

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 25, 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 - 001-34045

**Colfax Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**54-1887631**  
(I.R.S. Employer  
Identification Number)

**420 National Business Parkway, 5th Floor Annapolis Junction,  
Maryland**

(Address of principal executive offices)

**20701**  
(Zip Code)

**(301) 323-9000**

(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.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) 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 September 25, 2015, there were 124,232,426 shares of the registrant's common stock, par value \$.001 per share, outstanding.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**COLFAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
Dollars in thousands, except per share amounts  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
Net sales	\$ 969,144	\$ 1,164,453	\$ 2,905,589	\$ 3,418,120
Cost of sales	673,270	791,258	1,987,240	2,331,122
Gross profit	295,874	373,195	918,349	1,086,998
Selling, general and administrative expense	237,248	245,441	673,109	756,052
Restructuring and other related charges	13,071	8,948	25,658	28,734
Operating income	45,555	118,806	219,582	302,212
Interest expense	10,857	14,935	37,150	40,881
Income before income taxes	34,698	103,871	182,432	261,331
Provision for (benefit from) income taxes	11,153	22,568	43,783	(73,153)
Net income	23,545	81,303	138,649	334,484
Less: income attributable to noncontrolling interest, net of taxes	5,186	7,914	15,107	22,520
Net income attributable to Colfax Corporation	18,359	73,389	123,542	311,964
Dividends on preferred stock	—	—	—	2,348
Preferred stock conversion inducement payment	—	—	—	19,565
Net income available to Colfax Corporation common shareholders	\$ 18,359	\$ 73,389	\$ 123,542	\$ 290,051
Net income per share - basic	\$ 0.15	\$ 0.59	\$ 0.99	\$ 2.41
Net income per share - diluted	\$ 0.15	\$ 0.59	\$ 0.99	\$ 2.38

See Notes to Condensed Consolidated Financial Statements.

**COLFAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
Dollars in thousands  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
Net income	\$ 23,545	\$ 81,303	\$ 138,649	\$ 334,484
Other comprehensive loss:				
Foreign currency translation	(145,177)	(203,135)	(217,418)	(162,253)
Unrealized (loss) gain on hedging activities, net of tax of \$1,641, \$3,226, \$16,069 and \$3,351	(6,830)	16,315	5,429	19,439
Changes in deferred tax related to pension and other postretirement benefit cost	—	—	3,817	1,934
Amounts reclassified from Accumulated other comprehensive loss:				
Net pension and other postretirement benefit cost (income), net of tax of \$903, \$2,153, \$3,574 and \$2,458	1,813	(289)	5,887	3,345
Other comprehensive loss	(150,194)	(187,109)	(202,285)	(137,535)
Comprehensive (loss) income	(126,649)	(105,806)	(63,636)	196,949
Less: comprehensive (loss) income attributable to noncontrolling interest	(6,790)	1,844	(1,434)	15,354
Comprehensive (loss) income attributable to Colfax Corporation	<u>\$ (119,859)</u>	<u>\$ (107,650)</u>	<u>\$ (62,202)</u>	<u>\$ 181,595</u>

See Notes to Condensed Consolidated Financial Statements.

**COLFAX CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
Dollars in thousands, except share amounts  
(Unaudited)

	<u>September 25, 2015</u>	<u>December 31, 2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 221,247	\$ 305,448
Trade receivables, less allowance for doubtful accounts of \$36,905 and \$27,256	990,452	1,029,150
Inventories, net	449,891	442,732
Other current assets	337,502	323,148
Total current assets	<u>1,999,092</u>	<u>2,100,478</u>
Property, plant and equipment, net	664,200	727,435
Goodwill	2,876,011	2,873,023
Intangible assets, net	1,004,232	1,043,583
Other assets	496,361	491,842
Total assets	<u>\$ 7,039,896</u>	<u>\$ 7,236,361</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 16,517	\$ 9,855
Accounts payable	735,310	780,287
Accrued liabilities	453,599	496,207
Total current liabilities	<u>1,205,426</u>	<u>1,286,349</u>
Long-term debt, less current portion	1,532,267	1,526,955
Other liabilities	998,172	1,070,613
Total liabilities	<u>3,735,865</u>	<u>3,883,917</u>
Equity:		
Common stock, \$0.001 par value; 400,000,000 shares authorized; 124,232,426 and 123,730,578 issued and outstanding	124	124
Additional paid-in capital	3,219,262	3,200,832
Retained earnings	513,103	389,561
Accumulated other comprehensive loss	(629,435)	(443,691)
Total Colfax Corporation equity	<u>3,103,054</u>	<u>3,146,826</u>
Noncontrolling interest	200,977	205,618
Total equity	<u>3,304,031</u>	<u>3,352,444</u>
Total liabilities and equity	<u>\$ 7,039,896</u>	<u>\$ 7,236,361</u>

See Notes to Condensed Consolidated Financial Statements.

**COLFAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF EQUITY**  
**Dollars in thousands, except share amounts and as noted**  
**(Unaudited)**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	\$ Amount					
Balance at January 1, 2015	123,730,578	\$ 124	\$ 3,200,832	\$ 389,561	\$ (443,691)	\$ 205,618	\$ 3,352,444
Net income	—	—	—	123,542	—	15,107	138,649
Distributions to noncontrolling owners	—	—	—	—	—	(3,207)	(3,207)
Other comprehensive loss, net of tax of \$15.8 million	—	—	—	—	(185,744)	(16,541)	(202,285)
Common stock-based award activity	435,848	—	15,002	—	—	—	15,002
Contribution to defined benefit pension plan	66,000	—	3,428	—	—	—	3,428
Balance at September 25, 2015	124,232,426	\$ 124	\$ 3,219,262	\$ 513,103	\$ (629,435)	\$ 200,977	\$ 3,304,031

See Notes to Condensed Consolidated Financial Statements.

**COLFAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Dollars in thousands  
(Unaudited)

	Nine Months Ended	
	September 25, 2015	September 26, 2014
<b>Cash flows from operating activities:</b>		
Net income	\$ 138,649	\$ 334,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and impairment charges	110,776	129,448
Stock-based compensation expense	11,886	13,081
Non-cash interest expense	10,099	6,990
Deferred income tax provision (benefit)	15	(151,788)
Changes in operating assets and liabilities:		
Trade receivables, net	(38,972)	(38,666)
Inventories, net	(20,967)	5,200
Accounts payable	3,710	(82,874)
Changes in other operating assets and liabilities	(63,058)	(14,353)
<b>Net cash provided by operating activities</b>	<b>152,138</b>	<b>201,522</b>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets, net	(32,729)	(59,050)
Acquisitions, net of cash acquired	(184,500)	(948,800)
<b>Net cash used in investing activities</b>	<b>(217,229)</b>	<b>(1,007,850)</b>
<b>Cash flows from financing activities:</b>		
Borrowings under term credit facility	750,000	150,000
Payments under term credit facility	(1,223,497)	—
Proceeds from borrowings on revolving credit facilities and other	1,328,332	1,093,151
Repayments of borrowings on revolving credit facilities and other	(835,232)	(1,023,565)
Proceeds from issuance of common stock, net	3,116	612,982
Preferred stock conversion inducement payment	—	(19,565)
Payments of dividend on preferred stock	—	(3,853)
Other	(9,796)	(22,250)
<b>Net cash provided by financing activities</b>	<b>12,923</b>	<b>786,900</b>
<b>Effect of foreign exchange rates on Cash and cash equivalents</b>	<b>(32,033)</b>	<b>(5,253)</b>
Decrease in Cash and cash equivalents	(84,201)	(24,681)
Cash and cash equivalents, beginning of period	305,448	311,301
<b>Cash and cash equivalents, end of period</b>	<b>\$ 221,247</b>	<b>\$ 286,620</b>

See Notes to Condensed Consolidated Financial Statements.

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. General**

Colfax Corporation (the "Company" or "Colfax") is a diversified global industrial manufacturing and engineering company that provides gas- and fluid-handling and fabrication technology products and services to customers around the world under the Howden, ESAB and Colfax Fluid Handling brand names.

The Condensed Consolidated Financial Statements included in this quarterly report have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements.

The Condensed Consolidated Balance Sheet as of December 31, 2014 is derived from the Company's audited financial statements. During the nine months ended September 25, 2015, adjustments were made retrospectively to provisional amounts recorded as of December 31, 2014, primarily due to the Company's valuation of specific items related to an acquisition that occurred in the three months ended June 27, 2014. See Note 3, "Acquisitions" for additional information regarding these adjustments. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the SEC's rules and regulations for interim financial statements. The Condensed Consolidated Financial Statements included herein should be read in conjunction with the audited financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K"), filed with the SEC on February 17, 2015.

The Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations as of and for the periods indicated. Significant intercompany transactions and accounts are eliminated in consolidation.

The Company makes certain estimates and assumptions in preparing its Condensed Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates. During the three months ended September 25, 2015, the Company's Allowance for doubtful accounts was increased in recognition of uncertain economic conditions present in certain South American territories. One specific customer accounted for approximately \$8.1 million of this increase.

The results of operations for the three and nine months ended September 25, 2015 are not necessarily indicative of the results of operations that may be achieved for the full year. Quarterly results are affected by seasonal variations in the Company's business. As our gas- and fluid-handling customers seek to fully utilize capital spending budgets before the end of the year, historically our shipments have peaked during the fourth quarter. Also, all of our European operations typically experience a slowdown during the July and August and December holiday seasons. General economic conditions may, however, impact future seasonal variations.

**2. Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU No. 2014-09"). ASU No. 2014-09 clarifies the principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance affects entities that enter into contracts with customers to transfer goods or services, and supersedes prior GAAP guidance, namely Accounting Standards Codification Topic 605—Revenue Recognition. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606)", which delays the effective date of ASU No. 2014-09 by one year. As a result, ASU No. 2014-09 will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted but not prior to the original effective date of annual periods beginning after December 15, 2016. ASU 2014-09 is to be applied retrospectively, or on a modified retrospective basis. The Company is currently evaluating the impact of adopting ASU No. 2014-09 on its Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30)" ("ASU No. 2015-03"). ASU No. 2015-03 aims to simplify the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Currently, debt issuance costs are presented as a deferred charge under GAAP. ASU No. 2015-03 is effective for fiscal years beginning after December 15, 2015, and is to be applied retrospectively, with early adoption permitted. The Company has early adopted ASU No. 2015-03 during the nine months ended September 25, 2015 resulting in \$2.5 million of debt issuance costs presented as a direct deduction to the Company's Long-term debt in the Condensed Consolidated Balance Sheet as of



**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

September 25, 2015. The retrospective application of ASU No. 2015-03 decreased Other assets and Long-term debt by \$2.4 million in the Condensed Consolidated Balance Sheet as of December 31, 2014. The Company has applied the provisions of ASU No. 2015-15, "Interest—Imputation of Interest (Subtopic 835-30)" and presents deferred costs associated with its line-of-credit agreements as an asset in the Condensed Consolidated Balance Sheet.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, "Fair Value Measurement (Topic 820)—Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (Subtopic 835-30)" ("ASU No. 2015-07"). ASU No. 2015-07 aims to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Investments that calculate net asset value per share (or its equivalent), but for which the practical expedient is not applied will continue to be included in the fair value hierarchy along with the related required disclosures. ASU No. 2015-07 is effective for fiscal years beginning after December 15, 2015, and is to be applied retrospectively, with early adoption permitted. The Company plans to early adopt ASU No. 2015-07 in the Notes to Financial Statements as of December 31, 2015 and will apply the disclosure provisions of ASU 2015-07 to all investments measured using the net asset value per share practical expedient.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, "Inventory (Topic 330)—Simplifying the Measurement of Inventory" ("ASU No. 2015-11"). ASU No. 2015-11 requires an entity to measure inventory at the lower of cost and net realizable value, except for inventory that is measured using the last-in, first-out method or the retail inventory method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU No. 2015-11 is effective for fiscal years beginning after December 15, 2016 and is to be applied prospectively with early adoption permitted. The Company is currently evaluating the impact of adopting ASU No. 2015-11 on its Consolidated Financial Statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, "Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments" ("ASU No. 2015-16"). ASU No. 2015-16 aims to simplify measurement period adjustments resulting from business combinations by requiring that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date, will be recorded in the same period's financial statements as the measurement period adjustment. ASU No. 2015-16 is effective for fiscal years beginning after December 15, 2015, and is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of ASU No. 2015-16. The Company will adopt ASU No. 2015-16 prospectively in the fiscal period beginning after December 15, 2015.

### **3. Acquisitions**

On June 30, 2015, Colfax completed the acquisition of the Roots™ blowers and compressors business unit ("Roots"), also known as Industrial Air & Gas Technologies, from GE Oil & Gas (the "Roots Acquisition") for cash consideration of approximately \$185 million, subject to certain purchase price adjustments. Roots is a leading supplier of blower and compressor technologies which service a broad range of end markets, including wastewater treatment, chemical production, and power generation. The acquisition of Roots will build on Howden's global strength in compressors and blowers and will add important application expertise and product solutions to the portfolio.

On April 14, 2014, Colfax completed the acquisition of Victor Technologies Holdings, Inc. (the "Victor Acquisition"). During the nine months ended September 25, 2015, the Company retrospectively adjusted provisional amounts with respect to the Victor Acquisition that were recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. The aggregate adjustments for the nine months ended September 25, 2015 increased the Goodwill balance by \$0.1 million, primarily due to finalization of the Company's valuation of certain deferred tax assets and liabilities offset by finalization of the valuation of certain fixed assets and an adjustment to a VAT tax position in a specific foreign entity.

