SUPPLEMENTARY PROSPECTUS DATED 7 NOVEMBER 2011

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser who, if you are taking advice in the United Kingdom, is appropriately authorized to provide such advice under the Financial Services and Markets Act 2000 or from another appropriately authorized independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your Charter Shares, please send this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such document should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or otherwise transferred part of your holding of Charter Shares, please retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in or into jurisdictions other than the United Kingdom, the United States or Jersey may be restricted by the laws of those jurisdiction and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions or applicable requirements. Failure to comply with any such restrictions or applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

A copy of this document, which comprises a supplementary prospectus relating to the New Colfax Common Shares proposed to be issued pursuant to the terms of the Acquisition and has been prepared in accordance with the Prospectus Rules made under Section 84 of FSMA, has been filed with the FSA and has been made available to the public as required by section 3.2 of the Prospectus Rules.

This document is supplemental to and must be read in conjunction with the Prospectus. You should read this document and the documents incorporated in it by reference in their entirety. In particular, your attention is drawn to the risk factors set out in the section of the Prospectus headed *Risk Factors*.

Colfax and the Colfax Directors, whose names appear in this document in *Part 3: Additional Information - Colfax Directors*, accept responsibility for the information contained in this document. To the best of the knowledge of Colfax and the Colfax Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

COLFAX CORPORATION

(Incorporated in Delaware, United States)

Proposed issue of up to 20,832,469 New Colfax Common Shares to Charter Shareholders in connection with Colfax's offer for Charter

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Investors should rely only on the information contained in this document and the document incorporated herein by reference. No person has been authorized to give any information or make any representations other than those contained in this document and any document incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorized. Colfax will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Neither the SEC nor any state securities commission nor any other regulatory authority has approved or disapproved of the Colfax Shares or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

The Acquisition relates to all the Charter Shares held by all Charter Shareholders in the UK, Jersey and the US as well as any other jurisdiction where the Acquisition is capable of being lawfully made and accepted in compliance with local securities laws.

The New Colfax Common Shares have not been, and are not currently intended to be, registered under the applicable securities laws of any Restricted Jurisdiction. This document is not being made available to Charter Shareholders with registered addresses in a Restricted Jurisdiction and may not be treated as an offer or invitation to subscribe for any New Colfax Common Shares by any person resident or located in such jurisdictions. The New Colfax Common Shares may not be offered in or into any Restricted Jurisdiction or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. Any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or any accompanying document to a Restricted Jurisdiction should seek appropriate advice before taking any action.

Deutsche Bank AG is authorized under German Banking Law (competent authority: BaFin – Federal Financial Supervisory Authority) and authorized and subject to limited regulation by the FSA. Details about the extent of Deutsche Bank AG's authorisation and regulation by the FSA are available on request. Deutsche Bank AG is acting as financial adviser to Colfax and Bidco and no one else in connection with the contents of this document and the Acquisition and will not be responsible to any person other than Colfax and Bidco for providing the protections afforded to clients of Deutsche Bank AG nor for providing advice in relation to the Acquisition or any matters referred to herein.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE. EACH POTENTIAL INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISER, FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

CONTENTS

IMPORTANT INFORMATION 3

PART 1: COLFAX UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 ... 6

PART 2: CHARTER UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 . 23

PART 3: ADDITIONAL INFORMATION 24

PART 4: DEFINITIONS 25

IMPORTANT INFORMATION

Subject matter of this document

Following publication of the Prospectus on October 18, 2011, Colfax announced the publication of its unaudited condensed consolidated financial information for the nine months ended September 30, 2011 (prepared in accordance with US GAAP) on October 27, 2011 and Charter announced the publication of Charter's Interim Management Statement on October 28, 2011 which contains, amongst other things, Charter's unaudited condensed consolidated financial information for the nine months ended September 30, 2011 (prepared in accordance with IFRS). In each case, the publication of such financial information amounted to a significant new factor in accordance with Section 87G of FSMA. As a result, Colfax is required to publish a supplementary prospectus containing details of these significant new factors. This document is a supplementary prospectus published for such purposes.

