended September 30, 2014 |                           |                                                 |              |              |
|----------------------------------------------------------------------------|---------------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                                            | FET<br>(Parent)                       | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations | Consolidated |
| Net sales                                                                  | \$—                                   | \$330,772                 | \$179,458                                       | \$(41,408 )  | \$468,822    |
| Cost of sales                                                              | —                                     | 230,938                   | 127,423                                         | (41,577 )    | 316,784      |
| Gross profit                                                               | —                                     | 99,834                    | 52,035                                          | 169          | 152,038      |
| Operating expenses                                                         |                                       |                           |                                                 |              |              |
| Selling, general and administrative expenses                               | —                                     | 63,228                    | 18,088                                          | —            | 81,316       |
| Other operating expense                                                    | —                                     | 1,419                     | 12                                              | —            | 1,431        |
| Total operating expenses                                                   | —                                     | 64,647                    | 18,100                                          | —            | 82,747       |
| Earnings from equity investment                                            | —                                     | 6,749                     | —                                               | —            | 6,749        |
| Equity earnings from affiliates, net of tax                                | 57,161                                | 28,048                    | —                                               | (85,209 )    | —            |
| Operating income                                                           | 57,161                                | 69,984                    | 33,935                                          | (85,040 )    | 76,040       |
| Other expense (income)                                                     |                                       |                           |                                                 |              |              |
| Interest expense (income)                                                  | 7,593                                 | 75                        | 31                                              | —            | 7,699        |
| Interest income with affiliate                                             | —                                     | (1,887 )                  | —                                               | 1,887        | —            |
| Interest expense with affiliate                                            | —                                     | —                         | 1,887                                           | (1,887 )     | —            |
| Foreign exchange (gains) losses and other, net                             | —                                     | (744 )                    | (4,478 )                                        | —            | (5,222 )     |
| Total other expense (income)                                               | 7,593                                 | (2,556 )                  | (2,560 )                                        | —            | 2,477        |
| Income before income taxes                                                 | 49,568                                | 72,540                    | 36,495                                          | (85,040 )    | 73,563       |
| Provision for income tax expense                                           | (2,658 )                              | 15,379                    | 8,611                                           | —            | 21,332       |
| Net income                                                                 | 52,226                                | 57,161                    | 27,884                                          | (85,040 )    | 52,231       |
| Less: Income (loss) attributable to noncontrolling interest                | —                                     | —                         | 5                                               | —            | 5            |
| Net income attributable to common stockholders                             | 52,226                                | 57,161                    | 27,879                                          | (85,040 )    | 52,226       |
| Other comprehensive income, net of tax:                                    |                                       |                           |                                                 |              |              |
| Net income                                                                 | 52,226                                | 57,161                    | 27,884                                          | (85,040 )    | 52,231       |
| Change in foreign currency translation, net of tax of \$0                  | (34,474 )                             | (34,474 )                 | (34,474 )                                       | 68,948       | (34,474 )    |
| Comprehensive income (loss)                                                | 17,752                                | 22,687                    | (6,590 )                                        | (16,092 )    | 17,757       |
| Less: comprehensive (income) loss attributable to noncontrolling interests | —                                     | —                         | (32 )                                           | —            | (32 )        |
| Comprehensive income (loss) attributable to common stockholders            | \$17,752                              | \$22,687                  | \$(6,622 )                                      | \$(16,092 )  | \$17,725     |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating statements of comprehensive income

|                                                                            | Nine months ended September 30, 2015 |                           |                                                 |              |              |
|----------------------------------------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                                            | FET<br>(Parent)                      | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations | Consolidated |
| Net sales                                                                  | \$—                                  | \$661,419                 | \$306,431                                       | \$(90,346 )  | \$877,504    |
| Cost of sales                                                              | —                                    | 484,338                   | 221,940                                         | (88,545 )    | 617,733      |
| Gross profit                                                               | —                                    | 177,081                   | 84,491                                          | (1,801 )     | 259,771      |
| Operating expenses                                                         |                                      |                           |                                                 |              |              |
| Selling, general and administrative expenses                               | —                                    | 150,955                   | 46,065                                          | —            | 197,020      |
| Transaction expenses                                                       | —                                    | 433                       | —                                               | —            | 433          |
| Loss (gain) on sale of assets and other                                    | —                                    | (73 )                     | (191 )                                          | —            | (264 )       |
| Total operating expenses                                                   | —                                    | 151,315                   | 45,874                                          | —            | 197,189      |
| Earnings from equity investment                                            | —                                    | 12,281                    | —                                               | —            | 12,281       |
| Equity earnings from affiliates, net of tax                                | 59,002                               | 35,116                    | —                                               | (94,118 )    | —            |
| Operating income                                                           | 59,002                               | 73,163                    | 38,617                                          | (95,919 )    | 74,863       |
| Other expense (income)                                                     |                                      |                           |                                                 |              |              |
| Interest expense (income)                                                  | 22,670                               | 13                        | 4                                               | —            | 22,687       |
| Foreign exchange (gains) losses and other, net                             | —                                    | (407 )                    | (5,104 )                                        | —            | (5,511 )     |
| Total other expense (income)                                               | 22,670                               | (394 )                    | (5,100 )                                        | —            | 17,176       |
| Income before income taxes                                                 | 36,332                               | 73,557                    | 43,717                                          | (95,919 )    | 57,687       |
| Provision for income tax expense                                           | (7,934 )                             | 14,555                    | 6,827                                           | —            | 13,448       |
| Net income                                                                 | 44,266                               | 59,002                    | 36,890                                          | (95,919 )    | 44,239       |
| Less: Income (loss) attributable to noncontrolling interest                | —                                    | —                         | (27 )                                           | —            | (27 )        |
| Net income attributable to common stockholders                             | 44,266                               | 59,002                    | 36,917                                          | (95,919 )    | 44,266       |
| Other comprehensive income, net of tax:                                    |                                      |                           |                                                 |              |              |
| Net income                                                                 | 44,266                               | 59,002                    | 36,890                                          | (95,919 )    | 44,239       |
| Change in foreign currency translation, net of tax of \$0                  | (30,553 )                            | (30,553 )                 | (30,553 )                                       | 61,106       | (30,553 )    |
| Change in pension liability                                                | 68                                   | 68                        | 68                                              | (136 )       | 68           |
| Comprehensive income (loss)                                                | 13,781                               | 28,517                    | 6,405                                           | (34,949 )    | 13,754       |
| Less: comprehensive (income) loss attributable to noncontrolling interests | —                                    | —                         | 118                                             | —            | 118          |
| Comprehensive income (loss) attributable to common stockholders            | \$13,781                             | \$28,517                  | \$6,523                                         | \$(34,949 )  | \$13,872     |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating statements of comprehensive income