### **4. Goodwill and Intangible Assets**

During the three months ended September 25, 2015, an analysis was performed to evaluate certain intangible assets related to specific operations within the Company due to a decline in anticipated performance at the operations associated with those assets. The analysis determined an indefinite-lived trade name within the Company's fabrication technology segment, was no longer

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

recoverable based upon relief from royalty measurements. The analysis resulted in a \$1.5 million impairment loss. A finite-lived intangible asset associated with customer relationships at a specific operation within the gas- and fluid-handling segment, was determined to be no longer recoverable based upon projected net cash flows, resulting in a \$1.7 million impairment loss. The impairment losses were included in Selling, general and administrative expense in the accompanying Condensed Consolidated Statements of Income for the three and nine months ended September 25, 2015.

On June 30, 2015, the Company completed the acquisition of Roots, resulting in recognition of \$84.1 million of Goodwill within the Company's gas- and fluid- handling segment, based on the preliminary purchase price allocation of the estimated fair values of the assets acquired and liabilities assumed at the date of the Roots Acquisition. These amounts are based upon certain valuations, studies and analyses that have yet to be finalized, and, accordingly, the assets acquired and liabilities assumed are subject to adjustment once the detailed analyses are completed. See Note 3, "Acquisitions" for additional information regarding the Roots Acquisition.

**5. Net Income Per Share**

Net income per share available to Colfax Corporation common shareholders was computed as follows:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
(In thousands, except share data)				
<i>Computation of Net income per share - basic:</i>				
Net income available to Colfax Corporation common shareholders	\$ 18,359	\$ 73,389	\$ 123,542	\$ 290,051
Weighted-average shares of Common stock outstanding - basic	124,404,267	123,841,699	124,205,441	120,163,945
Net income per share - basic	\$ 0.15	\$ 0.59	\$ 0.99	\$ 2.41
<i>Computation of Net income per share - diluted:</i>				
Net income available to Colfax Corporation common shareholders	\$ 18,359	\$ 73,389	\$ 123,542	\$ 290,051
Weighted-average shares of Common stock outstanding - basic	124,404,267	123,841,699	124,205,441	120,163,945
Net effect of potentially dilutive securities - stock options and restricted stock units	628,000	1,538,867	928,165	1,605,381
Weighted-average shares of Common stock outstanding - diluted <sup>(1)</sup>	125,032,267	125,380,566	125,133,606	121,769,326
Net income per share - diluted	\$ 0.15	\$ 0.59	\$ 0.99	\$ 2.38

<sup>(1)</sup> For the period from January 1, 2014 through February 12, 2014, Net income per share - diluted was calculated consistently with the if-converted method in accordance with GAAP until the outstanding shares of Series A Perpetual Convertible Preferred Stock were converted to Common stock on February 12, 2014. However, weighted-average shares outstanding - diluted for the nine months ended September 26, 2014 excludes the weighted average effect of 1.9 million Common stock equivalents for the period from January 1, 2014 through February 12, 2014, as their inclusion would be anti-dilutive.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the three months ended September 25, 2015 and September 26, 2014 excludes approximately 3.2 million and 1.0 million of outstanding stock-based compensation awards, respectively, as their inclusion would be anti-dilutive. The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the nine months ended September 25, 2015 and September 26, 2014 excludes approximately 2.5 million and 0.7 million of outstanding stock-based compensation awards, respectively, as their inclusion would be anti-dilutive.

**6. Income Taxes**

During the three months ended September 25, 2015, Income before income taxes was \$34.7 million and the Provision for income taxes was \$11.2 million. The effective tax rate of 32.1% for the three months ended September 25, 2015 differs from the U.S. federal statutory rate primarily due to international tax rates, which are lower than the U.S. tax rate, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2015.

During the nine months ended September 25, 2015, Income before income taxes was \$182.4 million and the Provision for income taxes was \$43.8 million. The effective tax rate of 24.0% for the nine months ended September 25, 2015 differs from the U.S. federal statutory rate primarily due to a tax benefit of \$13.0 million associated with the resolution of a certain liability for

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

unrecognized tax benefits and international tax rates, which are lower than the U.S. tax rate, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2015.

During the three months ended September 26, 2014, Income before income taxes was \$103.9 million and the Provision for income taxes was \$22.6 million. The effective tax rate of 21.7% for the three months ended September 26, 2014 differs from the U.S. federal statutory rate primarily due to international tax rates, which are lower than the U.S. tax rate, and a decrease in the valuation allowance against U.S. pre-tax income during the period.

Income before income taxes was \$261.3 million and the Benefit from income taxes was \$73.2 million for the nine months ended September 26, 2014. The Benefit from income taxes for the nine months ended September 26, 2014 was impacted by the reassessment of the realizability of certain deferred tax assets as a result of the effect of the Victor Acquisition on expected future income. This reassessment resulted in a decrease in the Company's valuation allowance against U.S. deferred tax assets. The reduction in the valuation allowance created a non-cash income tax benefit for the nine months ended September 26, 2014 of approximately \$120 million. Additionally, a tax benefit of \$22.7 million was included in Benefit from income taxes in the Condensed Consolidated Statement of Income for the nine months ended September 26, 2014 associated with the resolution of a liability for unrecognized tax benefits. These items are the principal reasons for a tax benefit rather than a tax provision, which would result from the application of the U.S. federal statutory rate to the reported Income before income taxes for the nine months ended September 26, 2014.

## **7. Equity**

### *Common Stock*

On May 21, 2015, the Company contributed 66,000 shares of newly issued Colfax Common stock to its U.S. defined benefit pension plan.

### *Share Repurchase Program*

On October 11, 2015, the Company's Board of Directors authorized the repurchase of up to \$100.0 million of the Company's Common stock from time-to-time on the open market or in privately negotiated transactions. The repurchase program is authorized until December 31, 2016. The timing and amount of shares repurchased is to be determined by management based on its evaluation of market conditions and other factors. Since October 16, 2015, the Company has repurchased 663,349 shares of the Company's Common stock in open market transactions through the close of business on October 21, 2015.

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

*Accumulated Other Comprehensive Loss*

The following tables present the changes in the balances of each component of Accumulated other comprehensive loss including reclassifications out of Accumulated other comprehensive loss for the nine months ended September 25, 2015 and September 26, 2014. All amounts are net of tax and noncontrolling interest.

	<b>Accumulated Other Comprehensive Loss Components</b>			
	<b>Net Unrecognized Pension And Other Post-Retirement Benefit Cost</b>	<b>Foreign Currency Translation Adjustment</b>	<b>Unrealized Gain On Hedging Activities</b>	<b>Total</b>
	<b>(In thousands)</b>			
Balance at January 1, 2015	\$ (240,513)	\$ (227,059)	\$ 23,881	\$ (443,691)
Other comprehensive income (loss) before reclassifications:				
Foreign currency translation adjustment	6,090	(198,347)	(365)	(192,622)
Loss on long-term intra-entity foreign currency transactions	—	(8,203)	—	(8,203)
Gain on net investment hedges	—	—	8,727	8,727
Unrealized loss on cash flow hedges	—	—	(3,350)	(3,350)
Other	3,817	—	—	3,817
Other comprehensive income (loss) before reclassifications	9,907	(206,550)	5,012	(191,631)
Amounts reclassified from Accumulated other comprehensive loss	5,887	—	—	5,887
Net current period Other comprehensive income (loss)	15,794	(206,550)	5,012	(185,744)
Balance at September 25, 2015	\$ (224,719)	\$ (433,609)	\$ 28,893	\$ (629,435)

	<b>Accumulated Other Comprehensive Loss Components</b>			
	<b>Net Unrecognized Pension And Other Post-Retirement Benefit Cost</b>	<b>Foreign Currency Translation Adjustment</b>	<b>Unrealized (Loss) Gain On Hedging Activities</b>	<b>Total</b>
	<b>(In thousands)</b>			
Balance at January 1, 2014	\$ (163,092)	\$ 123,021	\$ (6,529)	\$ (46,600)
Acquisition of shares held by noncontrolling interest	—	(942)	—	(942)
Other comprehensive income (loss) before reclassifications:				
Foreign currency translation adjustment	2,440	(158,600)	(8)	(156,168)
Gain on long-term intra-entity foreign currency transactions	—	1,083	—	1,083
Gain on net investment hedges	—	—	25,013	25,013
Unrealized loss on cash flow hedges	—	—	(5,576)	(5,576)
Other	1,934	—	—	1,934
Other comprehensive income (loss) before reclassifications	4,374	(157,517)	19,429	(133,714)
Amounts reclassified from Accumulated other comprehensive loss	3,345	—	—	3,345
Net current period Other comprehensive income (loss)	7,719	(157,517)	19,429	(130,369)
Balance at September 26, 2014	\$ (155,373)	\$ (35,438)	\$ 12,900	\$ (177,911)

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

The effect on Net income of amounts reclassified out of each component of Accumulated other comprehensive loss for the three and nine months ended September 25, 2015 and September 26, 2014 is as follows:

	Three Months Ended September 25, 2015			Nine Months Ended September 25, 2015		
	Amounts Reclassified From Accumulated Other Comprehensive Loss	Tax Benefit	Total	Amounts Reclassified From Accumulated Other Comprehensive Loss	Tax Benefit	Total
	(In thousands)					
<b>Pension and other post-retirement benefit cost:</b>						
Amortization of net loss <sup>(1)</sup>	\$ 2,662	\$ (903)	\$ 1,759	\$ 9,276	\$ (3,574)	\$ 5,702
Amortization of prior service cost <sup>(1)</sup>	54	—	54	185	—	185
	\$ 2,716	\$ (903)	\$ 1,813	\$ 9,461	\$ (3,574)	\$ 5,887

	Three Months Ended September 26, 2014			Nine Months Ended September 26, 2014		
	Amounts Reclassified From Accumulated Other Comprehensive Loss	Tax Benefit	Total	Amounts Reclassified From Accumulated Other Comprehensive Loss	Tax Benefit	Total
	(In thousands)					
<b>Pension and other post-retirement benefit cost:</b>						
Amortization of net loss <sup>(1)</sup>	\$ 1,801	\$ (2,153)	\$ (352)	\$ 5,616	\$ (2,458)	\$ 3,158
Amortization of prior service cost <sup>(1)</sup>	63	—	63	187	—	187
	\$ 1,864	\$ (2,153)	\$ (289)	\$ 5,803	\$ (2,458)	\$ 3,345

<sup>(1)</sup>Included in the computation of net periodic benefit (income) cost. See Note 11, "Net Periodic Benefit Cost - Defined Benefit Plans" for additional details.

During the nine months ended September 25, 2015 and September 26, 2014, Noncontrolling interest decreased by \$16.5 million and \$7.2 million, respectively, as a result of Other comprehensive loss, primarily due to foreign currency translation adjustment.

**8. Inventories, Net**

Inventories, net consisted of the following:

	September 25, 2015	December 31, 2014
	(In thousands)	
Raw materials	\$ 172,890	\$ 164,115
Work in process	75,848	81,110
Finished goods	255,151	239,808
	503,889	485,033
Less: customer progress payments	(17,417)	(7,728)
Less: allowance for excess, slow-moving and obsolete inventory	(36,581)	(34,573)
Inventories, net	\$ 449,891	\$ 442,732

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**9. Debt**

Long-term debt consisted of the following:

	September 25, 2015	December 31, 2014
	(In thousands)	
Term loans	\$ 722,189	\$ 1,210,474
Trade receivables financing arrangement	80,000	80,000
Revolving credit facilities and other	746,595	246,336
Total Debt	1,548,784	1,536,810
Less: current portion	(16,517)	(9,855)
Long-term debt	\$ 1,532,267	\$ 1,526,955

On June 5, 2015, the Company entered into a credit agreement (the "Credit Agreement") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator.

The proceeds of the loans under the Credit Agreement were used by the Company to repay in full its preexisting senior secured credit facility, by and among the Company, Colfax UK Holdings Ltd, the other subsidiaries of the Company party thereto, the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent (the "Deutsche Bank Credit Agreement"), as well as for working capital and general corporate purposes. The Credit Agreement consists of a term loan in an aggregate amount of \$750.0 million (the "Term Loan") and a revolving credit facility (the "Revolver"), each of which matures in five years. The Revolver contains a \$50.0 million swing line loan sub-facility.

On September 25, 2015, the Company entered into an Increase Agreement, as provided for under the terms of the Credit Agreement. Under the Increase Agreement, the Company increased the Revolver by \$300.0 million, resulting in a total Revolver commitment under the Credit Agreement of \$1.3 billion.

The Term Loan and the Revolver bear interest, at the election of the Company, at either the base rate (as defined in the Credit Agreement) or the Eurocurrency rate (as defined in the Credit Agreement), in each case, plus the applicable interest rate margin. The Term Loan and the Revolver initially bear interest either at the Eurocurrency rate plus 1.50% or at the base rate plus 0.50%, and in future quarters will bear interest either at the Eurocurrency rate or the base rate plus the applicable interest rate margin based upon either, whichever results in the lower applicable interest rate margin (subject to certain exceptions), the Company's total leverage ratio and the corporate family rating of the Company as determined by Standard & Poor's and Moody's (ranging from 1.25% to 2.00%, in the case of the Eurocurrency margin, and 0.25% to 1.00%, in the case of the base rate margin). Each swing line loan denominated in dollars will bear interest at the base rate plus the applicable interest rate margin and each swing line loan denominated in any other currency available under the credit facility will bear interest at the Eurocurrency rate plus the applicable interest rate margin.

In conjunction with the Credit Agreement, the Company recorded a charge to Interest expense in the Condensed Consolidated Statement of Income for the nine months ended September 25, 2015 of \$4.7 million to write-off certain deferred financing fees and original issue discount and expensed approximately \$0.4 million of costs incurred in connection with the refinancing of the Deutsche Bank Credit Agreement. The Company had an original issue discount of \$6.5 million and deferred financing fees of \$9.4 million included in its Condensed Consolidated Balance Sheet as of September 25, 2015, which will be accreted to Interest expense primarily using the effective interest method, over the life of the Credit Agreement. As of September 25, 2015, the weighted-average interest rate of borrowings under the Credit Agreement was 1.70%, excluding accretion of original issue discount, and there was \$586.5 million available on the revolving credit facility.