Notice to Charter Shareholders and potential investors

United States

The Scheme relates to the shares of a Jersey company that is a "foreign private issuer" as defined under Rule 3b-4 under the Exchange Act and will be governed by Jersey law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the Exchange Act. Accordingly, the Scheme is subject to the disclosure requirements and practices applicable in the United Kingdom or Jersey and under the City Code to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules. Certain financial information included in this document has not been prepared in accordance with US GAAP and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with US GAAP. If Bidco exercises its right to implement the Acquisition by way of a takeover offer, such offer will be made in compliance with applicable US laws and regulations.

The New Colfax Common Shares may not be offered, sold, or delivered, directly or indirectly, in, into or from the United States absent registration under the Securities Act or an exemption from registration. It is expected that the New Colfax Common Shares to be issued in the Scheme will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof.

For the purpose of qualifying for the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act with respect to the New Colfax Common Shares issued pursuant to the Scheme, Colfax will advise the Court that it will rely on the section 3(a)(10) exemption based on the Court's sanctioning of the Scheme, which will be relied upon by Colfax as an approval of the Scheme following a hearing on its fairness to Charter Shareholders at which hearing all such Charter Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such Charter Shareholders.

New Colfax Common Shares issued to a Charter Shareholder who is not an "affiliate" (within the meaning of the Securities Act) of Colfax after the Effective Date will not be "restricted securities" under the Securities Act and such New Colfax Common Shares may be sold by such person in ordinary secondary market transactions without restriction under the Securities Act.

Under applicable US securities laws, persons (whether or not US persons) who are or will be "affiliates" (within the meaning of the Securities Act) of Colfax after the Effective Date will be subject to certain transfer restrictions relating to the New Colfax Common Shares received in connection with the Scheme. Persons who may be deemed to be affiliates of Colfax include individuals who, or entities that, control directly or indirectly, or are controlled by or are under common control with, Colfax and may include certain officers and directors of Colfax and Colfax's principal shareholders (such as, for example, a holder of more than 10% of the outstanding capital stock). Charter Shareholders who are affiliates, in addition to reselling their New Colfax Common Shares in the manner permitted by Rule 144 under the Securities Act, may also sell their New Colfax Common Shares under any other available exemption under the Securities Act, including Regulation S under the Securities Act. Charter Shareholders who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any sale of New Colfax Common Shares received pursuant to the Scheme.

The New Colfax Common Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States in compliance with, or in reliance on, available exemptions from such state law registration requirements.

Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New Colfax Common Shares or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Charter Shareholders who are citizens or residents of the United States should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme or, if Colfax decides to implement the Acquisition by way of an Offer, the Offer, in their particular circumstances.

Other jurisdictions

This document and any accompanying documents are not being made available to Overseas Shareholders with registered addresses in any Restricted Jurisdiction and may not be treated as an invitation to subscribe for any New Colfax Common Shares by any person resident or located in such jurisdictions or any other Restricted Jurisdiction.

The New Colfax Common Shares and the Loan Notes have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, the New Colfax Common Shares and the Loan Notes may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

The implications of the Scheme (including the right to make an election under the Mix and Match Facility) for Overseas Shareholders may be affected by the laws of relevant jurisdictions. Such Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of each overseas person who is to receive New Colfax Common Shares pursuant to the Scheme to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, Jersey law and the Prospectus Rules, and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England and Wales.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

No incorporation of website information

Neither the content of Colfax's website nor Charter's website, nor the content of any website accessible from hyperlinks on Colfax's website or Charter's website, is incorporated into, or forms part of, this document.

Forward-looking statements

This document includes forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “aim”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not current or historical facts.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the control of Colfax, that could cause Colfax's actual results to differ materially from those indicated in any such statements. Such factors include, but are not limited to, continued volatility of input costs, pricing actions, increased competition, Colfax's indebtedness, risks from operating outside the US, tax law changes, failure to obtain necessary regulatory approvals or to satisfy any of the other conditions of the Acquisition, adverse effects on the market price of Colfax Shares and on Colfax's operating results because of a failure to complete the Acquisition, failure to realise the expected benefits of the Acquisition, significant transaction costs and general economic and business conditions that affect the Combined Group following the completion of the Acquisition. For more information on these and other factors that could affect these forward-looking statements, see *Risk Factors* in the Prospectus, which should be read in conjunction with the other cautionary statements included in this document.