|                                                                            | Nine Months Ended September 30, 2014 |                           |                                                 |              |              |
|----------------------------------------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                                            | FET<br>(Parent)                      | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations | Consolidated |
| Net sales                                                                  | \$—                                  | \$941,885                 | \$ 480,049                                      | \$(120,895 ) | \$ 1,301,039 |
| Cost of sales                                                              | —                                    | 659,444                   | 342,269                                         | (118,643 )   | 883,070      |
| Gross profit                                                               | —                                    | 282,441                   | 137,780                                         | (2,252 )     | 417,969      |
| Operating expenses                                                         |                                      |                           |                                                 |              |              |
| Selling, general and administrative expenses                               | —                                    | 176,331                   | 53,756                                          | —            | 230,087      |
| Transaction expenses                                                       | —                                    | 2,326                     | —                                               | —            | 2,326        |
| Loss (gain) on sale of assets and other                                    | —                                    | 639                       | (319 )                                          | —            | 320          |
| Total operating expenses                                                   | —                                    | 179,296                   | 53,437                                          | —            | 232,733      |
| Earnings from equity investment                                            | —                                    | 17,997                    | —                                               | —            | 17,997       |
| Equity earnings from affiliates, net of tax                                | 143,310                              | 59,688                    | —                                               | (202,998 )   | —            |
| Operating income                                                           | 143,310                              | 180,830                   | 84,343                                          | (205,250 )   | 203,233      |
| Other expense (income)                                                     |                                      |                           |                                                 |              |              |
| Interest expense (income)                                                  | 23,126                               | 77                        | (29 )                                           | —            | 23,174       |
| Interest income with affiliate                                             | —                                    | (5,770 )                  | —                                               | 5,770        | —            |
| Interest expense with affiliate                                            | —                                    | —                         | 5,770                                           | (5,770 )     | —            |
| Foreign exchange (gains) losses and other, net                             | —                                    | 274                       | (890 )                                          | —            | (616 )       |
| Total other expense (income)                                               | 23,126                               | (5,419 )                  | 4,851                                           | —            | 22,558       |
| Income before income taxes                                                 | 120,184                              | 186,249                   | 79,492                                          | (205,250 )   | 180,675      |
| Provision for income tax expense                                           | (8,094 )                             | 42,939                    | 17,550                                          | —            | 52,395       |
| Net income                                                                 | 128,278                              | 143,310                   | 61,942                                          | (205,250 )   | 128,280      |
| Less: Income (loss) attributable to noncontrolling interest                | —                                    | —                         | 2                                               | —            | 2            |
| Net income attributable to common stockholders                             | 128,278                              | 143,310                   | 61,940                                          | (205,250 )   | 128,278      |
| Other comprehensive income, net of tax:                                    |                                      |                           |                                                 |              |              |
| Net income                                                                 | 128,278                              | 143,310                   | 61,942                                          | (205,250 )   | 128,280      |
| Change in foreign currency translation, net of tax of \$0                  | (21,754 )                            | (21,754 )                 | (21,754 )                                       | 43,508       | (21,754 )    |
| Change in pension liability                                                | 2                                    | 2                         | 2                                               | (4 )         | 2            |
| Comprehensive income (loss)                                                | 106,526                              | 121,558                   | 40,190                                          | (161,746 )   | 106,528      |
| Less: comprehensive (income) loss attributable to noncontrolling interests | —                                    | —                         | (20 )                                           | —            | (20 )        |
| Comprehensive income (loss) attributable to common stockholders            | \$ 106,526                           | \$ 121,558                | \$ 40,170                                       | \$(161,746 ) | \$ 106,508   |





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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating balance sheets

|                                                            | September 30, 2015 |                           |                                                 |               |              |
|------------------------------------------------------------|--------------------|---------------------------|-------------------------------------------------|---------------|--------------|
|                                                            | FET (Parent)       | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations  | Consolidated |
| Assets                                                     |                    |                           |                                                 |               |              |
| Current assets                                             |                    |                           |                                                 |               |              |
| Cash and cash equivalents                                  | \$—                | \$ 16,104                 | \$ 60,081                                       | \$—           | \$ 76,185    |
| Accounts receivable—trade, net                             | —                  | 101,485                   | 56,106                                          | —             | 157,591      |
| Inventories                                                | —                  | 386,531                   | 128,007                                         | (9,782 )      | 504,756      |
| Cost and profits in excess of billings                     | —                  | 8,295                     | 10,154                                          | —             | 18,449       |
| Other current assets                                       | —                  | 51,104                    | 8,706                                           | —             | 59,810       |
| Total current assets                                       | —                  | 563,519                   | 263,054                                         | (9,782 )      | 816,791      |
| Property and equipment, net of<br>accumulated depreciation | —                  | 161,710                   | 35,094                                          | —             | 196,804      |
| Deferred financing costs, net                              | 11,189             | —                         | —                                               | —             | 11,189       |
| Intangibles                                                | —                  | 193,333                   | 63,717                                          | —             | 257,050      |
| Goodwill                                                   | —                  | 538,248                   | 261,353                                         | —             | 799,601      |
| Investment in unconsolidated subsidiary                    | —                  | 56,457                    | —                                               | —             | 56,457       |
| Investment in affiliates                                   | 1,362,309          | 593,121                   | —                                               | (1,955,430 )  | —            |
| Long-term advances to affiliates                           | 472,899            | —                         | 59,628                                          | (532,527 )    | —            |
| Other long-term assets                                     | —                  | 2,574                     | 920                                             | —             | 3,494        |
| Total assets                                               | \$ 1,846,397       | \$ 2,108,962              | \$ 683,766                                      | \$(2,497,739) | \$ 2,141,386 |
| Liabilities and equity                                     |                    |                           |                                                 |               |              |
| Current liabilities                                        |                    |                           |                                                 |               |              |
| Current portion of long-term debt                          | \$—                | \$ 325                    | \$ 10                                           | \$—           | \$ 335       |
| Accounts payable—trade                                     | —                  | 69,069                    | 23,175                                          | —             | 92,244       |
| Accrued liabilities                                        | 13,405             | 47,117                    | 18,719                                          | —             | 79,241       |
| Deferred revenue                                           | —                  | 2,582                     | 6,760                                           | —             | 9,342        |
| Billings in excess of costs and profits                    | —                  | 2,432                     | 6,679                                           | —             | 9,111        |
| Total current liabilities                                  | 13,405             | 121,525                   | 55,343                                          | —             | 190,273      |
| Long-term debt, net of current portion                     | 402,497            | 44                        | 15                                              | —             | 402,556      |
| Long-term payables to affiliates                           | —                  | 532,528                   | —                                               | (532,528 )    | —            |
| Deferred income taxes, net                                 | —                  | 75,002                    | 19,203                                          | —             | 94,205       |
| Other long-term liabilities                                | —                  | 17,554                    | 5,855                                           | —             | 23,409       |
| Total liabilities                                          | 415,902            | 746,653                   | 80,416                                          | (532,528 )    | 710,443      |
| Total stockholder's equity                                 | 1,430,495          | 1,362,309                 | 602,903                                         | (1,965,211 )  | 1,430,496    |
| Noncontrolling interest in subsidiary                      | —                  | —                         | 447                                             | —             | 447          |
| Equity                                                     | 1,430,495          | 1,362,309                 | 603,350                                         | (1,965,211 )  | 1,430,943    |
| Total liabilities and equity                               | \$ 1,846,397       | \$ 2,108,962              | \$ 683,766                                      | \$(2,497,739) | \$ 2,141,386 |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating balance sheets