The Company is also party to letter of credit facilities with total capacity of \$736.1 million. Total letters of credit of \$363.1 million were outstanding as of September 25, 2015.

On December 22, 2014, the Company entered into a receivables financing facility, pursuant to which it established a wholly owned, special purpose bankruptcy-remote subsidiary which purchases trade receivables from certain of the Company's subsidiaries on an ongoing basis and pledges them to support its obligation as borrower under the receivables financing facility. This special purpose subsidiary has a separate legal existence from its parent and its assets are not available to satisfy the claims of creditors of the selling subsidiaries or any other member of the consolidated group. Availability of funds may fluctuate over time given changes in eligible receivable balances, but will not exceed the \$80.0 million program limit. As of September 25, 2015, the total

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outstanding borrowings under the receivables financing facility were \$80.0 million and the interest rate was 0.9%. The scheduled termination date for the receivables financing facility is December 21, 2015, which may be extended from time to time. The facility contains representations, warranties, covenants and indemnities customary for facilities of this type. The facility does not contain any covenants that the Company views as materially constraining to the activities of its business.

The contractual maturities of the Company's debt as of September 25, 2015 are as follows<sup>(1)</sup>:

	<b>(In thousands)</b>
Remainder of 2015	\$ 15,582
2016	5,620
2017	4,452
2018	4,142
2019	35,550
2020	1,492,500
<b>Total contractual maturities</b>	<b>1,557,846</b>
Debt discount <sup>(2)</sup>	(9,062)
<b>Total debt</b>	<b>\$ 1,548,784</b>

<sup>(1)</sup> Represents scheduled payments required under the Credit Agreement through June 5, 2020, as well as the contractual maturities of other debt outstanding as of September 25, 2015, and reflects management's intention to repay scheduled maturities of the term loans outstanding under the Credit Agreement and the trade receivables financing arrangement (if not extended) with proceeds from the revolving credit facility.

<sup>(2)</sup> Includes \$2.5 million of deferred debt issuance costs pursuant to the adoption of ASU 2015-03. See Note 2, "Recently Issued Accounting Pronouncements" for further discussion.

Certain U.S. subsidiaries of the Company have agreed to guarantee the obligations of the Company under the Credit Agreement. The Credit Agreement contains customary covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt or liens, merge or consolidate with others, dispose of assets, make investments or pay dividends. In addition, the Credit Agreement contains financial covenants requiring the Company to maintain a total leverage ratio, as defined therein, of not more than 3.5 to 1.0 and minimum interest coverage ratio, as defined therein, of 3.0 to 1.0, measured at the end of each quarter. The Credit Agreement contains various events of default (including failure to comply with the covenants under the Credit Agreement and related agreements) and upon an event of default the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term Loan and the Revolver. As of September 25, 2015, the Company is in compliance with the covenants under the Credit Agreement.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

**10. Accrued Liabilities**

Accrued liabilities in the Condensed Consolidated Balance Sheets consisted of the following:

	September 25, 2015	December 31, 2014 <sup>(1)</sup>
	(In thousands)	
Accrued payroll	\$ 128,700	\$ 120,068
Advance payments from customers	50,577	58,049
Accrued taxes and deferred tax liability - current portion	49,037	58,823
Accrued asbestos-related liability	51,539	50,175
Warranty liability - current portion	40,531	47,966
Accrued restructuring liability - current portion	11,549	21,846
Accrued third-party commissions	10,535	11,026
Other	111,131	128,254
Accrued liabilities	<u>\$ 453,599</u>	<u>\$ 496,207</u>

<sup>(1)</sup> During the nine months ended September 25, 2015 the Company retrospectively adjusted provisional amounts with respect to an acquisition completed during the three months ended June 27, 2014 to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. See Note 3, "Acquisitions" for further discussion regarding these adjustments.

*Warranty Liability*

The activity in the Company's warranty liability consisted of the following:

	Nine Months Ended	
	September 25, 2015	September 26, 2014
	(In thousands)	
Warranty liability, beginning of period	\$ 51,135	\$ 65,512
Accrued warranty expense	14,392	14,814
Changes in estimates related to pre-existing warranties	(2,467)	(4,612)
Cost of warranty service work performed	(18,657)	(20,111)
Acquisition	321	4,488
Foreign exchange translation effect	(3,142)	(6,781)
Warranty liability, end of period	<u>\$ 41,582</u>	<u>\$ 53,310</u>



**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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*Accrued Restructuring Liability*

The Company's restructuring programs include a series of restructuring actions to reduce the structural costs of the Company.

A summary of the activity in the Company's restructuring liability included in Accrued liabilities and Other liabilities in the Condensed Consolidated Balance Sheets is as follows:

	Nine Months Ended September 25, 2015				
	Balance at Beginning of Period	Provisions	Payments	Foreign Currency Translation	Balance at End of Period <sup>(3)</sup>
(In thousands)					
<b>Restructuring and other related charges:</b>					
<b>Gas and Fluid Handling:</b>					
Termination benefits <sup>(1)</sup>	\$ 7,551	\$ 6,172	\$ (10,900)	\$ (452)	\$ 2,371
Facility closure costs <sup>(2)</sup>	1,445	3,472	(2,951)	(161)	1,805
	<u>8,996</u>	<u>9,644</u>	<u>(13,851)</u>	<u>(613)</u>	<u>4,176</u>
Non-cash impairment		1,918			
		<u>11,562</u>			
<b>Fabrication Technology:</b>					
Termination benefits <sup>(1)</sup>	11,155	8,604	(12,502)	(323)	6,934
Facility closure costs <sup>(2)</sup>	1,937	5,492	(6,424)	(166)	839
	<u>13,092</u>	<u>14,096</u>	<u>(18,926)</u>	<u>(489)</u>	<u>7,773</u>
<b>Corporate and Other:</b>					
Facility closure costs <sup>(2)</sup>	922	—	(184)	(25)	713
	<u>922</u>	<u>—</u>	<u>(184)</u>	<u>(25)</u>	<u>713</u>
	<u>\$ 23,010</u>	<u>23,740</u>	<u>\$ (32,961)</u>	<u>\$ (1,127)</u>	<u>\$ 12,662</u>
Non-cash impairment		1,918			
		<u>\$ 25,658</u>			

<sup>(1)</sup> Includes severance and other termination benefits, including outplacement services. The Company recognizes the cost of involuntary termination benefits at the communication date or ratably over any remaining expected future service period. Voluntary termination benefits are recognized as a liability and an expense when employees accept the offer and the amount can be reasonably estimated.

<sup>(2)</sup> Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities.

<sup>(3)</sup> As of September 25, 2015, \$11.5 million and \$1.2 million of the Company's restructuring liability was included in Accrued liabilities and Other liabilities, respectively.

The Company expects to incur restructuring and other related charges of approximately \$40 million during the remainder of 2015 related to these restructuring activities.

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

**11. Net Periodic Benefit Cost - Defined Benefit Plans**

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

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
<b>(In thousands)</b>				
<b>Pension Benefits-U.S. Plans:</b>				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	4,128	4,796	12,709	14,118
Expected return on plan assets	(6,150)	(6,180)	(18,189)	(18,114)
Amortization	1,665	1,298	5,464	3,894
Net periodic benefit income	<u>\$ (357)</u>	<u>\$ (86)</u>	<u>\$ (16)</u>	<u>\$ (102)</u>
<b>Pension Benefits-Non U.S. Plans:</b>				
Service cost	\$ 947	\$ 1,127	\$ 2,972	\$ 3,039
Interest cost	9,563	12,717	29,099	37,804
Expected return on plan assets	(8,485)	(10,937)	(26,294)	(32,580)
Amortization	907	456	3,486	1,579
Net periodic benefit cost	<u>\$ 2,932</u>	<u>\$ 3,363</u>	<u>\$ 9,263</u>	<u>\$ 9,842</u>
<b>Other Post-Retirement Benefits:</b>				
Service cost	\$ 49	\$ 21	\$ 151	\$ 94
Interest cost	248	288	887	871
Amortization	144	110	511	330
Net periodic benefit cost	<u>\$ 441</u>	<u>\$ 419</u>	<u>\$ 1,549</u>	<u>\$ 1,295</u>

**12. Financial Instruments and Fair Value Measurements**

The carrying values of financial instruments, including Trade receivables and Accounts payable, approximate their fair values due to their short-term maturities. The estimated fair value of the Company's debt of \$1.5 billion as of both September 25, 2015 and December 31, 2014 was based on current interest rates for similar types of borrowings and is in Level Two of the fair value hierarchy. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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A summary of the Company's assets and liabilities that are measured at fair value for each fair value hierarchy level for the periods presented is as follows:

	September 25, 2015			
	Level One	Level Two	Level Three	Total
(In thousands)				
<i>Assets:</i>				
Cash equivalents	\$ 22,976	\$ —	\$ —	\$ 22,976
Foreign currency contracts related to sales - designated as hedges	—	1,869	—	1,869
Foreign currency contracts related to sales - not designated as hedges	—	1,754	—	1,754
Foreign currency contracts related to purchases - designated as hedges	—	1,023	—	1,023
Foreign currency contracts related to purchases - not designated as hedges	—	503	—	503
Deferred compensation plans	—	3,636	—	3,636
	<u>\$ 22,976</u>	<u>\$ 8,785</u>	<u>\$ —</u>	<u>\$ 31,761</u>
<i>Liabilities:</i>				
Foreign currency contracts related to sales - designated as hedges	\$ —	\$ 6,247	\$ —	\$ 6,247
Foreign currency contracts related to sales - not designated as hedges	—	494	—	494
Foreign currency contracts related to purchases - designated as hedges	—	354	—	354
Foreign currency contracts related to purchases - not designated as hedges	—	641	—	641
Deferred compensation plans	—	3,636	—	3,636
	<u>\$ —</u>	<u>\$ 11,372</u>	<u>\$ —</u>	<u>\$ 11,372</u>

	December 31, 2014			
	Level One	Level Two	Level Three	Total
(In thousands)				
<i>Assets:</i>				
Cash equivalents	\$ 23,143	\$ —	\$ —	\$ 23,143
Foreign currency contracts related to sales - designated as hedges	—	4,524	—	4,524
Foreign currency contracts related to sales - not designated as hedges	—	1,007	—	1,007
Foreign currency contracts related to purchases - designated as hedges	—	1,980	—	1,980
Foreign currency contracts related to purchases - not designated as hedges	—	478	—	478
Deferred compensation plans	—	2,941	—	2,941
	<u>\$ 23,143</u>	<u>\$ 10,930</u>	<u>\$ —</u>	<u>\$ 34,073</u>
<i>Liabilities:</i>				
Foreign currency contracts related to sales - designated as hedges	\$ —	\$ 7,163	\$ —	\$ 7,163
Foreign currency contracts related to sales - not designated as hedges	—	2,793	—	2,793
Foreign currency contracts related to purchases - designated as hedges	—	695	—	695
Foreign currency contracts related to purchases - not designated as hedges	—	661	—	661
Deferred compensation plans	—	2,941	—	2,941
	<u>\$ —</u>	<u>\$ 14,253</u>	<u>\$ —</u>	<u>\$ 14,253</u>

There were no transfers in or out of Level One, Two or Three during the nine months ended September 25, 2015.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**Foreign Currency Contracts**

As of September 25, 2015 and December 31, 2014, the Company had foreign currency contracts with the following notional values:

	September 25, 2015	December 31, 2014
	(In thousands)	
Foreign currency contracts sold - not designated as hedges	\$ 135,703	\$ 124,838
Foreign currency contracts sold - designated as hedges	220,307	250,743
Foreign currency contracts purchased - not designated as hedges	35,377	36,080
Foreign currency contracts purchased - designated as hedges	56,402	53,944
<b>Total foreign currency derivatives</b>	<b>\$ 447,789</b>	<b>\$ 465,605</b>

The Company recognized the following in its Condensed Consolidated Financial Statements related to its derivative instruments:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(In thousands)			
<b>Contracts Designated as Hedges:</b>				
Foreign Currency Contracts - related to customer sales contracts:				
Unrealized loss	\$ (4,354)	\$ (1,054)	\$ (3,846)	\$ (2,212)
Realized (loss) gain	(2,378)	(3,566)	1,124	(3,821)
Foreign Currency Contracts - related to supplier purchase contracts:				
Unrealized loss	(666)	(1,661)	(990)	(1,910)
Realized gain	2,072	2,389	122	2,497
Unrealized (loss) gain on net investment hedges <sup>(1)</sup>	(1,485)	20,240	8,727	25,013
<b>Contracts Not Designated in a Hedge Relationship:</b>				
Foreign Currency Contracts - related to customer sales contracts:				
Unrealized gain (loss)	774	(1,539)	3,046	(1,575)
Realized loss	(449)	(1,312)	(4,710)	(3,026)
Foreign Currency Contracts - related to supplier purchases contracts:				
Unrealized (loss) gain	(342)	594	45	(1,863)
Realized (loss) gain	(548)	77	(134)	1,851

<sup>(1)</sup> The unrealized (loss) gain on net investment hedges is attributable to the change in valuation of Euro denominated debt.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**13. Commitments and Contingencies**

For further description of the Company's litigation and contingencies, reference is made to Note 15, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in our 2014 Form 10-K.

**Asbestos and Other Product Liability Contingencies**

Claims activity since December 31 related to asbestos claims is as follows<sup>(1)</sup>:

	Nine Months Ended	
	September 25, 2015	September 26, 2014
	(Number of claims)	
Claims unresolved, beginning of period	21,681	22,393
Claims filed <sup>(2)</sup>	3,711	3,586
Claims resolved <sup>(3)</sup>	(3,260)	(2,916)
Claims unresolved, end of period	22,132	23,063

<sup>(1)</sup> Excludes claims filed by one legal firm that have been "administratively dismissed."