Charter Shareholders and potential investors should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of Colfax. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not indicative of future performance and Colfax's actual results of operations and financial condition, and the development of the industry in which Colfax operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Colfax, or persons acting on its behalf, may issue.

These forward-looking statements reflect Colfax's judgment at the date of this document and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Prospectus Rules, the Disclosure and Transparency Rules and other applicable regulations, Colfax undertakes no obligation to update or revise these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Colfax will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

IFRS and US GAAP

Colfax's consolidated financial statements are prepared in accordance with US GAAP whereas Charter's consolidated financial statements are prepared in accordance with IFRS. US GAAP differs from IFRS in a number of significant respects. Colfax has not prepared, and does not currently intend to prepare, its financial statements in, or reconcile them to, IFRS and hence has not quantified these differences for Charter Shareholders or potential investors. For a general discussion of the significant differences between IFRS and US GAAP, see the Prospectus at *Part 12: Summary of Significant Differences between IFRS and US GAAP*. In making an investment decision, Charter Shareholders and potential investors must rely on their own examination of Colfax, the terms of the Acquisition and the financial information in this document. Charter Shareholders and potential investors should consult their own professional advisers for an understanding of the differences between IFRS and US GAAP.

Rounding

Certain figures contained in this document or incorporated by reference in this document, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document or incorporated by reference in this document may not conform exactly to the total figure given for that column or row.

Currency presentation

Unless otherwise indicated, all references in this document to “US dollars”, “dollars”, “$” or “cents” are to the lawful currency of the US, all references to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to the lawful currency of the UK, and all references to “€”, “EUR” or “Euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

PART 1: COLFAX UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

Following publication of the Prospectus on October 18, 2011, Colfax announced the publication of its unaudited condensed consolidated financial information for the nine months ended September 30, 2011 (prepared in accordance with US GAAP) on October 27, 2011. Such financial information is set out below.

Condensed Consolidated Statements of Operations

Dollars in thousands, except per share amounts
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Net sales	$ 170,294	$ 132,397	$ 515,601	$ 375,336
Cost of sales	109,667	85,300	337,046	243,502
Gross profit	60,627	47,097	178,555	131,834
Selling, general and administrative expense	40,972	29,927	116,920	87,829
Research and development expense	1,439	1,583	4,540	4,731
Restructuring and other related charges	5,299	2,441	7,518	9,515
Asbestos liability and defense cost	4,391	2,202	7,644	4,179
Asbestos coverage litigation expense	3,086	2,339	8,454	10,763
Operating income	5,440	8,605	33,479	14,817
Interest expense	1,218	1,544	4,507	5,075
Income before income taxes	4,222	7,061	28,972	9,742
Provision for income taxes	532	1,210	8,337	2,177
Net income	$ 3,690	$ 5,851	$ 20,635	$ 7,565
Net income per share—basic and diluted	$ 0.08	$ 0.13	$ 0.47	$ 0.17

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheets

Dollars in thousands, except share amounts
(Unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 64,447	$ 60,542
Trade receivables, less allowance for doubtful accounts of $2,707 and $2,562	104,789	98,070
Inventories, net	79,183	57,941
Deferred income taxes, net	6,364	6,108
Asbestos insurance asset	32,848	34,117
Asbestos insurance receivable	30,430	46,108
Prepaid expenses	12,156	11,851
Other current assets	14,742	6,319
Total current assets	344,959	321,056
Deferred income taxes, net	48,026	52,385
Property, plant and equipment, net	91,413	89,246
Goodwill	184,119	172,338
Intangible assets, net	33,200	28,298
Long-term asbestos insurance asset	320,737	340,234
Long-term asbestos insurance receivable	7,063	5,736
Other assets	9,370	12,784
Total assets	$ 1,038,887	$ 1,022,077
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable	53,865	50,896
Accrued asbestos liability	36,709	37,875
Accrued payroll	23,168	21,211
Advance payment from customers	13,583	17,250
Accrued taxes	6,451	6,173
Accrued restructuring liability	4,899	2,180
Other accrued liabilities	63,352	45,925
Total current liabilities	212,027	191,510
Long-term debt, less current portion	65,000	72,500
Long-term asbestos liability	376,626	391,776
Pension and accrued post-retirement benefits	107,029	112,257
Deferred income tax liability	15,927	13,529
Other liabilities	16,782	24,134
Total liabilities	793,391	805,706
Shareholders' equity:		
Common stock, $0.001 par value; 200,000,000 shares authorized; 43,602,712 and 43,413,553 issued and outstanding	44	43
Additional paid-in capital	413,013	406,901
Accumulated deficit	(39,423)	(60,058)
Accumulated other comprehensive loss	(128,138)	(130,515)
Total shareholders' equity	245,496	216,371
Total liabilities and shareholders' equity	$ 1,038,887	$ 1,022,077