|                                                            | December 31, 2014 |                           |                                                 |               |              |
|------------------------------------------------------------|-------------------|---------------------------|-------------------------------------------------|---------------|--------------|
|                                                            | FET (Parent)      | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations  | Consolidated |
| <b>Assets</b>                                              |                   |                           |                                                 |               |              |
| <b>Current assets</b>                                      |                   |                           |                                                 |               |              |
| Cash and cash equivalents                                  | \$5,551           | \$4,006                   | \$ 67,022                                       | \$—           | \$76,579     |
| Accounts receivable—trade, net                             | —                 | 194,964                   | 92,081                                          | —             | 287,045      |
| Inventories                                                | —                 | 343,902                   | 125,594                                         | (7,981 )      | 461,515      |
| Cost and profits in excess of billings                     | —                 | 4,871                     | 9,775                                           | —             | 14,646       |
| Other current assets                                       | —                 | 38,920                    | 16,454                                          | —             | 55,374       |
| Total current assets                                       | 5,551             | 586,663                   | 310,926                                         | (7,981 )      | 895,159      |
| Property and equipment, net of<br>accumulated depreciation | —                 | 153,016                   | 36,958                                          | —             | 189,974      |
| Deferred financing costs, net                              | 13,107            | —                         | —                                               | —             | 13,107       |
| Intangibles                                                | —                 | 198,819                   | 72,920                                          | —             | 271,739      |
| Goodwill                                                   | —                 | 522,898                   | 275,583                                         | —             | 798,481      |
| Investment in unconsolidated subsidiary                    | —                 | 49,675                    | —                                               | —             | 49,675       |
| Investment in affiliates                                   | 1,333,701         | 590,421                   | —                                               | (1,924,122 )  | —            |
| Long-term advances to affiliates                           | 483,534           | —                         | 22,531                                          | (506,065 )    | —            |
| Other long-term assets                                     | —                 | 2,760                     | 733                                             | —             | 3,493        |
| Total assets                                               | \$1,835,893       | \$2,104,252               | \$ 719,651                                      | \$(2,438,168) | \$2,221,628  |
| <b>Liabilities and equity</b>                              |                   |                           |                                                 |               |              |
| <b>Current liabilities</b>                                 |                   |                           |                                                 |               |              |
| Accounts payable—trade                                     | \$—               | \$85,179                  | \$ 42,578                                       | \$—           | \$127,757    |
| Accrued liabilities                                        | 12,733            | 84,824                    | 29,333                                          | —             | 126,890      |
| Current portion of debt and other current<br>liabilities   | —                 | 5,800                     | 21,744                                          | —             | 27,544       |
| Total current liabilities                                  | 12,733            | 175,803                   | 93,655                                          | —             | 282,191      |
| Long-term debt, net of current portion                     | 427,801           | 183                       | 26                                              | —             | 428,010      |
| Long-term payables to affiliates                           | —                 | 506,065                   | —                                               | (506,065 )    | —            |
| Deferred income taxes, net                                 | —                 | 77,311                    | 20,877                                          | —             | 98,188       |
| Other long-term liabilities                                | —                 | 11,189                    | 6,129                                           | —             | 17,318       |
| Total liabilities                                          | 440,534           | 770,551                   | 120,687                                         | (506,065 )    | 825,707      |
| Total stockholder's equity                                 | 1,395,359         | 1,333,701                 | 598,399                                         | (1,932,103 )  | 1,395,356    |
| Noncontrolling interest in subsidiary                      | —                 | —                         | 565                                             | —             | 565          |
| Equity                                                     | 1,395,359         | 1,333,701                 | 598,964                                         | (1,932,103 )  | 1,395,921    |
| Total liabilities and equity                               | \$1,835,893       | \$2,104,252               | \$ 719,651                                      | \$(2,438,168) | \$2,221,628  |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating statements of cash flows

|                                                      | Nine months ended September 30, 2015 |                           |                                                 |              |              |
|------------------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                      | FET<br>(Parent)                      | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations | Consolidated |
| Cash flows from (used in) operating activities       | \$(6,543 )                           | \$79,698                  | \$44,551                                        | \$—          | \$117,706    |
| Cash flows from investing activities                 |                                      |                           |                                                 |              |              |
| Acquisition of businesses, net of cash acquired      | —                                    | (60,836 )                 | —                                               | —            | (60,836 )    |
| Capital expenditures for property and equipment      | —                                    | (19,858 )                 | (8,188 )                                        | —            | (28,046 )    |
| Long-term loans and advances to affiliates           | 27,719                               | 40,544                    | —                                               | (68,263 )    | —            |
| Other                                                | —                                    | 992                       | 707                                             | —            | 1,699        |
| Net cash provided by (used in) investing activities  | \$27,719                             | \$(39,158 )               | \$(7,481 )                                      | \$(68,263 )  | \$(87,183 )  |
| Cash flows from financing activities                 |                                      |                           |                                                 |              |              |
| Borrowings (repayment) of long-term debt             | (25,305 )                            | (723 )                    | (14 )                                           | —            | (26,042 )    |
| Long-term loans and advances to affiliates           | —                                    | (27,719 )                 | (40,544 )                                       | 68,263       | —            |
| Other                                                | (1,422 )                             | —                         | —                                               | —            | (1,422 )     |
| Net cash provided by (used in) financing activities  | \$(26,727 )                          | \$(28,442 )               | \$(40,558 )                                     | \$68,263     | \$(27,464 )  |
| Effect of exchange rate changes on cash              | —                                    | —                         | (3,453 )                                        | —            | (3,453 )     |
| Net increase (decrease) in cash and cash equivalents | (5,551 )                             | 12,098                    | (6,941 )                                        | —            | (394 )       |
| Cash and cash equivalents                            |                                      |                           |                                                 |              |              |
| Beginning of period                                  | 5,551                                | 4,006                     | 67,022                                          | —            | 76,579       |
| End of period                                        | \$—                                  | \$16,104                  | \$60,081                                        | \$—          | \$76,185     |

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Forum Energy Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

(Unaudited)

## Condensed consolidating statements of cash flows

|                                                      | Nine Months Ended September 30, 2014 |                           |                                                 |              |              |
|------------------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------|--------------|--------------|
|                                                      | FET<br>(Parent)                      | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries<br>(in thousands) | Eliminations | Consolidated |
| Cash flows from (used in) operating activities       | \$(6,101 )                           | \$ 120,323                | \$ 65,531                                       | \$—          | \$ 179,753   |
| Cash flows from investing activities                 |                                      |                           |                                                 |              |              |
| Acquisition of businesses, net of cash acquired      | —                                    | —                         | (38,289 )                                       | —            | (38,289 )    |
| Capital expenditures for property and equipment      | —                                    | (30,808 )                 | (9,124 )                                        | —            | (39,932 )    |
| Long-term loans and advances to affiliates           | 88,410                               | —                         | —                                               | (88,410 )    | —            |
| Other                                                | —                                    | 8,421                     | 314                                             | —            | 8,735        |
| Net cash provided by (used in) investing activities  | \$ 88,410                            | \$(22,387 )               | \$ (47,099 )                                    | \$(88,410 )  | \$(69,486 )  |
| Cash flows from financing activities                 |                                      |                           |                                                 |              |              |
| Repayment of long-term debt                          | (91,307 )                            | (328 )                    | (125 )                                          | —            | (91,760 )    |
| Long-term loans and advances to affiliates           | —                                    | (92,478 )                 | 4,068                                           | 88,410       | —            |
| Other                                                | 8,998                                | 7,291                     | —                                               | —            | 16,289       |
| Net cash provided by (used in) financing activities  | \$(82,309 )                          | \$(85,515 )               | \$ 3,943                                        | \$ 88,410    | \$(75,471 )  |
| Effect of exchange rate changes on cash              | —                                    | —                         | (294 )                                          | —            | (294 )       |
| Net increase (decrease) in cash and cash equivalents | —                                    | 12,421                    | 22,081                                          | —            | 34,502       |
| Cash and cash equivalents                            |                                      |                           |                                                 |              |              |
| Beginning of period                                  | —                                    | —                         | 39,582                                          | —            | 39,582       |
| End of period                                        | \$—                                  | \$ 12,421                 | \$ 61,663                                       | \$—          | \$ 74,084    |