<sup>(2)</sup> Claims filed include all asbestos claims for which notification has been received or a file has been opened.

<sup>(3)</sup> Claims resolved include all asbestos claims that have been settled, dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.

The Company's Condensed Consolidated Balance Sheets included the following amounts related to asbestos-related litigation:

	September 25, 2015		December 31, 2014	
	(In thousands)			
Current asbestos insurance asset <sup>(1)</sup>	\$	31,044	\$	34,540
Long-term asbestos insurance asset <sup>(2)</sup>		288,582		282,679
Long-term asbestos insurance receivable <sup>(2)</sup>		87,849		82,340
Accrued asbestos liability <sup>(3)</sup>		51,539		50,175
Long-term asbestos liability <sup>(4)</sup>		355,460		346,099

<sup>(1)</sup> Included in Other current assets in the Condensed Consolidated Balance Sheets.

<sup>(2)</sup> Included in Other assets in the Condensed Consolidated Balance Sheets.

<sup>(3)</sup> Represents current reserves for probable and reasonably estimable asbestos-related liability cost that the Company believes its subsidiaries will pay through the next 15 years, overpayments by certain insurers and unpaid legal costs related to defending themselves against asbestos-related liability claims and legal action against the Company's insurers, which is included in Accrued liabilities in the Condensed Consolidated Balance Sheets.

<sup>(4)</sup> Included in Other liabilities in the Condensed Consolidated Balance Sheets.

Due to an increase in mesothelioma and lung cancer claims and higher settlement values per claim that have occurred and are expected to continue to occur in certain jurisdictions, the Company recorded a \$4.1 million pre-tax charge during the three and nine months ended September 25, 2015, which was included in Selling, general and administrative expense in the Condensed Consolidated Statements of Income. The pre-tax charge was comprised of an increase in asbestos-related liabilities of \$20.2 million partially offset by an increase in expected insurance recoveries of \$16.1 million.

Management's analyses are based on currently known facts and a number of assumptions. However, projecting future events, such as new claims to be filed each year, the average cost of resolving each claim, coverage issues among layers of insurers, the method in which losses will be allocated to the various insurance policies, interpretation of the effect on coverage of various policy terms and limits and their interrelationships, the continuing solvency of various insurance companies, the amount of remaining insurance available, as well as the numerous uncertainties inherent in asbestos litigation could cause the actual liabilities and insurance recoveries to be higher or lower than those projected or recorded which could materially affect the Company's financial condition, results of operations or cash flow.

Various aspects of the final judgments of the Delaware Court of Chancery and Superior Court for a specific subsidiary have been appealed to the Delaware Supreme Court, and an oral argument before the Delaware Supreme Court was held on May 27, 2015. The Delaware Supreme Court has certified certain questions of law to the New York Court of Appeals, New York's highest

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

appellate court, including the question of what allocation methodology should be applied to the subsidiary's policies. In the event that the New York court were to apply a methodology other than "all sums", the subsidiary's future expected recovery would likely be reduced by amounts that we estimate could range from minimal to \$30 million.

In the litigation involving another subsidiary, the New Jersey Supreme Court refused to grant certification of the appeals, effectively ending the matter. This will have no material impact on the Company's financial condition or results of operations.

***Other Litigation Matters***

On April 10, 2015, the Court of Chancery of the State of Delaware dismissed with prejudice, in its entirety and on the merits, the derivative action brought in March 2014 by two alleged stockholders of the Company against our directors, BDT CF Acquisition Vehicle, LLC and BDT Capital Partners, LLC.

The Company is also involved in various other pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings are expected to have a material adverse effect on the financial condition, results of operations or cash flow of the Company. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, management of the Company believes that it will either prevail, has adequate insurance coverage or has established appropriate accruals to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adverse to the Company, there could be a material adverse effect on the financial condition, results of operations or cash flow of the Company.

**14. Segment Information**

The Company conducts its operations through three operating segments: gas handling, fluid handling and fabrication technology. The gas-handling and fluid-handling operating segments are aggregated into a single reportable segment. A description of the Company's reportable segments is as follows:

- ***Gas and Fluid Handling*** - a global supplier of a broad range of gas- and fluid-handling products, including heavy-duty centrifugal and axial fans, rotary heat exchangers, gas compressors, pumps, fluid-handling systems, controls and specialty valves, which serves customers in the power generation, oil, gas and petrochemical, mining, marine (including defense) and general industrial and other end markets; and
- ***Fabrication Technology*** - a global supplier of welding equipment and consumables, cutting equipment and consumables and automated welding and cutting systems.

Certain amounts not allocated to the two reportable segments and intersegment eliminations are reported under the heading "Corporate and other." The Company's management evaluates the operating results of each of its reportable segments based upon Net sales and segment operating income (loss), which represents Operating income (loss) before Restructuring and other related charges.

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

The Company's segment results were as follows:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
<b>(In thousands)</b>				
<b>Net sales:</b>				
Gas and fluid handling	\$ 481,908	\$ 564,650	\$ 1,408,992	\$ 1,707,539
Fabrication technology	487,236	599,803	1,496,597	1,710,581
	\$ 969,144	\$ 1,164,453	\$ 2,905,589	\$ 3,418,120
<b>Segment operating income (loss)<sup>(1)</sup>:</b>				
Gas and fluid handling	\$ 26,634	\$ 67,261	\$ 127,097	\$ 168,949
Fabrication technology	42,415	72,152	153,635	203,103
Corporate and other	(10,423)	(11,659)	(35,492)	(41,106)
	\$ 58,626	\$ 127,754	\$ 245,240	\$ 330,946

<sup>(1)</sup> The following is a reconciliation of Income before income taxes to segment operating income:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
<b>(In thousands)</b>				
Income before income taxes	\$ 34,698	\$ 103,871	\$ 182,432	\$ 261,331
Interest expense	10,857	14,935	37,150	40,881
Restructuring and other related charges	13,071	8,948	25,658	28,734
Segment operating income	\$ 58,626	\$ 127,754	\$ 245,240	\$ 330,946

The detail of the Company's Net sales by product type is as follows:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
<b>(In thousands)</b>				
Gas handling	\$ 353,562	\$ 402,872	\$ 1,019,587	\$ 1,228,050
Fluid handling	128,345	161,778	389,404	479,489
Welding and cutting	487,237	599,803	1,496,598	1,710,581
Total Net sales	\$ 969,144	\$ 1,164,453	\$ 2,905,589	\$ 3,418,120

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of the financial condition and results of operations of Colfax Corporation ("Colfax," "the Company," "we," "our," and "us") should be read in conjunction with the Condensed Consolidated Financial Statements and related footnotes included in Part I. Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for the quarterly period ended September 25, 2015 (this "Form 10-Q") and the Consolidated Financial Statements and related footnotes included in Part II. Item 8. "Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") filed with the Securities and Exchange Commission (the "SEC") on February 17, 2015.*

#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-Q is filed with the SEC. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding: projections of revenue, profit margins, expenses, tax provisions and tax rates, earnings or losses from operations, impact of foreign exchange rates, cash flows, pension and benefit obligations and funding requirements, synergies or other financial items; plans, strategies and objectives of management for future operations including statements relating to potential acquisitions, compensation plans or purchase commitments; developments, performance or industry or market rankings relating to products or services; future economic conditions or performance; the outcome of outstanding claims or legal proceedings including asbestos-related liabilities and insurance coverage litigation; potential gains and recoveries of costs; assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe," "anticipate," "should," "would," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," "targets," "aims," "seeks," "sees," and similar expressions. These statements are based on assumptions and assessments made by our management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the following:

- changes in the general economy, as well as the cyclical nature of the markets we serve;
- a significant or sustained decline in commodity prices, including oil;
- our ability to identify, finance, acquire and successfully integrate attractive acquisition targets;
- our exposure to unanticipated liabilities resulting from acquisitions;
- our ability and the ability of our customers to access required capital at a reasonable cost;
- our ability to accurately estimate the cost of or realize savings from our restructuring programs;
- the amount of and our ability to estimate our asbestos-related liabilities;
- the solvency of our insurers and the likelihood of their payment for asbestos-related costs;
- material disruptions at any of our manufacturing facilities;
- noncompliance with various laws and regulations associated with our international operations, including anti-bribery laws, export control regulations and sanctions and embargoes;
- risks associated with our international operations;
- risks associated with the representation of our employees by trade unions and work councils;



- our exposure to product liability claims;
- potential costs and liabilities associated with environmental, health and safety laws and regulations;
- failure to maintain, protect and defend our intellectual property rights;
- the loss of key members of our leadership team;
- restrictions in our credit agreement entered into on June 5, 2015 by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator (the "Credit Agreement") that may limit our flexibility in operating our business;
- impairment in the value of intangible assets;
- the funding requirements or obligations of our defined benefit pension plans and other post-retirement benefit plans;
- significant movements in foreign currency exchange rates;
- availability and cost of raw materials, parts and components used in our products;
- new regulations and customer preferences reflecting an increased focus on environmental, social and governance issues, including new regulations related to the use of conflict minerals;
- service interruptions, data corruption, cyber-based attacks or network security breaches affecting our information technology infrastructure;
- risks arising from changes in technology;
- the competitive environment in our industry;
- changes in our tax rates or exposure to additional income tax liabilities;
- our ability to manage and grow our business and execution of our business and growth strategies;
- the level of capital investment and expenditures by our customers in our strategic markets;
- our financial performance; and
- other risks and factors, listed in Item 1A. "Risk Factors" in Part I of our 2014 Form 10-K.

Any such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. These forward-looking statements speak only as of the date this Form 10-Q is filed with the SEC. We do not assume any obligation and do not intend to update any forward-looking statement except as required by law. See Part I. Item 1A. "Risk Factors" in our 2014 Form 10-K for a further discussion regarding some of the reasons that actual results may be materially different from those that we anticipate.

## Overview

We report our operations through the following reportable segments:

- **Gas and Fluid Handling** - a global supplier of a broad range of gas- and fluid-handling products, including heavy-duty centrifugal and axial fans, rotary heat exchangers, gas compressors, pumps, fluid-handling systems and controls and specialty valves, which serves customers in the power generation, oil, gas and petrochemical, mining, marine (including defense) and general industrial and other end markets; and
- **Fabrication Technology** - a global supplier of welding equipment and consumables, cutting equipment and consumables and automated welding and cutting systems.

Certain amounts not allocated to the two reportable segments and intersegment eliminations are reported under the heading "Corporate and other."

Colfax has a global geographic footprint, with production facilities in Europe, North America, South America, Asia, Australia and Africa. Through our reportable segments, we serve a global customer base across multiple markets through a combination of direct sales and third-party distribution channels. Our customer base is highly diversified and includes commercial, industrial and government customers.

We employ a comprehensive set of tools that we refer to as the Colfax Business System ("CBS"). CBS is our business management system. It is a repeatable, teachable process that we use to create superior value for our customers, shareholders and associates. Rooted in our core values, it is our culture. CBS provides the tools and techniques to ensure that we are continuously improving our ability to meet or exceed customer requirements on a consistent basis.

## **Results of Operations**

The following discussion of Results of Operations addresses the comparison of the periods presented. The Company's management evaluates the operating results of each of its reportable segments based upon Net sales and segment operating income (loss), which represents Operating income before Restructuring and other related charges.

### *Items Affecting Comparability of Reported Results*

The comparability of our operating results for the third quarter and nine months ended September 25, 2015 to the comparable 2014 periods is affected by the following additional significant items:

#### Strategic Acquisitions

We complement our organic growth plans with strategic acquisitions. Acquisitions can significantly affect our reported results and can complicate period to period comparisons of results. As a consequence, we report the change in our Net sales between periods both from existing and acquired businesses. Orders and order backlog are presented only for the gas- and fluid-handling segment, where this information is relevant. The change in Net sales due to acquisitions represents the change in sales due to the following acquisitions:

#### *Fabrication Technology*

On April 14, 2014, Colfax completed the acquisition of Victor Technologies Holdings, Inc. ("Victor") for net cash consideration of \$948.8 million (the "Victor Acquisition"). Victor is a pre-eminent global manufacturer of cutting, gas control and specialty welding solutions. The acquisition complemented the geographic footprint of our fabrication technology segment and expanded our product portfolio into new segments and applications.

#### *Gas and Fluid Handling*

On June 30, 2015, Colfax completed the acquisition of the Roots™ blowers and compressors business unit ("Roots"), also known as Industrial Air & Gas Technologies, from GE Oil & Gas (the "Roots Acquisition") for a cash consideration of approximately \$185 million, subject to certain purchase price adjustments. Roots is a leading supplier of blower and compressor technologies which service a broad range of end markets, including wastewater treatment, chemical production, and power generation. The acquisition of Roots will build on Howden's global strength in compressors and blowers and will add important application expertise and product solutions to the portfolio.

#### Foreign Currency Fluctuations

A significant portion of our Net sales, approximately 71% and 72% for the three and nine months ended September 25, 2015, respectively, is derived from operations outside the U.S., with the majority of those sales denominated in currencies other than the U.S. dollar. Because much of our manufacturing and employee costs are outside the U.S., a significant portion of our costs are also denominated in currencies other than the U.S. dollar. Changes in foreign exchange rates can impact our results of operations and are quantified when significant to our discussion. The strengthening of the U.S. dollar since the second quarter of 2014 has had a significant impact on our reported results in 2015. For the third quarter of 2015 and the nine months ended September 25, 2015, changes in foreign exchange rates have reduced Net sales by approximately 12%. Changes in foreign exchange rates also reduced Income before income taxes by approximately 14% for the third quarter of 2015 and nine months ended September 25, 2015. The changes in foreign exchange rates since December 31, 2014 decreased net assets by approximately 6%.