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows

Dollars in thousands
(Unaudited)

	Nine Months Ended	
	September 30, 2011	October 1, 2010
Cash flows from operating activities:		
Net income	$ 20,635	$ 7,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and fixed asset impairment charges	17,618	11,242
Stock-based compensation expense	3,885	1,872
Amortization of deferred loan costs	548	508
Deferred income tax expense (benefit)	2,193	(4,377)
Changes in operating assets and liabilities, net of acquisitions:		
Trade receivables, net	1,800	925
Inventories, net	(11,229)	12,327
Accounts payable and accrued expenses, excluding asbestos-related accrued expenses	(1,489)	6,044
Other current assets	(2,088)	509
Asbestos liability and asbestos-related accrued expenses, net of asbestos insurance asset and receivable	17,787	7,386
Changes in other operating assets and liabilities	(7,982)	(8,701)
Net cash provided by operating activities	41,678	35,300
Cash flows from investing activities:		
Purchases of fixed assets, net	(10,717)	(9,285)
Acquisitions, net of cash received	(22,299)	(27,011)
Net cash used in investing activities	(33,016)	(36,296)
Cash flows from financing activities:		
Payments under term credit facility	(7,500)	(6,250)
Proceeds from borrowings on revolving credit facilities	78,646	—
Repayments of borrowings on revolving credit facilities	(78,646)	—
Payments on capital leases	—	(203)
Proceeds from stock-based awards	2,195	995
Repurchases of common stock	—	(191)
Net cash used in financing activities	(5,305)	(5,649)
Effect of foreign exchange rates on cash and cash equivalents	548	(540)
Increase (decrease) in cash and cash equivalents	3,905	(7,185)
Cash and cash equivalents, beginning of period	60,542	49,963
Cash and cash equivalents, end of period	$ 64,447	$ 42,778

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Nature of Operations

Colfax Corporation (the "Company" or "Colfax") is a global supplier of a broad range of fluid-handling products, including pumps, fluid-handling systems and controls, and specialty valves. The Company has a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. The Company's products serve a variety of applications in five strategic end markets: commercial marine, oil and gas, power generation, defense and general industrial. Colfax designs and engineers its products to high quality and reliability standards for use in critical fluid-handling applications where performance is paramount, and it offers customized fluid-handling solutions to meet individual customer needs based on its in-depth technical knowledge of the applications in which its products are used. The Company's products are marketed principally under the Allweiler, Baric, Fairmount Automation, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren, and Zenith brand names.

2. General

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, 2010 is derived from the Company's audited financial statements. 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, 2010, filed with the SEC on February 25, 2011.

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.

The results of operations for the three and nine months ended September 30, 2011 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 fluid-handling business. As the Company's customers seek to fully utilize capital spending budgets before the end of the year, historically shipments have peaked during the fourth quarter. Also, Colfax's European operations typically experience a slowdown during the July and August holiday season. General economic conditions as well as backlog levels may, however, impact future seasonal variations.

3. Recently Issued Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, "Intangibles—Goodwill and Other" ("ASU No. 2011-08"). ASU 2011-08 was intended to reduce the complexity and cost by providing an option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company intends to early adopt ASU 2011-08 in conjunction with its October 1, 2011 Goodwill impairment analysis and is currently evaluating the impact of adoption, but does

not expect the adoption to have a material impact on the Company's Condensed Consolidated Financial Statements.