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Management's Discussion and Analysis  
of Financial Condition and Results of Operations

Item 2. Management's discussion and analysis of financial condition and results of operations

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control. All statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about:

- business strategy;
- cash flows and liquidity;
- the volatility of oil and natural gas prices;
- our ability to successfully manage our growth, including risks and uncertainties associated with integrating and retaining key employees of the businesses we acquire;
- the availability of raw materials and specialized equipment;
- availability of skilled and qualified labor;
- our ability to accurately predict customer demand;
- competition in the oil and gas industry;
- governmental regulation and taxation of the oil and natural gas industry;
- environmental liabilities;
- political, social and economic issues affecting the countries in which we do business;
- fluctuations in currency markets;
- our ability to deliver our backlog in a timely fashion;
- our ability to implement new technologies and services;
- availability and terms of capital;
- general economic conditions;
- benefits of our acquisitions;
- availability of key management personnel;
- operating hazards inherent in our industry;
- the continued influence of our largest shareholder;
- the ability to establish and maintain effective internal control over financial reporting for companies we acquire;
- the ability to operate effectively as a publicly traded company;
- financial strategy, budget, projections and operating results;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 27, 2015 and elsewhere in this Quarterly Report on Form 10-Q. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

#### Overview

We are a global oilfield products company, serving the subsea, drilling, completion, production and infrastructure sectors of the oil and natural gas industry. We design, manufacture and distribute products, and engage in aftermarket services, parts supply and related services that complement our product offering. Our product offering includes a mix of highly engineered capital products and frequently replaced items that are used in the exploration, development, production and transportation of oil and natural gas. Our capital products are directed at: drilling rig equipment for new rigs, upgrades and refurbishment projects; subsea construction and development projects; the placement of production equipment on new producing wells; pressure pumping equipment; and downstream capital projects. Our engineered systems are critical components used on drilling rigs, for completions or in the course of subsea operations, while our consumable products are used to maintain efficient and safe operations at well sites in the well construction process, within the supporting infrastructure and at processing centers and refineries. Historically, just over half of our revenue is derived from activity-based consumable products, while the balance is derived from capital products and a small amount from rental and other services.

We seek to design, manufacture and supply reliable products that create value for our diverse customer base, which includes, among others, oil and gas operators, land and offshore drilling contractors, oilfield service companies, subsea construction and service companies, and pipeline and refinery operators.

We operate two business segments:

**Drilling & Subsea segment.** We design and manufacture products and provide related services to the subsea, drilling, well construction, completion and intervention markets. Through this segment, we offer subsea technologies, including robotic vehicles and other capital equipment, specialty components and tooling, a broad suite of complementary subsea technical services and rental items, and applied products for subsea pipelines; drilling technologies, including capital equipment and a broad line of products consumed in the drilling and well intervention process; and downhole technologies, including cementing and casing tools, completion products, and a range of downhole protection solutions.

**Production & Infrastructure segment.** We design and manufacture products and provide related equipment and services to the well stimulation, production and infrastructure markets. Through this segment, we supply flow equipment, including pumps and well stimulation consumable products and related recertification and refurbishment services; production equipment, including well site production equipment and process equipment; and valve solutions, which includes a broad range of industrial and process valves.

#### Market Conditions

The level of demand for our products and services is directly related to activity levels and the capital and operating budgets of our customers, which in turn are influenced heavily by energy prices and the expectation as to future trends in those prices. Energy prices have historically been cyclical in nature, as exemplified by the significant decrease in oil prices beginning in the middle of last year and are affected by a wide range of factors. Although the extent and duration of the decline in energy prices are difficult to predict, the current market conditions could have a material, adverse impact on our earnings at least through 2015 and continuing into 2016.

The table below shows average crude oil and natural gas prices for West Texas Intermediate crude oil (WTI), United Kingdom Brent crude oil (Brent), and Henry Hub natural gas:

|                            | Three months ended    |                  |                       |
|----------------------------|-----------------------|------------------|-----------------------|
|                            | September 30,<br>2015 | June 30,<br>2015 | September 30,<br>2014 |
| Average global oil, \$/bbl |                       |                  |                       |
| West Texas Intermediate    | \$46.53               | \$57.85          | \$91.16               |
| United Kingdom Brent       | \$50.54               | \$61.65          | \$94.87               |

Average North American Natural Gas, \$/Mcf

|           |        |        |        |
|-----------|--------|--------|--------|
| Henry Hub | \$2.76 | \$2.75 | \$4.12 |
|-----------|--------|--------|--------|

Average WTI and Brent oil prices were 49% and 47% lower, respectively, in the third quarter of 2015 than in the third quarter of 2014. Average natural gas prices were 33% lower in the third quarter of 2015 than in the prior year period. Crude oil prices began a significant decline in the second half of 2014 and have declined 59% from peak prices in June 2014 to the end of September 2015 primarily as a result of increasing supply and insufficient demand growth. The precipitous decline in oil and natural gas prices since the middle of 2014 has resulted in a significant decrease in exploration and production activity and spending by our customers. This has had a significant, adverse impact on our results of operations which we expect to continue until oil prices rise substantially.

The table below shows the average number of active drilling rigs, based on the weekly Baker Hughes Incorporated rig count, operating by geographic area and drilling for different purposes.

|                         | Three months ended    |                  |                       |
|-------------------------|-----------------------|------------------|-----------------------|
|                         | September 30,<br>2015 | June 30,<br>2015 | September 30,<br>2014 |
| Active Rigs by Location |                       |                  |                       |
| United States           | 866                   | 907              | 1,903                 |
| Canada                  | 188                   | 98               | 386                   |
| International           | 1,131                 | 1,169            | 1,348                 |
| Global Active Rigs      | 2,185                 | 2,174            | 3,637                 |

Land vs. Offshore Rigs

|                    |       |       |       |
|--------------------|-------|-------|-------|
| Land               | 1,883 | 1,853 | 3,245 |
| Offshore           | 302   | 321   | 392   |
| Global Active Rigs | 2,185 | 2,174 | 3,637 |

U.S. Commodity Target

|                        |     |     |       |
|------------------------|-----|-----|-------|
| Oil/Gas                | 657 | 681 | 1,577 |
| Gas                    | 208 | 223 | 324   |
| Unclassified           | 1   | 3   | 2     |
| Total U.S. Active Rigs | 866 | 907 | 1,903 |

U.S. Well Path

|                        |     |     |       |
|------------------------|-----|-----|-------|
| Horizontal             | 658 | 701 | 1,314 |
| Vertical               | 123 | 114 | 372   |
| Directional            | 85  | 92  | 217   |
| Total U.S. Active Rigs | 866 | 907 | 1,903 |

As a result of lower oil and natural gas prices, the average U.S. rig count decreased 55% from the third quarter of 2014, while the international rig count and the Canadian rig count decreased 16% and 51%, respectively, from the third quarter of 2014. The U.S. rig count declined 57% from its peak of 1,931 rigs in September 2014 to 838 rigs at the end of September 2015. A substantial portion of our revenue is impacted by the level of rig activity and the number of wells completed. This significant decrease in the rig count had a negative impact on our results of

operations in the

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third quarter of 2015 and is expected to have a continuing adverse effect on our results at least through 2015 and into 2016.