In February 2015, the Venezuelan government introduced a marginal foreign exchange system ("SIMADI") which replaces an auction-based foreign exchange system that began operating on March 24, 2014 ("SICAD II"), which we previously used to remeasure our Venezuelan operations. During the nine months ended September 25, 2015, we have determined the SIMADI to be the most appropriate rate with which to remeasure our Venezuelan operations from the multiple current legal mechanisms in Venezuela to exchange currency. As of the third quarter and nine months ended September 25, 2015, our Venezuelan operations represented less than 1% of our Total assets and Net sales. The foreign currency transaction loss recognized related to the adoption of the SIMADI did not have a material impact on our Condensed Consolidated Statement of Income for the nine months ended September 25, 2015.

#### Seasonality

As our gas- and fluid-handling customers seek to fully utilize capital spending budgets before the end of the year, historically our shipments have peaked during the fourth quarter. Also, all of our European operations typically experience a slowdown during the July and August and December holiday seasons. General economic conditions may, however, impact future seasonal variations.

#### *Sales, Orders and Backlog*

Our consolidated Net sales decreased from Net sales of \$1,164.5 million in the third quarter of 2014 to \$969.1 million in the third quarter of 2015. Our Net sales decreased from Net sales of \$3,418.1 million in the nine months ended September 26, 2014 to \$2,905.6 million in the nine months ended September 25, 2015. The following tables present components of our consolidated Net sales and, for our gas- and fluid-handling segment, components of orders and order backlog:

	Net Sales		Orders <sup>(1)</sup>	
	\$	%	\$	%
<b>(In millions)</b>				
For the three months ended September 26, 2014	\$ 1,164.5		\$ 539.4	
<i>Components of Change:</i>				
Existing businesses <sup>(2)</sup>	(76.0)	(6.5)%	(67.3)	(12.5)%
Acquisitions <sup>(3)</sup>	24.3	2.1 %	25.6	4.7 %
Foreign currency translation <sup>(4)</sup>	(143.7)	(12.4)%	(53.5)	(9.8)%
	(195.4)	(16.8)%	(95.2)	(17.6)%
For the three months ended September 25, 2015	\$ 969.1		\$ 444.2	

	Net Sales		Orders <sup>(1)</sup>		Backlog at Period End	
	\$	%	\$	%	\$	%
<b>(In millions)</b>						
As of and for the nine months ended September 26, 2014	\$ 3,418.1		\$ 1,716.6		\$ 1,506.5	
<i>Components of Change:</i>						
Existing businesses <sup>(2)</sup>	(259.2)	(7.6)%	(180.1)	(10.5)%	(67.5)	(4.5)%
Acquisitions <sup>(3)</sup>	147.6	4.3 %	25.6	1.5 %	35.2	2.3 %
Foreign currency translation <sup>(4)</sup>	(400.9)	(11.7)%	(168.7)	(9.8)%	(160.4)	(10.6)%
	(512.5)	(15.0)%	(323.2)	(18.8)%	(192.7)	(12.8)%
As of and for the nine months ended September 25, 2015	\$ 2,905.6		\$ 1,393.4		\$ 1,313.8	

<sup>(1)</sup> Represents contracts for products or services, net of cancellations for the period, for our gas- and fluid-handling segment.

<sup>(2)</sup> Excludes the impact of foreign exchange rate fluctuations and acquisitions, thus providing a measure of growth due to factors such as price, product mix and volume.

<sup>(3)</sup> Represents the incremental sales, orders and order backlog as a result of the Roots Acquisition, and incremental sales as a result of the Victor Acquisition, to the extent it impacts the period presented.

<sup>(4)</sup> Represents the difference between prior year sales, orders and order backlog valued at the actual prior year foreign exchange rates and prior year sales, orders and order backlog valued at current year foreign exchange rates.

The decrease in Net sales from existing businesses during the third quarter of 2015 compared to the third quarter of 2014 was attributable to decreases of \$49.8 million in our gas- and fluid-handling segment and \$26.2 million in our fabrication technology segment. Orders, net of cancellations, from existing businesses for our gas- and fluid-handling segment decreased during the third quarter of 2015 in comparison to the third quarter of 2014 due to declines in the oil, gas and petrochemical, marine, mining, and general industrial and other end markets, partially offset by growth in the power generation end market.

The decrease in Net sales from existing businesses during the nine months ended September 25, 2015 compared to the nine months ended September 26, 2014 was attributable to decreases of \$153.3 million in our gas- and fluid-handling segment and \$105.9 million in our fabrication technology segment. Orders, net of cancellations, from existing businesses for our gas- and fluid-handling segment decreased during the nine months ended September 25, 2015 compared to the nine months ended September 26, 2014 due to declines in the power generation, marine, mining, and general industrial and other end markets, partially offset by growth in the oil, gas and petrochemical end market.

### Business Segments

As discussed further above, the Company reports results in two reportable segments: gas and fluid handling and fabrication technology. The following table summarizes Net sales by reportable segment for each of the following periods:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(In millions)			
Gas and Fluid Handling	\$ 481.9	\$ 564.7	\$ 1,409.0	\$ 1,707.5
Fabrication Technology	487.2	599.8	1,496.6	1,710.6
Total Net sales	\$ 969.1	\$ 1,164.5	\$ 2,905.6	\$ 3,418.1

### Gas and Fluid Handling

We design, manufacture, install and maintain gas- and fluid-handling products for use in a wide range of markets, including power generation, oil, gas and petrochemical, mining, marine (including defense) and general industrial and other. Our gas-handling products are principally marketed under the Howden brand name. Howden's primary products are heavy-duty fans, rotary heat exchangers and compressors. The fans and heat exchangers are used in coal-fired and other types of power stations, both in combustion and emissions control applications, underground mines, steel sintering plants and other industrial facilities that require movement of large volumes of air in harsh applications. Howden's compressors are mainly used in the oil, gas and petrochemical end market. Our fluid-handling products are marketed by Colfax Fluid Handling under a portfolio of brands including Allweiler and Imo. Colfax Fluid Handling is a supplier of a broad range of fluid-handling products, including pumps, fluid-handling systems and controls, and specialty valves.

The following table summarizes selected financial data for our gas- and fluid-handling segment:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(Dollars in millions)			
Net sales	\$ 481.9	\$ 564.7	\$ 1,409.0	\$ 1,707.5
Gross profit	140.2	167.2	426.2	502.4
Gross profit margin	29.1%	29.6%	30.2%	29.4%
Restructuring and other related charges	\$ 6.3	\$ 2.1	\$ 11.6	\$ 11.6
Selling, general and administrative expense	113.6	99.9	299.1	333.5
Selling, general and administrative expense as a percentage of Net sales	23.6%	17.7%	21.2%	19.5%
Segment operating income	\$ 26.6	\$ 67.3	\$ 127.1	\$ 168.9
Segment operating income margin	5.5%	11.9%	9.0%	9.9%

The \$49.8 million Net sales decrease due to existing businesses during the third quarter of 2015 in comparison to the third quarter of 2014, as discussed and defined under "Sales, Orders and Backlog" above, was due to declines in all end markets except oil, gas and petrochemical. Additionally, changes in foreign exchange rates had a negative impact on Net sales of \$57.3 million, which was partially offset by acquisition-related growth of \$24.3 million. Gross profit decreased in the third quarter of 2015 reflecting the impact of changes in foreign exchange rates and lower volumes, partially offset by acquisition-related growth. Gross profit margin decreased during the third quarter of 2015 in comparison to the third quarter of 2014 due to the impact of lower

overall volumes and product mix. Selling, general and administrative expense for the third quarter of 2015 increased compared to the third quarter of 2014 due to acquisition-related growth, \$8.1 million of charges associated with uncollectible accounts of a specific customer in South America, \$2.8 million of asset impairment charges which includes a \$1.7 million impairment loss related to a finite-lived intangible asset, approximately \$5.0 million of transaction costs and year-one amortization charges associated with the Roots Acquisition, and a \$4.1 million charge for revaluation of net asbestos-related liabilities, offset in part by changes in foreign exchange rates and cost control activities.

The \$153.3 million Net sales decrease due to existing businesses during the nine months ended September 25, 2015 in comparison to the nine months ended September 26, 2014, as discussed and defined under "Sales, Orders and Backlog" above, was due to declines in all end markets. Additionally, changes in foreign exchange rates had a negative impact on Net sales of \$169.5 million, partially offset by acquisition-related growth of \$24.3 million. Gross profit decreased in the nine months ended September 25, 2015 reflecting the impact of changes in foreign exchange rates, lower volumes and product mix, partially offset by acquisition-related growth. Gross profit margin increased during the nine months ended September 25, 2015 in comparison to the nine months ended September 26, 2014 as improved margins through cost control and restructuring savings were more than sufficient to offset the impact of lower volumes. Selling, general and administrative expense for the nine months ended September 25, 2015 decreased compared to the nine months ended September 26, 2014 primarily due to changes in foreign exchange rates, cost control activities and the impact of lower volumes, partially offset by incremental charges within the quarter discussed above. Additionally, Selling, general and administrative expense for the nine months ended September 26, 2014 includes a \$12.1 million impairment loss related to identifiable intangible assets, a \$4.0 million loss on disposition of a small fluid-handling business line and a \$1.3 million foreign currency loss from the use of the SICAD II exchange rate at our Venezuelan fluid-handling business.

#### Fabrication Technology

We formulate, develop, manufacture and supply consumable products and equipment for use in the cutting and joining of steels, aluminum and other metals and metal alloys. Our fabrication technology products are marketed under several brand names, most notably ESAB and Victor, which we believe are well known in the international cutting and welding industry. ESAB's comprehensive range of cutting and welding consumables includes electrodes, cored and solid wire and fluxes. ESAB's fabrication technology equipment ranges from portable welding machines to large customized cutting and automated welding systems. The Victor Acquisition complemented the geographic footprint of our fabrication technology segment and expanded our cutting equipment and consumables, gas control and specialty welding product lines. Products are sold into a wide range of end markets, including oil & gas, power generation, wind power, shipbuilding, pipelines, mobile/off-highway equipment and mining.

The following table summarizes selected financial data for our fabrication technology segment:

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(Dollars in millions)			
Net sales	\$ 487.2	\$ 599.8	\$ 1,496.6	\$ 1,710.6
Gross profit	155.7	206.0	492.1	584.6
Gross profit margin	32.0%	34.3%	32.9%	34.2%
Restructuring and other related charges	\$ 6.8	\$ 6.9	\$ 14.1	\$ 17.1
Selling, general and administrative expense	113.3	133.8	338.5	381.5
Selling, general and administrative expense as a percentage of Net sales	23.3%	22.3%	22.6%	22.3%
Segment operating income	\$ 42.4	\$ 72.2	\$ 153.6	\$ 203.1
Segment operating income margin	8.7%	12.0%	10.3%	11.9%

The \$26.2 million Net sales decrease due to existing businesses during the third quarter of 2015 in comparison to the third quarter of 2014, as discussed and defined under "Sales, Orders and Backlog" above, was primarily the result of a decrease in equipment sales and consumable volumes in most regions. Additionally, changes in foreign exchange rates had a negative impact on Net sales of \$86.4 million. Gross profit decreased during the third quarter of 2015, which was primarily the result of changes in foreign exchange rates and lower volumes. Gross profit margin decreased during the third quarter of 2015 primarily due to the impact of lower overall volumes. The decrease in Selling, general and administrative expense during the third quarter of 2015 compared to the third quarter of 2014 was primarily due to changes in foreign exchange rates, cost control activities and the impact of lower volumes, partially offset by a \$1.5 million impairment loss related to an identifiable intangible asset and a \$1.3 million increase in the allowance for doubtful accounts for specific customers in South America during the third quarter of 2015.

The \$105.9 million Net sales decrease due to existing businesses during the nine months ended September 25, 2015 in comparison to the nine months ended September 26, 2014, as discussed and defined under "Sales, Orders and Backlog" above, was primarily the result of a decrease in equipment sales and consumable volumes in most regions. Additionally, changes in foreign exchange rates had a negative impact on Net sales of \$231.4 million, partially offset by acquisition-related growth of \$123.3 million. Gross profit decreased in the nine months ended September 25, 2015, primarily due to the impact of changes in foreign exchange rates and lower overall volumes, partially offset by acquisition-related growth. Gross profit margin decreased during the nine months ended September 25, 2015 in comparison to the nine months ended September 26, 2014 primarily due to the impact of lower volumes, product and geographic mix. Selling, general and administrative expense for the nine months ended September 25, 2015 decreased compared to the nine months ended September 26, 2014 primarily due to the reasons discussed above when comparing the third quarter of 2015 to the third quarter of 2014, partially offset by an acquisition-related increase of \$24.1 million. Additionally, Selling, general and administrative expense for the nine months ended September 26, 2014 includes a \$5.0 million loss from the change to the SICAD II exchange rate at our Venezuelan fabrication technology business.

*Gross Profit - Total Company*

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(Dollars in millions)			
Gross profit	\$ 295.9	\$ 373.2	\$ 918.3	\$ 1,087.0
Gross profit margin	30.5%	32.0%	31.6%	31.8%

The \$77.3 million decrease in Gross profit during the third quarter of 2015 in comparison to the third quarter of 2014 was attributable to a decrease of \$27.0 million in our gas- and fluid-handling segment, and a decrease of \$50.3 million in our fabrication technology segment. The \$168.7 million decrease in Gross profit during the nine months ended September 25, 2015 in comparison to the nine months ended September 26, 2014 was attributable to a decrease of \$76.2 million in our gas- and fluid-handling segment, and a decrease of \$92.5 million in our fabrication technology segment. Gross profit decreased during the third quarter of 2015 in comparison to the third quarter of 2014 primarily due to changes in foreign exchange rates and lower overall volumes. Gross profit decreased during the nine months ended September 25, 2015 in comparison to the nine months ended September 26, 2014 primarily due to changes in foreign exchange rates and lower overall volumes, which was partially offset by acquisition-related growth. Gross profit margin decreased during the third quarter of 2015 and in the nine months ended September 25, 2015 in comparison to the comparable prior year period primarily due to a decrease in volumes and product mix. Changes in foreign exchange rates during the third quarter of 2015 and nine months ended September 25, 2015 had a \$45.7 million and \$130.6 million negative impact on Gross profit in comparison to the comparable 2014 periods.