In October 2009, the Financial Accounting Standards Board issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force" ("ASU No. 2009-13"). ASU No. 2009-13 addresses the unit of accounting for arrangements involving multiple deliverables and how arrangement consideration should be allocated to the separate units of accounting. The Company adopted the provisions of ASU No. 2009-13 prospectively beginning January 1, 2011. The adoption of ASU No. 2009-13 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

4. Acquisitions

Charter International plc

On September 12, 2011, Colfax Corporation entered into an agreement with Charter International plc ("Charter") pursuant to which, subject to certain terms and conditions, Charter will become a wholly owned subsidiary of Colfax (the "Acquisition"). Under the terms of the Acquisition, Charter shareholders will be entitled to receive 730 pence in cash and 0.1241 newly issued shares of Colfax Corporation Common stock in exchange for each share of Charter's ordinary stock.

In connection with the financing of the proposed Acquisition of Charter, on September 12, 2011, Colfax entered into a securities purchase agreement (the "BDT Purchase Agreement") with BDT CF Acquisition Vehicle, LLC (the "BDT Investor") as well as BDT Capital Partners Fund I-A, L.P., and Mitchell P. Rales, Chairman of Colfax's Board of Directors, and his brother, Steven M. Rales (for the limited purpose of tag-along sales rights provided to the BDT Investor in the event of a sale or transfer of shares of Colfax Common stock by either or both of Mitchell P. Rales and Steven M. Rales). Pursuant to the BDT Purchase Agreement, Colfax has agreed to sell to the BDT Investor (i) 14,756,945 newly issued shares of Colfax Common stock and (ii) 13,877,552 shares of newly created Series A perpetual convertible preferred stock, referred to as the Series A Preferred Stock, for an aggregate of $680 million (representing $24.50 per share of Series A Preferred Stock and $23.04 per share of Common stock). Under the terms of the Series A Preferred Stock, holders are entitled to receive cumulative cash dividends, payable quarterly, at a per annum rate of 6% of the liquidation preference (defined as $24.50, subject to customary antidilution adjustments), provided that the dividend rate shall be increased to a per annum rate of 8% if Colfax fails to pay the full amount of any dividend required to be paid on such shares until the date that full payment is made.

The Series A Preferred Stock is convertible, in whole or in part, at the option of the holders at any time after the date the shares are issued into shares of Colfax Common stock at a conversion rate determined by dividing the liquidation preference by a number equal to 114% of the liquidation preference, subject to certain adjustments. The Series A Preferred Stock is also convertible, in whole or in part, at the option of Colfax on or after the third anniversary of the issuance of the shares at the same conversion rate if, among other things: (i) for the preceding thirty trading days, the closing price of Colfax Common stock on the New York Stock Exchange exceeds 133% of the applicable conversion price and (ii) Colfax has declared and paid or set apart for payment all accrued but unpaid dividends on the Series A Preferred Stock.

On September 12, 2011, Colfax entered into separate securities purchase agreements with Mitchell P. Rales, Chairman of Colfax's Board of Directors, and his brother Steven M. Rales, each of whom were beneficial owners of 20.9% of Colfax's Common stock, and Markel Corporation, a Virginia corporation ("Markel"). Thomas S. Gayner, a member of Colfax's Board of Directors, is President and Chief Investment Officer of Markel. Pursuant to these agreements, Colfax agreed to sell 2,170,139 to each of Mitchell P. Rales and Steven M. Rales and 1,085,070 to Markel of newly issued Colfax Common stock at $23.04 per share, for a total aggregate of $125 million.

On September 12, 2011, Colfax and certain of its subsidiaries entered into a credit agreement (the "Deutsche Bank Credit Agreement") with Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc. The Deutsche Bank Credit Agreement has three tranches of term loans: (i) a $200 million term A-1 facility, (ii) a $700 million term A-2 facility and (iii) a $900 million term B facility. In addition, the Deutsche Bank Credit Agreement has two revolving credit facilities which total $300 million in commitments (the "Revolver"). The Revolver includes a $200 million letter of credit sub-facility and a $50 million swingline loan sub-facility.