The current low energy price environment has caused a steep reduction in activity and spending by our customers. Many exploration and production companies, especially those with operations in North America or offshore, have curtailed operations, reduced the number of wells being drilled, or chosen to defer the completion of wells that have been drilled. This has also resulted in a substantial reduction in activity and revenue for energy service companies, resulting in both exploration and production companies and energy service companies significantly reducing their purchases of both capital and consumable equipment from Forum and other equipment manufacturers. This widespread reduction in spending had a negative impact on our results and new orders in the third quarter of 2015 and is expected to have a continuing adverse effect at least through 2015 and into 2016.

The table below shows the amount of total inbound orders by segment for the three and nine months ended September 30, 2015 and 2014:

| (in millions of dollars)    | Three months ended    |         | Nine months ended     |           |
|-----------------------------|-----------------------|---------|-----------------------|-----------|
|                             | September 30,<br>2015 | 2014    | September 30,<br>2015 | 2014      |
| Orders:                     |                       |         |                       |           |
| Drilling & Subsea           | \$106.1               | \$323.9 | \$381.3               | \$955.0   |
| Production & Infrastructure | 106.9                 | 171.3   | 317.7                 | 470.6     |
| Total Orders                | \$213.0               | \$495.2 | \$699.0               | \$1,425.6 |

## Results of operations

We made one acquisition in the first quarter of 2015 and one acquisition in the second quarter of 2014. For additional information about these acquisitions, see Note 3 to the condensed consolidated financial statements in Item 1 of Part I of this quarterly report. For this reason, our results of operations for the 2015 periods presented may not be comparable to historical results of operations for the 2014 periods.

Three months ended September 30, 2015 compared with three months ended September 30, 2014

|                                                              | Three months ended September 30, |           | Favorable / (Unfavorable) |        |    |
|--------------------------------------------------------------|----------------------------------|-----------|---------------------------|--------|----|
|                                                              | 2015                             | 2014      | \$                        | %      |    |
| (in thousands of dollars, except per share information)      |                                  |           |                           |        |    |
| Revenue:                                                     |                                  |           |                           |        |    |
| Drilling & Subsea                                            | \$139,073                        | \$307,454 | \$(168,381)               | (54.8) | )% |
| Production & Infrastructure                                  | 106,186                          | 161,696   | (55,510)                  | (34.3) | )% |
| Eliminations                                                 | (266)                            | (328)     | 62                        | *      |    |
| Total revenue                                                | \$244,993                        | \$468,822 | \$(223,829)               | (47.7) | )% |
| Operating income:                                            |                                  |           |                           |        |    |
| Drilling & Subsea                                            | \$6,675                          | \$57,929  | \$(51,254)                | (88.5) | )% |
| Operating income margin %                                    | 4.8                              | 18.8      |                           |        |    |
| Production & Infrastructure                                  | 10,715                           | 29,816    | (19,101)                  | (64.1) | )% |
| Operating income margin %                                    | 10.1                             | 18.4      |                           |        |    |
| Corporate                                                    | (4,993)                          | (10,274)  | 5,281                     | 51.4   | )% |
| Total segment operating income                               | \$12,397                         | \$77,471  | \$(65,074)                | (84.0) | )% |
| Operating income margin %                                    | 5.1                              | 16.5      |                           |        |    |
| Transaction expenses                                         | 193                              | 1,516     | 1,323                     | *      |    |
| Loss (gain) on sale of assets and other                      | 11                               | (85)      | (96)                      | *      |    |
| Income from operations                                       | 12,193                           | 76,040    | (63,847)                  | (84.0) | )% |
| Interest expense, net                                        | 7,453                            | 7,699     | 246                       | 3.2    | )% |
| Foreign exchange (gains) losses and other, net               | (2,910)                          | (5,222)   | (2,312)                   | *      |    |
| Other (income) expense, net                                  | 4,543                            | 2,477     | (2,066)                   | *      |    |
| Income before income taxes                                   | 7,650                            | 73,563    | (65,913)                  | (89.6) | )% |
| Income tax expense                                           | 932                              | 21,332    | 20,400                    | 95.6   | )% |
| Net income                                                   | 6,718                            | 52,231    | (45,513)                  | (87.1) | )% |
| Less: Income (loss) attributable to non-controlling interest | (2)                              | 5         | (7)                       | *      |    |
| Income attributable to common stockholders                   | \$6,720                          | \$52,226  | \$(45,506)                | (87.1) | )% |
| Weighted average shares outstanding                          |                                  |           |                           |        |    |
| Basic                                                        | 90,058                           | 93,331    |                           |        |    |
| Diluted                                                      | 91,687                           | 96,198    |                           |        |    |
| Earnings per share                                           |                                  |           |                           |        |    |
| Basic                                                        | \$0.07                           | \$0.56    |                           |        |    |
| Diluted                                                      | \$0.07                           | \$0.54    |                           |        |    |

\* not meaningful

## Revenue

Our revenue for the three months ended September 30, 2015 decreased \$223.8 million, or 47.7%, to \$245.0 million compared to the three months ended September 30, 2014. For the three months ended September 30, 2015, our Drilling & Subsea segment and our Production & Infrastructure segment comprised 56.8% and 43.2% of our total revenue, respectively, which compared to 65.6% and 34.4% of total revenue, respectively, for the three months ended September 30, 2014. The changes in revenue by operating segment consisted of the following:

Drilling & Subsea segment — Revenue decreased \$168.4 million, or 54.8%, to \$139.1 million during the three months ended September 30, 2015 compared to the three months ended September 30, 2014 primarily attributable to decreased oil and natural gas drilling and well completions activity in North America. The U.S. average rig count decreased 55% compared to the prior year period resulting in decreased sales of our drilling equipment and our completions and production products. We also recognized lower revenue compared to the prior year period on our subsea products as investment in deepwater oil and natural gas activity has declined.

Production & Infrastructure segment — Revenue decreased \$55.5 million, or 34.3%, to \$106.2 million during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The decrease in revenue was primarily attributable to lower sales of our surface production equipment to exploration and production operators, and to lower sales of our consumable flow equipment products to pressure pumping service providers as fewer wells were completed offset by the addition of J-Mac sales from the first quarter 2015 acquisition.