*Operating Expenses - Total Company*

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(Dollars in millions)			
Selling, general and administrative expense	\$ 237.2	\$ 245.4	\$ 673.1	\$ 756.1
Selling, general and administrative expense as a percentage of Net sales	24.5%	21.1%	23.2%	22.1%
Restructuring and other related charges	\$ 13.1	\$ 8.9	\$ 25.7	\$ 28.7

Selling, general and administrative expense decreased by \$8.2 million and \$83 million during the third quarter of 2015 and nine months ended September 25, 2015, respectively, in comparison to the comparable 2014 periods. Changes in foreign exchange rates during the third quarter of 2015 and nine months ended September 25, 2015, decreased Selling, general and administrative expense by \$29.1 million and \$88.4 million, respectively, in comparison to the comparable 2014 periods. An overall decrease in acquisition integration costs and the positive benefit of restructuring actions to reduce structural costs and integrate acquisitions also contributed to the decrease. These items were partially offset by a \$29.1 million acquisition-related increase in Selling, general and administrative expense during the nine months ended September 25, 2015. Additionally, Selling, general and administrative expense as a percentage of Net sales for the third quarter of 2015 and nine months ended September 25, 2015 was negatively impacted by the increase in the allowance for doubtful accounts of specific South American customers of \$9.4 million, asset impairment charges of \$4.3 million, and transaction costs and year-one amortization of approximately \$5.0 million, as discussed previously. Selling, general and administrative expense for the nine months ended September 26, 2014 includes a \$12.1 million impairment loss related to identifiable intangible assets and a \$6.3 million foreign currency loss from the change to the SICAD II

exchange rate at our Venezuelan businesses. Restructuring and other related charges increased during the third quarter of 2015 in comparison to the comparable 2014 period primarily due to an increase in charges in our gas- and fluid-handling segment.

#### *Interest Expense - Total Company*

	Three Months Ended		Nine Months Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
	(In millions)			
Interest expense	\$ 10.9	\$ 14.9	\$ 37.2	\$ 40.9

The decrease in Interest expense during the third quarter of 2015 and the nine months ended September 25, 2015 in comparison to the comparable 2014 periods is primarily due to the favorable impact of decreases in weighted average interest rates, outstanding borrowing levels and amortization of deferred financing fees and original issue discount. For the nine months ended September 25, 2015, these decreases were partially offset by a \$4.7 million write-off of certain deferred financings fees during the second quarter.

#### *Provision for (Benefit from) Income Taxes - Total Company*

The effective tax rate for the third quarter of 2015 was 32.1%, which was lower than the U.S. federal statutory tax rate primarily due to international tax rates, which are lower than the U.S. tax rate, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2015.

The effective tax rate for the nine months ended September 25, 2015 was 24.0%, which was lower than the U.S. federal statutory tax rate primarily due to a tax benefit of \$13.0 million associated with the resolution of a certain liability for unrecognized tax benefits and international tax rates, which are lower than the U.S. tax rate, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2015.

The effective tax rate for the third quarter of 2014 was 21.7% compared to an effective income tax rate of 23.2% for the third quarter of 2013. The effective tax rate for the third quarter of 2014 was lower than the U.S. federal statutory tax rate primarily due foreign earnings where international tax rates are lower than the U.S. tax rate, and a decrease in the valuation allowance against U.S. pre-tax income in the period.

Income before income taxes was \$261.3 million and the Benefit from income taxes was \$73.2 million for the nine months ended September 26, 2014. The Benefit from income taxes was impacted by the reassessment of the realizability of certain deferred tax assets as a result of the effect of the Victor Acquisition on expected future income. This reassessment resulted in a decrease in the Company's valuation allowance against U.S. deferred tax assets. The reduction in the valuation allowance created a non-cash income tax benefit for the nine months ended September 26, 2014 of approximately \$120 million. Additionally, a tax benefit of \$22.7 million was included in Benefit from income taxes in the Condensed Consolidated Statement of Income for the nine months ended September 26, 2014 associated with the resolution of a liability for unrecognized tax benefits. These items are the principal reasons for a tax benefit rather than a tax provision, which would result from the application of the U.S. federal statutory rate to the reported Income before income taxes for the nine months ended September 26, 2014.

## **Liquidity and Capital Resources**

### *Overview*

We have financed our capital and working capital requirements through a combination of cash flows from operating activities, borrowings under our bank credit facilities and the issuances of equity. We expect that our primary ongoing requirements for cash will be for working capital, funding of acquisitions, capital expenditures, asbestos-related cash outflows and funding of our pension plans. If determined appropriate for strategic acquisitions or other corporate purposes, we believe we could raise additional funds in the form of debt or equity.

### *Equity Capital*

On May 21, 2015, we contributed 66,000 shares of newly issued Colfax Common stock to our U.S. defined benefit pension plan.

On October 11, 2015, our Board of Directors authorized the repurchase of up to \$100.0 million of our Common stock from time-to-time on the open market or in privately negotiated transactions. The repurchase program is authorized until December 31,

2016. The timing and amount of shares repurchased is to be determined by management based on its evaluation of market conditions and other factors. Since October 16, 2015, the Company has repurchased 663,349 shares of the Company's Common stock in open market transactions through the close of business on October 21, 2015.

### *Borrowing Arrangements*

On June 5, 2015, we entered into a Credit Agreement by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator, to extend the life of our borrowing facility to five years, adjust principal amortization, and modify the underlying covenants and security requirements.

The proceeds of the loans under the Credit Agreement were used by the Company to repay in full its preexisting senior secured credit facility, by and among the Company, Colfax UK Holdings Ltd, the other subsidiaries of the Company party thereto, the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, as well as for working capital and general corporate purposes. The Credit Agreement consists of a term loan in an aggregate amount of \$750.0 million (the "Term Loan") and a revolving credit facility (the "Revolver"), each of which matures in five years. The Revolver contains a \$50.0 million swing line loan sub-facility.

On September 25, 2015, the Company entered into an Increase Agreement, as provided for under the terms of the Credit Agreement. Under the Increase Agreement, the Company increased the Revolver by \$300.0 million, resulting in a total Revolver commitment under the Credit Agreement of \$1.3 billion.

The Term Loan and the Revolver bear interest, at the election of the Company, at either the base rate (as defined in the Credit Agreement) or the Eurocurrency rate (as defined in the Credit Agreement), in each case, plus the applicable interest rate margin. The Term Loan and the Revolver initially bear interest either at the Eurocurrency rate plus 1.50% or at the base rate plus 0.50%, and in future quarters will bear interest either at the Eurocurrency rate or the base rate plus the applicable interest rate margin based upon either, whichever results in the lower applicable interest rate margin (subject to certain exceptions), the Company's total leverage ratio and the corporate family rating of the Company as determined by Standard & Poor's and Moody's (ranging from 1.25% to 2.00%, in the case of the Eurocurrency margin, and 0.25% to 1.00%, in the case of the base rate margin). Each swing line loan denominated in dollars will bear interest at the base rate plus the applicable interest rate margin and each swing line loan denominated in any other currency available under the credit facility will bear interest at the Eurocurrency rate plus the applicable interest rate margin.

In conjunction with the Credit Agreement, we recorded a charge to Interest expense in the Condensed Consolidated Statement of Income for the nine months ended September 25, 2015 of \$4.7 million to write-off certain deferred financing fees and original issue discount and expensed approximately \$0.4 million of costs incurred in connection with the refinancing. The Company had an original issue discount of \$6.5 million and deferred financing fees of \$9.4 million included in its Condensed Consolidated Balance Sheet as of September 25, 2015, which will be accreted to Interest expense primarily using the effective interest method, over the life of the Credit Agreement. As of September 25, 2015, the weighted-average interest rate of borrowings under the Credit Agreement was 1.70%, excluding accretion of original issue discount, and there was \$586.5 million available on the revolving credit facility.

We are also party to letter of credit facilities with total capacity of \$736.1 million. Total letters of credit of \$363.1 million were outstanding as of September 25, 2015.

On December 22, 2014, we entered into a receivables financing facility, pursuant to which the Company established a wholly owned, special purpose bankruptcy-remote subsidiary which purchases trade receivables from certain of the Company's subsidiaries on an ongoing basis and pledges them to support its obligation as borrower under the receivables financing facility. This special purpose subsidiary has a separate legal existence from its parent and its assets are not available to satisfy the claims of creditors of the selling subsidiaries or any other member of the consolidated group. Availability of funds may fluctuate over time given changes in eligible receivable balances, but will not exceed the \$80.0 million program limit. As of September 25, 2015, the total outstanding borrowings under the receivables financing facility were \$80.0 million and the interest rate was 0.9%. The scheduled termination date for the receivables financing facility is December 21, 2015, which may be extended from time to time. The facility contains representations, warranties, covenants and indemnities customary for facilities of this type. The facility does not contain any covenants that the Company views as materially constraining to the activities of its business.

Certain U.S. subsidiaries of the Company have agreed to guarantee the obligations of the Company under the Credit Agreement. The Credit Agreement contains customary covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt or liens, merge or consolidate with others, dispose of assets, make investments or pay dividends. In addition,



the Credit Agreement contains financial covenants requiring the Company to maintain a total leverage ratio, as defined therein, of not more than 3.5 to 1.0 and minimum interest coverage ratio, as defined therein, of 3.0 to 1.0, measured at the end of each quarter. The Credit Agreement contains various events of default (including failure to comply with the covenants under the Credit Agreement and related agreements) and upon an event of default the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term Loan and the Revolver. The Company is in compliance with all such covenants as of September 25, 2015. We believe that our sources of liquidity, including the Credit Agreement, are adequate to fund our operations for the next twelve months.

### Cash Flows

As of September 25, 2015, we had \$221.2 million of Cash and cash equivalents, a decrease of \$84.2 million from \$305.4 million as of December 31, 2014. The following table summarizes the change in Cash and cash equivalents during the periods indicated:

	Nine Months Ended	
	September 25, 2015	September 26, 2014
	(In millions)	
<b>Net cash provided by operating activities</b>	\$ 152.1	\$ 201.5
Purchases of fixed assets, net	(32.7)	(59.1)
Acquisitions, net of cash acquired	(184.5)	(948.8)
<b>Net cash used in investing activities</b>	(217.2)	(1,007.9)
Proceeds from borrowings, net	19.6	219.6
Proceeds from issuance of common stock, net	3.1	613.0
Preferred stock conversion inducement payment	—	(19.6)
Other	(9.8)	(26.0)
<b>Net cash provided by financing activities</b>	12.9	787.0
Effect of foreign exchange rates on Cash and cash equivalents	(32.0)	(5.3)
<b>Decrease in Cash and cash equivalents</b>	<b>\$ (84.2)</b>	<b>\$ (24.7)</b>

Cash flows from operating activities can fluctuate significantly from period to period due to changes in working capital and the timing of payments for items such as pension funding and asbestos-related costs. Changes in significant operating cash flow items are discussed below.

- Net cash received or paid for asbestos-related costs, net of insurance proceeds, including the disposition of claims, defense costs and legal expenses related to litigation against our insurers, creates variability in our operating cash flows. We had net cash outflows of \$10.5 million and \$19.1 million during the nine months ended September 25, 2015 and nine months ended September 26, 2014, respectively.
- Funding requirements of our defined benefit plans, including pension plans and other post-retirement benefit plans, can vary significantly from period to period due to changes in the fair value of plan assets and actuarial assumptions. For the nine months ended September 25, 2015 and nine months ended September 26, 2014, cash contributions for defined benefit plans were \$32.6 million and \$47.7 million, respectively.
- During the nine months ended September 25, 2015 and nine months ended September 26, 2014, cash payments of \$33.0 million and \$31.5 million, respectively, were made related to our restructuring initiatives.
- Changes in net working capital also affected the operating cash flows for the periods presented. We define working capital as Trade receivables, net and Inventories, net reduced by Accounts payable. During the nine months ended September 25, 2015, net working capital consumed cash of \$56.2 million, before the impact of foreign exchange, primarily due to an increase in receivables and inventory levels, partially offset by a slight increase in payables. The principal contributors to the increase in working capital were higher inventory and receivables levels within the fabrication technology segment and an increase in receivables in our gas- and fluid-handling segment. During the nine months ended September 26, 2014, net working capital increased, primarily due to a decrease in payables as well as an increase in receivables, which reduced our cash flows from operating activities. The principal contributors to the increase in working capital were the reduction in payables from high levels at year-end and significant costs in excess of billings on long-term contracts as of September 26, 2014.

Cash flows from investing activities during the nine months ended September 25, 2015 were impacted by the net cash outflows of \$184.5 million associated with the Roots Acquisition.

Cash flows from financing activities during the nine months ended September 25, 2015 were impacted by the refinancing of the Credit Agreement further discussed under "—Borrowing Arrangements" above.

Cash flows from investing activities during the nine months ended September 26, 2014 were impacted by the net cash outflows of \$948.8 million associated with the Victor Acquisition.

Cash flows from financing activities for the nine months ended September 26, 2014 were impacted by the Victor Acquisition. The Victor Acquisition was funded through net proceeds of \$610.4 million from the sale of newly issued Common stock and \$338.4 million of borrowings under our previous credit agreement. Cash flows from financing activities during the nine months ended September 26, 2014 were also impacted by the conversion of the Series A Perpetual Convertible Preferred Stock in February of 2014.

Our Cash and cash equivalents as of September 25, 2015 includes \$213.1 million held in jurisdictions outside the U.S., which may be subject to tax penalties if repatriated into the U.S. and other restrictions.

