

2018 Chairman's Letter

2018 was a successful year. We continued to execute on our mission to grow as a global provider of water and fuel systems. We expanded geographically and extended our product lines, leveraging our global platform and competency in system design. Most importantly, we grew organically by focusing on the needs of our customers.

What grounds us are our Key Factors for Success – Quality, Availability, Service, Innovation, and Cost. These are not just words to us, but indispensable fundamentals that inform every decision we make to ensure we offer the best value and deliver for our shareholders and other stakeholders.

Following our Key Factors, we:

- Achieved record sales of \$1.3 billion—a 15% increase over 2017 with organic growth of 10%.
- Increased earnings before restructuring and U.S. Tax Cuts & Jobs Act changes to \$2.26 per share, an 18% increase over 2017 earnings of \$1.92 per share.
- Achieved record annual sales of \$288 million and operating earnings of \$71 million in our Fueling Systems business (17% and 15% increases over 2017 respectively), with strong organic growth globally.
- Grew sales of Pioneer brand dewatering equipment over 60%, scaling up to meet increasing demand from rental companies, expanded distribution, and growing brand recognition around the world.
- Improved Free Cash Flow to 100% of Net Income from 42% in 2017, by focusing on working capital improvements and leveraging the investment in our new ERP platform.



Each of our business units played a strong part in our success in 2018. Water Systems achieved strong organic growth due to increased availability of products that have earned an unequaled reputation for quality and reliability. As populations grow and change, access to fresh water becomes more complex and critical—and installers around the world are increasingly turning to Franklin Electric for solutions. Whether that's our high-efficiency MagForce™ Permanent Magnet Motor, our VR Series Vertical Multi-Stage Pumps, or Solar Pumping Systems, we build our customer base by offering products that move water more reliably and cost-efficiently than our competitors. We engineer systems of motors, pumps, and drives to meet specific applications, improving customer satisfaction.

Headwater Companies, our network of leading groundwater distributors in the United States, is now almost two years old and continues to grow and model how we'll better serve our markets in the future. Our U.S. distribution strategy doesn't just improve availability and service, it also keeps us closer to our customers, more responsive to their needs, and more innovative in the solutions we provide. With a reach of over 60 locations, Headwater is executing our strategy to clearly position the competitive advantages of our products, as well as those of other groundwater equipment manufacturers, and cross-sell more effectively, including into applications such as irrigation, water treatment, and wastewater.

In 2018, Fueling Systems saw continued global growth, especially in the U.S., China, and Latin America, with record sales and earnings driven by market-leading innovation and support. Like our Water Systems business, our Fueling Systems business is focused on being the market leader, rather than being first to market, although it's often both. New and improved products and services like our Cable Tight™ Wire Management system, EVO™ Series Fuel Management Systems, the FFS PRO® Verify remote installation verification service, as well as the rest of our FFS Pro® suite of professional-grade services, continually raise the bar for the industry. Major petroleum companies are specifying Franklin Fueling Systems products for new installations because we provide total system solutions and comprehensive training tools that cover everything from safety to installation.

We continued to pursue a targeted acquisition strategy, and in 2018 added Industrias Rotor Pump, a geographic expansion into Argentina, Stationary Power, a product line extension to our Grid Solutions business, and Valley Farms Supply, an expansion of our U.S. distribution business. These have already become valuable members of the Franklin family because, in addition to considering how a company complements our portfolio of products and services, we acquire companies whose operating philosophies align with our mission, vision, and values.

This is critical for maintaining and nurturing our greatest asset: my fellow employees. Through my travels to our locations around the globe, I've learned that the "Midwestern Values" we claim in Fort Wayne, Indiana aren't unique to the American Midwest. These values are embraced, taught, and supported throughout the Franklin family, including our dedicated Board of Directors. I'm absolutely convinced that without our foundation in honesty, respect, and hard work, we wouldn't be nearly as successful as we have been.

2019 marks the 75th anniversary of Franklin Electric. A lot has changed at Franklin Electric since E.J. (Ed) Schaefer and T.W. (Wayne) Kehoe founded the company in 1944 in Bluffton, Indiana. Since then, we have grown from a small motor manufacturing company into a leading global provider of systems and components for moving water and fuel. What hasn't changed are the core values we all share. I'm confident that Mr. Schaefer would still find the culture and personality of the company very familiar: we are dedicated to helping our customers meet their most fundamental needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregg C. Sengstack". The signature is fluid and stylized, with a long horizontal stroke at the end.

Gregg C. Sengstack

Chairman of the Board and Chief Executive Officer