### Segment operating income and segment operating margin percentage

Segment operating income for the three months ended September 30, 2015, decreased \$65.1 million, or 84.0%, to \$12.4 million compared to the three months ended September 30, 2014. The segment operating margin percentage is calculated by dividing segment operating income by revenue for the period. For the three months ended September 30, 2015, the segment operating margin percentage of 5.1% represents a decrease of 1140 basis points from the 16.5% operating margin percentage for three months ended September 30, 2014. The change in operating margin percentage for each segment is explained as follows:

Drilling & Subsea segment — The operating margin percentage for this segment decreased 14 percentage points to 4.8% for the three months ended September 30, 2015, from 18.8% for the three months ended September 30, 2014. The third quarter of 2015 included \$2.0 million of severance and facility closure costs incurred to further reduce our cost structure in line with current activity levels. Excluding these charges, the operating margin for this segment is down 12 percentage points in the third quarter of 2015 compared to the same period in 2014. The reasons for this decrease in operating margin percentage are lower activity levels causing a loss of manufacturing scale efficiencies and more intense competition pressuring prices. We believe that adjusted operating margins excluding the costs described above are useful for investors to assess operating performance especially when comparing periods.

Production & Infrastructure segment — The operating margin percentage for this segment decreased 830 basis points to 10.1% for the three months ended September 30, 2015, from 18.4% for the three months ended September 30, 2014. The decrease in operating margin percentage was attributable to higher competition for fewer sales on lower activity levels, and reduced operating leverage on lower volumes. Also impacting margins was lower earnings from our investment in Global Tubing, LLC.

Corporate — Selling, general and administrative expenses for Corporate decreased by \$5.3 million, or 51.4%, for the three months ended September 30, 2015 compared to the three months ended September 30, 2014, due to lower personnel costs, including reduced bonus accruals, and lower professional fees. Corporate costs include, among other items, payroll related costs for general management and management of finance and administration, legal, human resources and information technology; professional fees for legal, accounting and related services; and marketing costs.

### Other items not included in segment operating income

Several items are not included in segment operating income, but are included in total operating income. These items include transaction expenses, and gains and losses from the sale of assets. Transaction expenses relate to legal and other advisory costs incurred in acquiring businesses and are not considered to be part of segment operating income. These costs were \$0.2 million for the three months ended September 30, 2015 and \$1.5 million for the three months ended September 30, 2014.



#### Other income and expense

Other income and expense includes interest expense and foreign exchange gains and losses. We incurred \$7.5 million of interest expense during the three months ended September 30, 2015, a decrease of \$0.2 million from the three months ended September 30, 2014. The change in foreign exchange gains or losses is primarily the result of movements in the British pound and the Euro relative to the U.S. dollar.

#### Taxes

Tax expense includes current income taxes expected to be due based on taxable income to be reported during the periods in the various jurisdictions in which we conduct business, and deferred income taxes based on changes in the tax effect of temporary differences between the bases of assets and liabilities for financial reporting and tax purposes at the beginning and end of the respective periods. The effective tax rate, calculated by dividing total tax expense by income before income taxes, was 12.2% for the three months ended September 30, 2015 and 29.0% for the three months ended September 30, 2014. The annual effective tax rate for 2015 is currently estimated to be approximately 23%. The tax rate for the three months ended September 30, 2015 is lower than the comparable period in 2014 primarily due to a higher proportion of our earnings being generated outside the United States in jurisdictions subject to lower tax rates.

Nine months ended September 30, 2015 compared with nine months ended September 30, 2014

|                                                              | Nine Months Ended September |             | Favorable /   |          |
|--------------------------------------------------------------|-----------------------------|-------------|---------------|----------|
|                                                              | 30,                         | 2014        | (Unfavorable) |          |
|                                                              | 2015                        |             | \$            | %        |
| (in thousands of dollars, except per share information)      |                             |             |               |          |
| Revenue:                                                     |                             |             |               |          |
| Drilling & Subsea                                            | \$523,850                   | \$848,474   | (324,624 )    | (38.3 )% |
| Production & Infrastructure                                  | 354,278                     | 453,640     | (99,362 )     | (21.9 )% |
| Eliminations                                                 | (624 )                      | (1,075 )    | 451           | *        |
| Total revenue                                                | \$877,504                   | \$1,301,039 | \$(423,535)   | (32.6 )% |
| Operating income:                                            |                             |             |               |          |
| Drilling & Subsea                                            | \$51,261                    | \$155,330   | \$(104,069)   | (67.0 )% |
| Operating income margin %                                    | 9.8                         | % 18.3      | %             |          |
| Production & Infrastructure                                  | 45,108                      | 80,260      | (35,152 )     | (43.8 )% |
| Operating income margin %                                    | 12.7                        | % 17.7      | %             |          |
| Corporate                                                    | (21,337 )                   | (29,711 )   | 8,374         | (28.2 )% |
| Total segment operating income                               | \$75,032                    | \$205,879   | \$(130,847)   | (63.6 )% |
| Operating income margin %                                    | 8.6                         | % 15.8      | %             |          |
| Transaction expenses                                         | 433                         | 2,326       | 1,893         | *        |
| Loss (gain) on sale of assets and other                      | (264 )                      | 320         | 584           | *        |
| Income from operations                                       | 74,863                      | 203,233     | (128,370 )    | (63.2 )% |
| Interest expense, net                                        | 22,687                      | 23,174      | (487 )        | (2.1 )%  |
| Foreign exchange (gains) losses and other, net               | (5,511 )                    | (616 )      | 4,895         | *        |
| Other (income) expense, net                                  | 17,176                      | 22,558      | 5,382         | *        |
| Income before income taxes                                   | 57,687                      | 180,675     | (122,988 )    | (68.1 )% |
| Income tax expense                                           | 13,448                      | 52,395      | 38,947        | 74.3 %   |
| Net income                                                   | 44,239                      | 128,280     | (84,041 )     | (65.5 )% |
| Less: Income (loss) attributable to non-controlling interest | (27 )                       | 2           | (29 )         | *        |
| Income attributable to common stockholders                   | \$44,266                    | \$128,278   | \$(84,012 )   | (65.5 )% |
| Weighted average shares outstanding                          |                             |             |               |          |
| Basic                                                        | 89,770                      | 92,728      |               |          |
| Diluted                                                      | 91,576                      | 95,631      |               |          |
| Earnings per share                                           |                             |             |               |          |
| Basic                                                        | \$0.49                      | \$1.38      |               |          |
| Diluted                                                      | \$0.48                      | \$1.34      |               |          |

\* not meaningful

#### Revenue

Our revenue for the nine months ended September 30, 2015 decreased \$423.5 million, or 32.6%, to \$877.5 million compared to the nine months ended September 30, 2014. For the nine months ended September 30, 2015, our Drilling & Subsea segment and our Production & Infrastructure segment comprised 59.7% and 40.4% of our total revenue, respectively, which compared to 65.2% and 34.8% of total revenue, respectively, for the nine months ended September 30, 2014. The changes in revenue by operating segment consisted of the following:

Drilling & Subsea segment — Revenue decreased \$324.6 million, or 38.3%, to \$523.9 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily attributable to decreased oil and natural gas drilling and well completions activity in North America. The U.S. average rig count decreased 43% compared to the prior year nine-month period resulting in decreased sales of our drilling capital and consumable equipment and our completions and downhole products. We recognized lower revenue compared to the prior year period on our subsea products, such as our remotely operated vehicles, as investment in deepwater oil and natural gas activity has declined.