### **Critical Accounting Policies**

The methods, estimates and judgments that we use in applying our critical accounting policies have a significant impact on our results of operations and financial position. We evaluate our estimates and judgments on an ongoing basis. Our estimates are based upon our historical experience, our evaluation of business and macroeconomic trends and information from other outside sources, as appropriate. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates and different assumptions or estimates about the future could have a material impact on our results of operations and financial position. There have been no significant additions to the methods, estimates and judgments included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in our 2014 Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in short-term interest rates, foreign currency exchange rates and commodity prices that could impact our results of operations and financial condition. We address our exposure to these risks through our normal operating and financing activities. We do not enter into derivative contracts for trading purposes.

#### *Interest Rate Risk*

We are subject to exposure from changes in short-term interest rates related to interest payments on our borrowing arrangements. Under the Credit Agreement and the receivables financing facility, substantially all of our borrowings as of September 25, 2015 are variable-rate facilities based on LIBOR or EURIBOR. In order to mitigate our interest rate risk, we periodically enter into interest rate swap or collar agreements. A hypothetical increase in the interest rate of 1.00% during the third quarter and nine months ended September 25, 2015 would have increased Interest expense by approximately \$3.8 million and \$11.1 million, respectively.

#### *Exchange Rate Risk*

We have manufacturing sites throughout the world and sell our products globally. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar and against the currencies of other countries in which we manufacture and sell products and services. During the third quarter and nine months ended September 25, 2015, approximately 71% and 72% of our sales were derived from operations outside the U.S. We have significant manufacturing operations in European countries that are not part of the Eurozone. Sales revenues are more highly weighted toward the Euro and U.S. dollar. We also have significant contractual obligations in U.S. dollars that are met with cash flows in other currencies as well as U.S. dollars. To better match revenue and expense as well as cash needs from contractual liabilities, we regularly enter into cross currency swaps and forward contracts.

We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries. The Euro denominated borrowings under the Credit Agreement provide a natural hedge to a portion of our European net asset position. The effect of a change in currency exchange rates on our net investment in international subsidiaries, net of the translation effect of

the Company's Euro denominated borrowings, is reflected in the Accumulated other comprehensive loss component of Equity. A 10% depreciation in major currencies, relative to the U.S. dollar as of September 25, 2015 (net of the translation effect of our Euro denominated borrowings) would result in a reduction in Equity of approximately \$350 million.

We also face exchange rate risk from transactions with customers in countries outside the U.S. and from intercompany transactions between affiliates. Although we use the U.S. dollar as our functional currency for reporting purposes, we have manufacturing sites throughout the world, and a substantial portion of our costs are incurred and sales are generated in foreign currencies. Costs incurred and sales recorded by subsidiaries operating outside of the U.S. are translated into U.S. dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Although a significant portion of this difference is hedged, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively.

We have generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will, therefore, continue to affect the reported amount of sales, profit, assets and liabilities in our Condensed Consolidated Financial Statements.

#### *Commodity Price Risk*

We are exposed to changes in the prices of raw materials used in our production processes. Commodity futures contracts are periodically used to manage such exposure. As of September 25, 2015, our open commodity futures contracts were not material.

See Note 12, "Financial Instruments and Fair Value Measurements" in our Notes to Condensed Consolidated Financial Statements included in this Form 10-Q for additional information regarding our derivative instruments.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 25, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report on Form 10-Q has been recorded, processed, summarized and reported as of the end of the period covered by this report on Form 10-Q.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information 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 was no change in our internal control over financial reporting (as defined in Rule 13a-15(f)) identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Discussion of legal proceedings is incorporated by reference to Note 13, "Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements included in Part I. Item 1. "Financial Statements" of this Form 10-Q.

### **Item 1A. Risk Factors**

An investment in our common stock involves a high degree of risk. The following risk factors are provided to update the risk factors included in "Part I. Item 1A. Risk Factors" in our 2014 Form 10-K for the entry into the new Credit Agreement on June 5, 2015 by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator.

*We may require additional capital to finance our operating needs and to finance our growth. If the terms on which the additional capital is available are unsatisfactory, if the additional capital is not available at all or if we are not able to fully access credit under the Credit Agreement, we may not be able to pursue our growth strategy.*

Our growth strategy will require additional capital investment to complete acquisitions, integrate the completed acquisitions into our existing operations and expand into new markets.

We intend to pay for future acquisitions using cash, capital stock, notes, assumption of indebtedness or any combination of the foregoing. To the extent that we do not generate sufficient cash internally to provide the capital we require to fund our growth strategy and future operations, we will require additional debt or equity financing. This additional financing may not be available or, if available, may not be on terms acceptable to us. Further, high volatility in the capital markets and in our stock price may make it difficult for us to access the capital markets at attractive prices, if at all. If we are unable to obtain sufficient additional capital in the future, it may limit our ability to implement fully our growth strategy. Even if future debt financing is available, it may result in (i) increased interest expense, (ii) increased term loan payments, (iii) increased leverage and (iv) decreased income available to fund further acquisitions and expansion. It may also limit our ability to withstand competitive pressures and make us more vulnerable to economic downturns. If future equity financing is available, issuances of our equity securities may significantly dilute our existing stockholders.

In addition, our credit facility agreement includes restrictive covenants which could limit our financial flexibility. See "The Credit Agreement contains restrictions that may limit our flexibility in operating our business." below.

*The Credit Agreement contains restrictions that may limit our flexibility in operating our business.*

The Credit Agreement contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness;
- pay dividends on, repurchase or make distributions in respect of, the capital stock of Colfax and its wholly-owned subsidiaries;
- make certain investments;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all our assets; and
- enter into certain transactions with affiliates.

In addition, under the Credit Agreement, we are required to satisfy and maintain compliance with a total leverage ratio and an interest coverage ratio. Limitations imposed by the Credit Agreement's various covenants could have a materially adverse effect on our business, financial condition and results of operations.

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

On May 21, 2015, the Company contributed 66,000 shares of newly issued Colfax Common stock to its U.S. defined benefit pension plan.

**COLFAX CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

<u>Exhibit No.</u>	<u>Exhibit Description</u>
3.01*	Amended and Restated Certificate of Incorporation.
3.02**	Colfax Corporation Amended and Restated Bylaws.
10.01***	Employment Agreement dated July 15, 2015 between Matthew L. Trerotola and Colfax Corporation
10.02***	Consulting Agreement dated July 23, 2015 between Steven E. Simms and Colfax Corporation
10.03***	Amendment No. 1 to the CEO Non-Qualified Stock Option Agreement and CEO Performance Stock Unit Agreement
10.04****	Increase Agreement, dated as of September 25, 2015 among Colfax Corporation, as the borrower, the guarantors thereto, each of the lenders party thereto, Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator and Deutsche Bank Securities Inc., as lead arranger and bookrunner.
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Incorporated by reference to Exhibit 3.01 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012.
**	Incorporated by reference to Exhibit 3.02 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on July 23, 2015.
***	Incorporated by reference to Exhibits 10.1 to 10.3 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on July 23, 2015.
****	Filed herewith.



## INCREASE AGREEMENT

INCREASE AGREEMENT, (this “Increase Agreement”), dated as of September 25, 2015, between, among others, COLFAX CORPORATION, a Delaware corporation (the “Borrower”), the Guarantors party hereto, the financial institutions party hereto as Increase Lenders (as defined below), DEUTSCHE BANK AG NEW YORK BRANCH, as administrative agent (in such capacity, the “Administrative Agent”), Swing Line Lender and global coordinator and DEUTSCHE BANK SECURITIES, INC., as lead arranger and bookrunner. Unless otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement referred to below are used herein as therein defined.

### W I T N E S S E T H :

**WHEREAS**, the Borrower, certain Subsidiaries of the Borrower, the Lenders (as defined therein) and the Administrative Agent have entered into that certain Credit Agreement, dated as of June 5, 2015 (as amended, restated, supplemented and/or otherwise modified from time to time, the “Credit Agreement”);

**WHEREAS**, in accordance with Section 2.13(a) of the Credit Agreement, the Borrower has hereby notified the Administrative Agent that it is requesting an increase to the Revolving Credit Facility in an aggregate principal amount of \$300,000,000 which shall constitute part of, and be added to, the existing Revolving Credit Facility pursuant to Section 2.13 of the Credit Agreement (the “2015 Increase”);

**WHEREAS**, subject to the terms and conditions hereof, the Borrower has requested to establish the 2015 Increase by entering into this Increase Agreement with each institution that agrees to provide such 2015 Increase (each an “Increase Lender”), the Administrative Agent and the Swing Line Lender; and

**WHEREAS**, each of the Increase Lenders identified in the signature pages hereto has indicated its willingness to increase its Revolving Commitment or provide a Revolving Commitment, as applicable, on the terms and subject to the conditions herein contained.

**NOW, THEREFORE**, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

- 2015 Increase.** (a) The Administrative Agent has prepared a schedule attached hereto as Schedule I (the “2015 Commitment Schedule”) which sets forth the allocated Revolving Commitments received by the Administrative Agent from each Revolving Lender and the Applicable Percentage of each Revolving Lender under the Revolving Credit Facility, in each case after giving effect to the 2015 Increase. Each Increase Lender party to this Increase Agreement hereby severally agrees to provide the new Revolving Commitment set forth opposite its name on the 2015 Commitment Schedule and notified to it by the Administrative Agent, with each such Revolving Commitment to be effective as of the Increase Effective Date (as defined below). The parties hereby agree that on the Increase Effective Date, and notwithstanding anything to the contrary contained in the Credit Agreement, (1) the Revolving Credit Facility shall increase by the 2015 Increase effected hereby, (2) each New Lender (as defined below) shall become a Revolving Lender and (3) there shall be an automatic adjustment



to the Applicable Percentage in respect of the Revolving Credit Facility of each Revolving Lender resulting from the 2015 Increase.

(b) On the Increase Effective Date, after giving effect to the 2015 Increase, the Revolving Credit Facility shall be subject to the same Applicable Rate, prepayment provisions, Maturity Date and other terms and conditions applicable to the Revolving Commitment and the Revolving Loans under the Credit Agreement and the other Loan Documents as in effect immediately prior to the Increase Effective Date.

(c) On the Increase Effective Date, the Borrower shall, in coordination with the Administrative Agent, be deemed to have repaid the outstanding Revolving Loans of certain of the Revolving Lenders, and incurred additional Revolving Loans from certain other Revolving Lenders (including the Increase Lenders), in each case to the extent necessary so that all of the Revolving Lenders participate in each outstanding Revolving Borrowing pro rata on the basis of their respective Revolving Commitments (after giving effect to the 2015 Increase).

2. **Conditions to Effectiveness.** This Increase Agreement and the 2015 Increase shall become effective on the date (the “Increase Effective Date”) when each of the following conditions shall have been satisfied:

(a) this Increase Agreement shall have been executed and delivered by the Borrower, each Guarantor, each Increase Lender, the Administrative Agent and the Swing Line Lender;

(b) the Administrative Agent shall have received:

(i) certified copies of resolutions of the Boards of Directors (or the equivalent governing body) of the Borrower and each Guarantor or statements of unanimous written consent in lieu thereof of each such party approving the matters set forth in this Increase Agreement and the transactions contemplated herein, and such resolutions or statements, as the case may be, shall be in form and substance reasonably satisfactory to the Administrative Agent,

(ii) (A) an executed opinion in a form reasonably satisfactory to the Administrative Agent of Allen & Overy LLP, legal advisers to the Loan Parties on matters of New York law and (B) an executed opinion in a form reasonably satisfactory to the Administrative Agent of in-house counsel to the Borrower, and

(iii) an officer’s certificate of a Responsible Officer of the Borrower certifying that (A) on the Increase Effective Date, before and after giving *pro forma* effect to the 2015 Increase, the representations and warranties contained in Article V of the Credit Agreement and in the other Loan Documents shall be true and correct in all material respects; *provided* that any representation or warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects on such date except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date (*provided* that such materiality qualifier shall not be applicable to any representation or warranty that already is qualified or modified by materiality in the text thereof), (B) since June 26, 2015, no event, circumstance or development shall have occurred that has had or could reasonably be expected to have a Material Adverse Effect, (C) on the Increase Effective Date, before and after giving *pro forma* effect to the 2015 Increase, no Default or Event of Default shall exist or would exist, (D) on the Increase Effective Date, before and after giving *pro forma*

effect to the 2015 Increase, the Borrower shall be in *pro forma* compliance with all financial covenants set forth in Section 6.13 of the Credit Agreement as if the 2015 Increase had been in effect on the last day of the most recently ended fiscal quarter for which financial statements have been delivered pursuant to Section 6.12(b) or (c) of the Credit Agreement, and (E) the other requirements of Section 2.13(e) of the Credit Agreement, except as otherwise waived by each Existing Lender pursuant to Section 4(b) of this Increase Agreement, have been complied with in respect of the 2015 Increase,