The completion of the Acquisition and the consummation of the transactions contemplated by the BDT Purchase Agreement, the securities purchase agreements with Mitchell P. Rales, Steven M. Rales and Markel Corporation and the Deutsche Bank Credit Agreement depends on a number of conditions being satisfied. These conditions include, among others, the receipt of approval of Charter stockholders of the Acquisition, the receipt of approval of Colfax stockholders of (i) the issuance of securities to the BDT Investor, (ii) the issuance of securities to Mitchell P. Rales, Steven M. Rales and Markel, (iii) the issuance of securities under the terms of the Acquisition and (iv) amendment and restatement of Colfax's certificate of incorporation to increase the number of authorized shares of the Company's Common stock and preferred stock and to provide the BDT Investor certain approval rights and director nomination rights in Colfax. The Acquisition is currently expected to close in the first quarter of 2012.

During both the three and nine months ended September 30, 2011, the Company incurred $5.7 million of advisory, legal, audit, valuation and other professional service fees in connection with the Acquisition, which are included in Selling, general and administrative expense in the Condensed Consolidated Statements of Operations.

See Note 14, "Financial Instruments" for a discussion of a foreign exchange option agreement entered into in conjunction with the Acquisition.

Rosscor Holding, B.V.

On February 14, 2011, the Company completed the acquisition of Rosscor Holding, B.V. ("Rosscor") for $22.3 million, net of cash acquired. Rosscor is a supplier of multiphase pumping technology and certain other highly engineered fluid-handling systems, with its primary operations based in Hengelo, The Netherlands. As a result of this acquisition, the Company has expanded its product offerings in the oil and gas end market to include multiphase pump systems that many of its customers already purchase. The Company accounted for the acquisition using the acquisition method of accounting; accordingly, the Condensed Consolidated Financial Statements include the financial position and results of operations from the date of acquisition. None of the Goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the aggregate estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	February 14, 2011
	(In thousands)
Trade receivables	$ 8,475
Inventories	11,439
Property, plant and equipment	1,121
Goodwill[1]	10,212
Intangible assets	10,726
Accounts payable	(8,851)
Customer advance payments	(7,466)
Other assets and liabilities, net	(3,357)
Net cash consideration	$ 22,299

[1] Goodwill included in the Condensed Consolidated Balance Sheet increased by $11.8 million from $172.3 million as of December 31, 2010 to $184.1 million as of September 30, 2011, of which $10.2 million relates to the acquisition of Rosscor detailed above and the remaining $1.6 million increase represents the effect of foreign currency translation.

The following table summarizes the Intangible assets acquired, excluding Goodwill:

	Intangible Asset (In thousands)	Weighted-Average Amortization Period (years)
Backlog	$ 1,828	0.98
Acquired technology	8,898	20.00
Intangible assets	$ 10,726	16.76

5. Net Income Per Share

Net income per share was computed as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
	(In thousands, except share data)			
Net income	$ 3,690	$ 5,851	$ 20,635	$ 7,565
Weighted-average shares of Common stock outstanding—basic	43,682,698	43,390,849	43,598,692	43,328,091
Net effect of potentially dilutive securities[1]	729,272	228,403	700,465	211,281
Weighted-average shares of Common stock outstanding—diluted	44,411,970	43,619,252	44,299,157	43,539,372
Net income per share—basic and diluted	$ 0.08	$ 0.13	$ 0.47	$ 0.17

(1) Potentially dilutive securities consist of stock options and restricted stock units.

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 30, 2011 and October 1, 2010 excludes approximately 0.5 million and 1.3 million 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 30, 2011 and October 1, 2010 excludes approximately 0.5 million and 0.9 million outstanding stock-based compensation awards, respectively, as their inclusion would be anti-dilutive.

6. Income Taxes

For all periods presented, the respective effective tax rate represents the estimated annual tax rate for the year applied to the respective period Income before income taxes plus the tax effect of any significant unusual items, discrete items or changes in tax law.

During the three and nine months ended September 30, 2011, Income before income taxes was approximately $4.2 million and $29.0 million, respectively, and the Provision for income taxes was $0.5 million and $8.3 million, respectively. The effective tax rates of 12.6% and 28.8% for the three and nine months ended September 30, 2011, respectively, differ from the United States ("U.S.") federal statutory tax rate primarily due to international tax rates, which are lower than the U.S. tax rate, and changes in the estimated annual tax rate. The estimated annual tax rate declined primarily due to the impact of changes in anticipated pre-tax income for the year ended December 31, 2011 in various tax jurisdictions that the Company operates in. The cumulative impact of this adjustment during the three months ended September 30, 2011 resulted in an effective tax rate of 12.6%. The change in the estimated annual tax rate resulted in an increase of approximately $0.7 million in Net income for both the three and nine months ended September 30, 2011, or $0.01 and $0.02 per share, respectively.