Production & Infrastructure segment — Revenue decreased \$99.4 million, or 21.9%, to \$354.3 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily attributable to decreased sales of our surface production equipment to exploration and production operators and lower sales of our valves products. These revenue decreases were partially offset by revenue from our first quarter 2015 acquisition.

#### Segment operating income and segment operating margin percentage

Segment operating income for the nine months ended September 30, 2015, decreased \$130.8 million, or 63.6%, to \$75.0 million compared to the nine months ended September 30, 2014. The segment operating margin percentage is calculated by dividing segment operating income by revenue for the period. For the nine months ended September 30, 2015, the segment operating margin percentage of 8.6% represents a decrease of 710 basis points from the 15.8% operating margin percentage for nine months ended September 30, 2014. The change in operating margin percentage for each segment is explained as follows:

**Drilling & Subsea segment** — The operating margin percentage decreased 850 basis points to 9.8% for the nine months ended September 30, 2015, from 18.3% for the nine months ended September 30, 2014. The nine months ended September 30, 2015 included \$9.3 million of severance and facility closure costs incurred to further reduce our cost structure in line with current activity levels. Excluding these charges, the operating margin is down 670 basis points in the nine months ended September 30, 2015 compared to the same period in 2014. The reasons for this decrease are a combination of lower activity levels and more intense competition pressuring prices, and reduced operating leverage on lower volumes. We believe that adjusted operating margins excluding the costs described above are useful for investors to assess operating performance especially when comparing periods.

**Production & Infrastructure segment** — The operating margin percentage decreased 500 basis points to 12.7% for the nine months ended September 30, 2015, from 17.7% for the nine months ended September 30, 2014. The decrease in operating margin percentage was attributable to higher competition for fewer sales on lower activity levels, and reduced operating leverage on lower volumes. Also impacting margins was lower earnings from our investment in Global Tubing, LLC.

**Corporate** — Selling, general and administrative expenses for Corporate decreased by \$8.4 million, or 28.2%, for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, due to lower personnel costs, including reduced bonus accruals, and lower professional fees. Corporate costs include, among other items, payroll related costs for general management and management of finance and administration, legal, human resources and information technology; professional fees for legal, accounting and related services; and marketing costs.

#### Other items not included in segment operating income

Several items are not included in segment operating income, but are included in total operating income. These items include transaction expenses, and gains and losses from the sale of assets. Transaction expenses relate to legal and other advisory costs incurred in acquiring businesses and are not considered to be part of segment operating income. These costs were \$0.4 million and \$2.3 million for the nine months ended September 30, 2015 and 2014, respectively. In the first quarter of 2014, we incurred a loss of \$0.8 million on the sale of our subsea pipe joint protective coatings business.

#### Other income and expense

Other income and expense includes interest expense and foreign exchange gains and losses. We incurred \$22.7 million of interest expense during the nine months ended September 30, 2015, a decrease of \$0.5 million from the nine months ended September 30, 2014. The change in foreign exchange gains or losses is primarily the result of movements in the British pound and the Euro relative to the U.S. dollar.

#### Taxes

Tax expense includes current income taxes expected to be due based on taxable income to be reported during the periods in the various jurisdictions in which we conduct business, and deferred income taxes based on changes in the tax effect of temporary differences between the bases of assets and liabilities for financial reporting and tax purposes at the beginning and end of the respective periods. The effective tax rate, calculated by dividing total tax expense by income before income taxes, was 23.3% for the nine months ended September 30, 2015 and 29.0% for the nine months ended September 30, 2014. The annual effective tax rate for 2015 is currently estimated to be approximately 23%. The tax rate is lower than the comparable period in 2014 primarily due to a higher proportion of our earnings being generated outside the United States in jurisdictions subject to lower tax rates.



## Liquidity and capital resources

### Sources and uses of liquidity

At September 30, 2015, we had cash and cash equivalents of \$76.2 million and total debt of \$402.9 million. We believe that cash on hand and cash generated from operations will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations for the foreseeable future.

Our total 2015 capital expenditure budget is approximately \$35.0 million, which consists of, among other items, investments in maintaining and expanding certain manufacturing facilities, replacing end of life machinery and equipment, maintaining our rental fleet of subsea equipment, and general capital expenditures. This budget does not include expenditures for potential business acquisitions.

Although we do not budget for acquisitions, pursuing growth through acquisitions is a significant part of our business strategy. We expanded and diversified our product portfolio with the acquisition of one business in the first quarter of 2015 for total consideration of \$64.2 million and one business in the second quarter of 2014 for total consideration of \$38.3 million. We used cash on hand and borrowings under the Credit Facility to finance these acquisitions. We continue to actively review acquisition opportunities on an ongoing basis. Our ability to make significant additional acquisitions for cash may require us to obtain additional equity or debt financing, which we may not be able to obtain on terms acceptable to us or at all.

In October 2014, our Board of Directors approved a share repurchase program for the repurchase of outstanding shares of our common stock with an aggregate purchase price of up to \$150 million. Shares may be repurchased under the program from time to time, in amounts and at prices that we deem appropriate, subject to market and business conditions, limitations provided under the Credit Facility and Senior Notes, applicable legal requirements and other considerations. We have purchased approximately 4.5 million shares of stock under this program for aggregate consideration of approximately \$100.2 million. Remaining authorization under this program is \$49.8 million.

Our cash flows for the nine months ended September 30, 2015 and 2014 are presented below (in millions):

|                                                      | Nine Months Ended September 30, |         |
|------------------------------------------------------|---------------------------------|---------|
|                                                      | 2015                            | 2014    |
| Net cash provided by operating activities            | \$117.7                         | \$179.8 |
| Net cash used in investing activities                | (87.2)                          | (69.5)  |
| Net cash used in financing activities                | (27.5)                          | (75.5)  |
| Net increase (decrease) in cash and cash equivalents | \$(0.4)                         | \$34.5  |

### Cash flows provided by operating activities

Net cash provided by operating activities was \$117.7 million and \$179.8 million for the nine months ended September 30, 2015 and 2014, respectively. Cash provided by operations decreased primarily as a result of lower earnings, offset by lower investments in working capital.

### Cash flows used in investing activities

Net cash used in investing activities was \$87.2 million and \$69.5 million for the nine months ended September 30, 2015 and 2014, respectively. The increase was primarily due to consideration paid for an acquisition in the first quarter of 2015 of \$60.8 million compared to \$38.3 million of consideration paid for an acquisition in the second quarter of 2014. Capital expenditures for the nine months ended September 30, 2015 were \$28.0 million as compared to \$39.9 million for the comparable prior period.

### Cash flows used in financing activities

Net cash used in financing activities was \$27.5 million for the nine months ended September 30, 2015, compared to cash used in financing activities of \$75.5 million for the nine months ended September 30, 2014. The cash used in financing activities during both the nine months ended September 30, 2015 and the nine months ended September 30, 2014 primarily consisted of repayment of long-term debt.