- (c) the Borrower shall have paid all fees and other amounts due and payable to the Administrative Agent, including, to the extent invoiced, reimbursement or payment of reasonable and documented out-of-pocket expenses in connection with this Increase Agreement and any other out-of-pocket expenses of the Administrative Agent, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in each case as required to be paid or reimbursed pursuant to the Credit Agreement;
  - (d) on the Increase Effective Date, before and after giving *pro forma* effect to the 2015 Increase, the representations and warranties contained in Article V of the Credit Agreement and in the other Loan Documents shall be true and correct in all material respects; *provided* that any representation or warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects on such date except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date (*provided* that such materiality qualifier shall not be applicable to any representation or warranty that already is qualified or modified by materiality in the text thereof); and
  - (e) on the Increase Effective Date, before and after giving *pro forma* effect to the 2015 Increase, no Default or Event of Default shall exist or would exist.
3. **Borrower Covenants.** By its execution of this Increase Agreement, the Borrower hereby covenants, and agrees, that (i) the proceeds of the Revolving Loans with respect to the 2015 Increase shall be used by the Borrower pursuant to the terms and provisions of the Credit Agreement, (ii) it shall be liable for all obligations with respect to the Revolving Loans provided pursuant to the Credit Agreement after giving effect to this Increase Agreement and (iii) all Revolving Loans shall be entitled to the benefit of the guaranty set forth in Article X of the Credit Agreement as, and to the extent, provided therein.
4. **Lender Covenants.** (a) Each Increase Lender party to this Increase Agreement, to the extent not already a party to the Credit Agreement as a Lender thereunder (each such Increase Lender, a “New Lender”), (i) confirms that it has full power and authority, and has taken all action necessary, to execute and deliver this Increase Agreement, to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) confirms that it meets all the requirements to be an assignee under Section 11.06(b)(iii), (v) and (vi) of the Credit Agreement, (iii) from and after the Increase Effective Date, confirms it shall be bound by the provisions of the Credit Agreement as a Revolving Lender thereunder and, to the extent of its Revolving Commitments, shall have the obligations of a Lender thereunder, (iv) confirms that it is sophisticated with respect to decisions to enter into transactions such as those contemplated by this Increase Agreement and either it, or the Person exercising discretion in making its decision to become an Increase Lender, is experienced in transactions of such type, (v) confirms that it has received a copy of the Credit Agreement, and has

received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Sections 6.12(b) and (c) of the Credit Agreement, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Increase Agreement, (vi) confirms that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Increase Agreement, (vii) in the case of each New Lender that is a Foreign Lender, confirms that it has delivered the forms and/or US Tax Compliance Certificate referred to in Section 3.01(f)(ii)(B) of the Credit Agreement, certifying as to its entitlement as of the date hereof to a complete exemption from United States withholding taxes with respect to all payments to be made to it by the Borrower under the Credit Agreement and the other Loan Documents and (viii) agrees that (A) it will, independently and without reliance upon the Administrative Agent, or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (B) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

(b) Each Increase Lender party to this Increase Agreement, to the extent already a party to the Credit Agreement as a Lender thereunder (each such Increase Lender, an “Existing Lender”) hereby waives its claim to any costs which may be due or payable to it pursuant to Section 3.05(a) of the Credit Agreement, solely as a result of the reallocation of the Revolving Commitments after giving effect to the 2015 Increase and this Increase Agreement.

5. **Acknowledgments.** (a) By their execution of this Increase Agreement, each Guarantor hereby acknowledges and confirms that (i) the guaranty provided pursuant to and in accordance with the Credit Agreement and the other Loan Documents to which it is a party continues in full force and effect and (ii) all of its obligations thereunder remain valid and enforceable, in each case after giving effect to this Increase Agreement and the 2015 Increase.

(b) Each Guarantor further acknowledges and agrees that all Obligations with respect to the Revolving Loans provided pursuant to the Credit Agreement after giving effect to this Increase Agreement and the 2015 Increase shall be fully guaranteed pursuant to the guaranty set forth in Article X of the Credit Agreement as, and to the extent, provided therein.

(c) The Borrower, the Administrative Agent, the Swing Line Lender and each Existing Lender that will, after giving effect to this Increase Agreement, have Revolving Commitments in an aggregate principal amount less than its Revolving Commitments prior to giving effect to the 2015 Increase, hereby acknowledge and agree pursuant to Sections 2.13(d) and 11.06(b) of the Credit Agreement that this Increase Agreement constitutes an Assignment and Assumption.

(d) The Borrower, the Administrative Agent and each Increase Lender that will, after giving effect to this Increase Agreement, have Revolving Commitments in excess of the aggregate principal amount of its Revolving Commitments prior to giving effect to the 2015 Increase, hereby acknowledge and confirm that this Increase Agreement constitutes a written confirmation of the increase in the amount of Revolving Commitments for each such Increase Lender pursuant to Section 2.13(d) of the Credit Agreement, with each such Increase Lender’s total Revolving Commitment set forth opposite its name in the 2015 Commitment Schedule.

6. **Entire Agreement.** This Increase Agreement, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties hereto with respect to the subject matter hereof. It is understood and agreed that each reference in each Loan Document to the Credit Agreement, whether direct or indirect, shall hereafter be deemed to be a reference to the Credit Agreement after giving effect to this Increase Agreement and that this Increase Agreement is a Loan Document.
7. **Effect of Agreement.** (a) Except as expressly set forth in this Increase Agreement or in the Credit Agreement, this Increase Agreement shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of any party under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or of any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle the Borrower to consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances.  
  
(b) On and after the Increase Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein”, or words of like import, and each reference to the Credit Agreement in any other Loan Document, shall be deemed a reference to the Credit Agreement after giving effect to this Increase Agreement. This Increase Agreement shall constitute a “Loan Document” for all purposes of the Credit Agreement and the other Loan Documents.
8. **Headings.** Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Increase Agreement.
9. **Amendment, Modification and Waiver.** After the execution and delivery to the Administrative Agent of a fully executed copy of this Increase Agreement (including by way of counterparts and by facsimile or other electronic transmission) by the parties hereto, this Increase Agreement may only be amended, modified or varied by written instrument in accordance with the requirements for the amendment and modification of Loan Documents pursuant to Section 11.01 of the Credit Agreement. In the event of any conflict between the terms of this Increase Agreement and those of the Credit Agreement, the terms of the Credit Agreement shall control.

**THIS INCREASE AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.**

**IN WITNESS WHEREOF**, each of the undersigned has caused its duly authorized officer to execute and deliver this Increase Agreement as of the date first written above.

**COLFAX CORPORATION,**  
as Borrower

By: /s/ C. Scott Brannan

Name:C. Scott Brannan

Title:Senior Vice President, Chief Financial Officer and Treasurer

**ALCOTEC WIRE CORPORATION**  
**ALLOY RODS GLOBAL, INC.**  
**ANDERSON GROUP INC.**  
**CLARUS FLUID INTELLIGENCE, LLC**  
**CLFX SUB HOLDING LLC**  
**COLFAX FLUID HANDLING LLC**  
**CONSTELLATION PUMPS CORPORATION**  
**DISTRIBUTION MINING & EQUIPMENT COMPANY, LLC**  
**EMSA HOLDINGS, INC.**  
**FAN GROUP INC.**  
**HOWDEN AMERICAN FAN COMPANY**  
**HOWDEN ROOTS LLC**  
**IMO HOLDINGS, INC.**  
**IMO INDUSTRIES INC.**  
**PORTLAND VALVE LLC**  
**SHAWEBONE HOLDINGS INC.**  
**STOODY COMPANY**  
**THE ESAB GROUP, INC.**  
**TOTAL LUBRICATION MANAGEMENT COMPANY**  
**VICTOR EQUIPMENT COMPANY**  
**VICTOR TECHNOLOGIES GROUP, INC.**  
**VICTOR TECHNOLOGIES HOLDINGS, INC.**  
**VICTOR TECHNOLOGIES INTERNATIONAL, INC.**  
**WARREN PUMPS LLC,**  
as Guarantors

By: /s/ C. Scott Brannan

Name:C. Scott Brannan

Title:President

**Howden Compressors, Inc.,  
Howden North America Inc.,**  
as Guarantors

By: /s/ C. Scott Brannan  
Name: C. Scott Brannan  
Title: Vice President of each of the foregoing

**Howden construction services Inc.,**  
as Guarantor

By: /s/ C. Scott Brannan  
Name: C. Scott Brannan  
Title: Authorized Signatory

DEUTSCHE BANK AG NEW YORK BRANCH, as Administrative Agent, Swing  
Line Lender and Increase Lender

By /s/ Peter Cucchiara  
Name: Peter Cucchiara  
Title: Vice President

By /s/ Michael Shannon  
Name: Michael Shannon  
Title: Vice President

SIGNATURE PAGE TO THE INCREASE AGREEMENT,  
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CORPORATION, EACH OF THE OTHER LOAN PARTIES,  
THE LENDERS PARTY THERETO, AND DEUTSCHE BANK  
AG NEW YORK BRANCH, as ADMINISTRATIVE AGENT  
AND SWING LINE LENDER.

NAME OF INSTITUTION:

Bank of America, N.A.

By: /s/ Christopher Wozniak

Name: Christopher Wozniak

Title: Vice President



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NAME OF INSTITUTION:

Citibank, N.A.

By: /s/ Brian Reed

Name: Brian Reed

Title: Vice President

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NAME OF INSTITUTION:

Citizens Bank of Pennsylvania

By: /s/ Leslie D. Broderick

Name: Leslie D. Broderick

Title: Senior Vice President

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HSBC Bank USA, National Association

By: /s/ Paul L. Hatton

Name: Paul L. Hatton

Title: Managing Director

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AND SWING LINE LENDER.

NAME OF INSTITUTION:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Caroline B. Olzinski  
Name: Caroline B. Olzinski

Title: Vice President

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NAME OF INSTITUTION:

BNP PARIBAS

By: /s/ Pawel Zelezik

Name: Pawel Zelezik

Title: Vice President

By: /s/ Melissa Dyk

Name: Melissa Dyk

Title: Director

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NAME OF INSTITUTION:

COMPASS BANK

By: /s/ Daniel Feldman

Name: Daniel Feldman

Title: Vice President

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NAME OF INSTITUTION:

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

By: /s/ Vipul Dhadha

Name: VIPUL DHADDA

Title: AUTHORIZED SIGNATORY

By: /s/ Franziska Schoch

Name: FRANZISKA SCHOCH

Title: AUTHORIZED SIGNATORY

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NAME OF INSTITUTION:

JPMORGAN CHASE BANK, N.A.

By: /s/ Philip Mousin

Name: Philip Mousin

Title: Executive Director



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NAME OF INSTITUTION:

KEYBANK NATIONAL ASSOCIATION, as an Increase Lender

By: /s/ Marcel Fournier

Name: Marcel Fournier

Title: Vice President

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NAME OF INSTITUTION:

ROYAL BANK OF CANADA

By: /s/ Jason C. Hedrick

Name: Jason C. Hedrick

Title: Authorized Signatory

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Sumitomo Mitsui Banking Corporation

By: /s/ David Kee  
Name: David Kee

Title: Managing Director

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NAME OF INSTITUTION:

SUNTRUST BANK

By: /s/ Chris Hursey  
Name: Chris Hursey

Title: Director

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NAME OF INSTITUTION:

TD Bank, N.A.

By: /s/ Mark Hogan

Name: Mark Hogan

Title: Senior Vice President

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NAME OF INSTITUTION:

THE BANK OF NOVA SCOTIA

By: /s/ Michelle C. Phillips

Name: Michelle C. Phillips

Title: Execution Head & Director

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NAME OF INSTITUTION:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

By: /s/ Ravneet Mumick

Name: Ravneet Mumick

Title: Director

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NAME OF INSTITUTION:

BARCLAYS BANK PLC

By: /s/ Christopher R. Lee

Name: Christopher R. Lee

Title: Vice President



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NAME OF INSTITUTION:

MORGAN STANLEY BANK, N.A.

By: /s/ Michael King

Name: Michael King

Title: Authorized Signatory

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NAME OF INSTITUTION:

US Bank, National Association

By: /s/ Steven L. Sawyer

Name: Steven L. Sawyer

Title: Senior Vice President

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NAME OF INSTITUTION:

Commerzbank AG New York

By: /s/ Kiuli Chan

Name: Kiuli Chan

Title: Director

By: /s/ Diane Pockaj

Name: Diane Pockaj

Title: Managing Director

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NAME OF INSTITUTION:

Crédit Agricole Corporate & Investment Bank

By: /s/ Pamela Donnelly

Name: Pamela Donnelly

Title: Managing Director

By: /s/ Mark Koneval

Name: Mark Koneval

Title: Managing Director

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NAME OF INSTITUTION:

DNB CAPITAL LLC

By: /s/ Philip Kurpiewski

Name: Philip Kurpiewski

Title: Senior Vice President

By: /s/ Geshu Sugandh

Name: Geshu Sugandh

Title: First Vice President

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AND SWING LINE LENDER.

NAME OF INSTITUTION:

GOLDMAN SACHS BANK USA, as an Increase Lender

By: /s/ Rebecca Kratz

Name: Rebecca Kratz

Title: Authorized Signatory

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NAME OF INSTITUTION:

KBC Bank N.V., New York Branch

By: /s/ Sheila Bermejo

Name: Sheila Bermejo

Title: Vice President

By: /s/ Thomas R. Lalli

Name: Thomas R. Lalli

Title: Managing Director

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NAME OF INSTITUTION:

PNC Bank, National Association

By: /s/ Bremmer Kneib

Name: Bremmer Kneib

Title: Vice President



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AND SWING LINE LENDER.

NAME OF INSTITUTION:

Unicredit Bank AG, New York Branch

By: /s/ Ken Hamilton

Name: Ken Hamilton

Title: Managing Director

By: /s/ Betsy Hudson

Name: Betsy Hudson

Title: Associate Director

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AND SWING LINE LENDER.

NAME OF INSTITUTION:

THE NORTHERN TRUST COMPANY

By: /s/ Peter J. Hallan

Name: Peter J. Hallan

Title: Vice President

## CERTIFICATIONS

I, Matthew Trerotola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 22, 2015

/s/ Matthew Trerotola

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**Matthew Trerotola**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

## CERTIFICATIONS

I, C. Scott Brannan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 22, 2015

/s/ C. Scott Brannan

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**C. Scott Brannan**  
**Senior Vice President, Finance,**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial and Accounting Officer)**

**Certification Pursuant to 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Matthew Trerotola, as President and Chief Executive Officer of Colfax Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period ended September 25, 2015 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 22, 2015

/s/ Matthew Trerotola

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**Matthew Trerotola**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

**Certification Pursuant to 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

I, C. Scott Brannan, as Senior Vice President, Finance, Chief Financial Officer and Treasurer of Colfax Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period ended September 25, 2015 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 22, 2015

/s/ C. Scott Brannan

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**C. Scott Brannan**  
**Senior Vice President, Finance,**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial and Accounting Officer)**