During the three and nine months ended October 1, 2010, Income before income taxes was approximately $7.1 million and $9.7 million, respectively, and the Provision for income taxes was $1.2 million and $2.2 million, respectively. The effective tax rates of 17.1% and 22.3% for the three and nine months ended October 1, 2010, respectively, differ from the U.S. federal statutory tax rate due to a net decrease in the Company's liability for unrecognized income tax benefits primarily due to the successful resolution of 2003 German tax audit issues and the effect of international tax rates which are lower than the U.S. tax rate.

The Company is subject to income tax in the U.S. (including state jurisdictions) and international locations. The Company's significant operations outside the U.S. are located in Germany and Sweden. In Sweden, tax years 2005 to 2010 and in Germany, tax years 2006 to 2010 remain subject to examination. In the U.S., tax years 2005 and beyond generally remain open for examination by U.S. federal and state tax authorities as well as the tax year ending in 2003 that has U.S. tax attributes available that have been carried forward to open tax years or are available to be carried forward to future tax years. During the three and nine months ended September 30, 2011, previously unrecognized tax benefits of $5.2 million were recognized due to the expiration of certain statutes of limitations.

The Company considers each of the four sources of taxable income proscribed in FASB's Accounting Standard Codification 740 "Income Taxes" when determining the appropriate level of its deferred tax valuation allowance. Unrecognized tax positions related to existing deferred tax assets represent a future

source of taxable income considered in the Company's analysis of the realizability of its deferred tax assets on a more likely than not basis. As a result of the expiration of certain statutes of limitations, as noted above, the Company has adjusted its sources of future taxable income estimate available to utilize its deferred tax asset. This change in estimate caused the Company to increase its valuation allowance by $5.2 million to reflect additional deferred tax assets that may not be realized on a more likely than not basis.

Due to the difficulty in predicting with reasonable certainty when tax audits will be fully resolved and closed, the range of reasonably possible significant increases or decreases in the liability for unrecognized tax benefits that may occur within the next 12 months is difficult to ascertain. Currently, the Company estimates that it is reasonably possible that the expiration of various statutes of limitations and resolution of tax audits may reduce its tax expense in the next 12 months in amounts ranging from zero to $0.5 million.

7. Comprehensive (Loss) Income

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
	(In thousands)			
Net income	$ 3,690	$ 5,851	$ 20,635	$ 7,565
Other comprehensive (loss) income:				
Foreign currency translation, net of tax	(15,216)	16,057	(2,470)	(4,152)
Unrealized loss on hedging activities	(13)	(292)	(146)	(1,151)
Amounts reclassified to Net income:				
Realized loss on hedging activities	251	490	1,231	1,951
Net pension and other postretirement benefit cost, net of tax	1,161	777	3,762	2,337
Other comprehensive (loss) income	(13,817)	17,032	2,377	(1,015)
Comprehensive (loss) income	$ (10,127)	$ 22,883	$ 23,012	$ 6,550

8. Inventories, Net

Inventories, net consisted of the following:

	September 30, 2011	December 31, 2010
	(In thousands)	
Raw materials	$ 29,805	$ 23,758
Work in process	40,579	32,224
Finished goods	27,126	20,121
	97,510	76,103
Less: customer progress billings	(10,284)	(10,385)
Less: allowance for excess, slow-moving and obsolete inventory	(8,043)	(7,777)
Inventories, net	$ 79,183	$ 57,941

Certain prior period amounts in the table above have been reclassified to conform to current year presentation.