#### Senior Notes Due 2021

The Senior Notes bear interest at a rate of 6.250% per annum, payable on April 1 and October 1 of each year, and mature on October 1, 2021. The Senior Notes are senior unsecured obligations guaranteed on a senior unsecured basis by our subsidiaries that guarantee the Credit Facility and rank junior to, among other indebtedness, the Credit Facility to the extent of the value of the collateral securing the Credit Facility.

#### Credit Facility

We have a Credit Facility with Wells Fargo Bank, National Association, as administrative agent, and several financial institutions as lenders, which provides for a \$600.0 million revolving credit facility, including up to \$75.0 million available for letters of credit and up to \$25.0 million in swingline loans. Subject to terms of the Credit Facility, we have the ability to increase the Credit Facility by an additional \$300.0 million. Our Credit Facility matures in November 2018. Weighted average interest rates under the Credit Facility for the nine months ended September 30, 2015 and for the twelve months ended December 31, 2014 were approximately 2.00%.

There have been no changes to the Credit Facility financial covenants disclosed in Item 7 of our 2014 Annual Report on Form 10-K. As of September 30, 2015, we were in compliance with all financial covenants, and we had no borrowings outstanding under our Credit Facility, \$13.3 million of outstanding letters of credit and the capacity to borrow an additional \$586.7 million. This availability and our ability to increase the Credit Facility by an additional \$300.0 million are subject to compliance with certain covenants, including a maximum ratio of total funded debt to adjusted EBITDA (as defined in the Credit Facility), interest expense to adjusted EBITDA and other covenants included in the Credit Facility, for the most recent four fiscal quarter period. If our adjusted EBITDA levels do not increase in future quarters, or we breach other covenants, our borrowing capacity under the Credit Facility will be reduced or eliminated.

#### Off-balance sheet arrangements

As of September 30, 2015, we had no off-balance sheet instruments or financial arrangements, other than operating leases entered into in the ordinary course of business.

#### Contractual obligations

Except for net repayments under the Credit Facility, as of September 30, 2015, there have been no material changes in our contractual obligations and commitments disclosed in the Annual Report.

#### Critical accounting policies and estimates

There have been no material changes in our critical accounting policies and procedures during the nine months ended September 30, 2015. For a detailed discussion of our critical accounting policies and estimates, refer to our 2014 Annual Report on Form 10-K.

#### Recent accounting pronouncements

In September 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. This new standard specifies that an acquirer in a business combination should recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, eliminating the current requirement to retrospectively account for these adjustments. Additionally, the full effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts should be recognized in the same period as the adjustments to the provisional amounts. The new standard will be effective for the Company for the fiscal year beginning January 1, 2016 and interim periods thereafter.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory, which requires companies to measure inventory at the lower of cost or net realizable value rather than at the lower of cost or market. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The new standard will be effective for the Company for the fiscal year beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the impacts of the adoption of this guidance.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires deferred financing costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The new standard will be effective for the Company for the fiscal year beginning January 1, 2016 and interim periods thereafter. The guidance is not expected to have a material impact on the consolidated

financial statements.

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In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern. The new standard requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity's ability to continue as a going concern for both annual and interim reporting periods. The guidance is effective for the Company for the fiscal year beginning January 1, 2016 and interim periods thereafter. The guidance is not expected to have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The new standard is to be effective for the fiscal year beginning after December 15, 2017. Companies are able to early adopt the pronouncement, however not before fiscal years beginning after December 15, 2016. The Company is currently evaluating the impacts of the adoption and the implementation approach to be used.

#### Item 3. Quantitative and qualitative disclosures about market risk

We are currently exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk, but we do not enter into derivative transactions for speculative purposes.

There have been no significant changes to our market risk since December 31, 2014. For a discussion of our exposure to market risk, refer to Part II, Item 7(a), "Quantitative and Qualitative Disclosures About Market Risk," in our 2014 Annual Report on Form 10-K.

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of September 30, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2015 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

##### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

#### Item 1. Legal Proceedings

Refer to Note 12, Commitments and Contingencies, in Part I, Item 1, Financial Statements, for a discussion of our legal proceedings, which is incorporated into this Item 1 of Part II by reference.

#### Item 1A. Risk Factors

For additional information about our risk factors, see "Risk Factors" in Item 1A of our Annual Report.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our Board of Directors authorized on October 27, 2014, a share repurchase program for the repurchase of outstanding shares of our common stock having an aggregate purchase price of up to \$150 million. Shares may be repurchased under the program from time to time, in amounts and at prices that the company deems appropriate, subject to market



and business conditions, applicable legal requirements and other considerations. The program may be executed using open market purchases pursuant to Rule 10b-18 under the Exchange Act in privately negotiated agreements, by way of issuer tender offers, Rule 10b5-1 plans or other transactions.

Shares of common stock purchased and placed in treasury during the three months ended September 30, 2015 were as follows:

| Period                                 | Total number of shares purchased (a) | Average price paid per share | Total number of shares purchased as part of publicly announced plan or programs | Maximum value of shares that may yet be purchased under the plan or program (in thousands) |
|----------------------------------------|--------------------------------------|------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| July 1, 2015 - July 31, 2015           | 2,470                                | \$19.30                      | —                                                                               | \$49,752                                                                                   |
| August 1, 2015 - August 31, 2015       | —                                    | \$—                          | —                                                                               | —                                                                                          |
| September 1, 2015 - September 30, 2015 | 308                                  | \$13.73                      | —                                                                               | —                                                                                          |
| Total                                  | 2,778                                | \$18.68                      | —                                                                               | \$49,752                                                                                   |

(a) All of the 2,778 shares purchased during the three months ended September 30, 2015 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from the vesting of restricted stock grants.

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Item 6. Exhibits

| Exhibit<br>Number | DESCRIPTION                                                                                           |
|-------------------|-------------------------------------------------------------------------------------------------------|
| 10.1*             | — Form of Restricted Stock Unit Agreement - Three Year Cliff Vesting (Employees and Consultants).     |
| 10.2*             | — Form of Nonstatutory Stock Option Agreement - Three Year Cliff Vesting (Employees and Consultants). |
| 18.1**            | — Letter Regarding Change in Accounting Principles                                                    |
| 31.1*             | — Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2*             | — Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1**            | — Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2**            | — Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS*          | — XBRL Instance Document.                                                                             |
| 101.SCH*          | — XBRL Taxonomy Extension Schema Document.                                                            |
| 101.CAL*          | — XBRL Taxonomy Extension Calculation Linkbase Document.                                              |
| 101.LAB*          | — XBRL Taxonomy Extension Label Linkbase Document.                                                    |
| 101.PRE*          | — XBRL Taxonomy Extension Presentation Linkbase Document.                                             |
| 101.DEF*          | — XBRL Taxonomy Extension Definition Linkbase Document.                                               |

\* Filed herewith.

\*\* Furnished herewith.

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**SIGNATURES**

As required by Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has authorized this report to be signed on its behalf by the undersigned authorized individuals.

**FORUM ENERGY TECHNOLOGIES, INC.**

Date: October 30, 2015

By: /s/ James W. Harris  
James W. Harris  
Executive Vice President and Chief Financial Officer  
(As Duly Authorized Officer and Principal Financial Officer)

By: /s/ Tylar K. Schmitt  
Tylar K. Schmitt  
Vice President and Chief Accounting Officer  
(As Duly Authorized Officer and Principal Accounting Officer)