9. Debt

Long-term debt consisted of the following:

	September 30, 2011	December 31, 2010
	(In thousands)	
Term credit facility	$ 75,000	$ 82,500
Total Debt	75,000	82,500
Less: current portion of the term credit facility	(10,000)	(10,000)
Long-term debt	$ 65,000	$ 72,500

The Company is party to a credit agreement (the "Credit Agreement"), led and administered by Bank of America, which is a senior secured structure with a revolving credit facility and term credit facility. During the three months ended April 1, 2011, the Credit Agreement was amended to, among other items, eliminate the $6.0 million commitment of a defaulted lender, which resulted in a reduction of the revolving credit facility's total capacity from $150.0 million to $144.0 million. The maturity date of the Credit Agreement is May 13, 2013.

The term credit facility bears interest at the London Interbank Offered Rate plus a margin ranging from 2.25% to 2.75% determined by the total leverage ratio calculated at the end of each quarter. As of September 30, 2011 and December 31, 2010, the interest rate was 2.47% and 2.76%, respectively, inclusive of a margin of 2.25% and 2.50%, respectively.

The revolving credit facility contains a $50.0 million letter of credit sub-facility, a $25.0 million swing line loan sub-facility and permits borrowings in dollars, euros and sterling, subject to certain limits. The annual commitment fee on the revolver ranges from 0.4% to 0.5% determined by the Company's total leverage ratio calculated at the end of each quarter. As of September 30, 2011 and December 31, 2010, the commitment fee was 0.4% and 0.5%, respectively, and there was $14.5 million and $14.1 million outstanding on the letter of credit sub-facility, respectively. As of September 30, 2011, the Company's availability under the revolving credit facility was $129.5 million.

The Company is also party to additional letter of credit facilities with total capacity of $48.8 million and $7.1 million outstanding as of September 30, 2011.

Substantially all assets and stock of the Company's domestic subsidiaries and 65% of the shares of certain European subsidiaries are pledged as collateral against borrowings under the Credit Agreement. Certain European assets are pledged against borrowings directly made to the Company's European subsidiaries. The Credit Agreement contains customary covenants limiting the Company's ability to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase Company stock, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. In addition, the Credit Agreement contains financial covenants requiring the Company to maintain a total leverage ratio of not more than 3.25 to 1.0 and a fixed charge coverage ratio of not less than 1.50 to 1.0, measured at the end of each quarter. If the Company does not comply with the various covenants under the Credit Agreement and related agreements, the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the term credit facility and revolving credit facility and foreclose on the collateral. The Company is in compliance with all such covenants as of September 30, 2011.

10. Share-Based Payments

The Company measures and recognizes compensation expense related to share-based payments based on the fair value of the instruments issued. Stock-based compensation expense is generally recognized as a component of Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations, as payroll costs of the employees receiving the awards are recorded in the same line item.

The Company's Condensed Consolidated Statements of Operations reflect the following amounts related to stock-based compensation:

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011[(1)]	October 1, 2010[(2)]
	(In thousands)			
Stock-based compensation expense	$ 1,058	$ 151	$ 3,885	$ 1,872
Deferred tax benefits	371	41	1,360	655

(1) Includes approximately $0.2 million of stock-based compensation expense included in Restructuring and other related charges in the Company's Condensed Consolidated Statement of Operations related to the accelerated vesting of certain awards as part of the termination benefits of one employee.

(2) Includes approximately $0.6 million of stock-based compensation expense included in Restructuring and other related charges in the Company's Condensed Consolidated Statement of Operations related to the accelerated vesting of certain awards due to the departure of the Company's former Chief Executive Officer.

As of September 30, 2011, the Company had $8.8 million of unrecognized compensation expense related to stock-based awards that will be recognized over a weighted-average period of approximately 2.1 years.

Stock Options

Stock-based compensation expense for stock option awards is based upon the grant-date fair value using the Black-Scholes option pricing model. The Company recognizes compensation expense for stock option awards on a ratable basis over the requisite service period of the entire award. The following table shows the weighted-average assumptions used to calculate the fair value of stock option awards using the Black-Scholes option pricing model, as well as the weighted-average fair value of options granted during the nine months ended September 30, 2011.

	Nine Months Ended September 30, 2011
Expected period that options will be outstanding (in years)	4.50
Interest rate (based on U.S. Treasury yields at the time of grant)	2.10%
Volatility	52.50%
Dividend yield	—
Weighted-average fair value of options granted	$ 9.68

Expected volatility is estimated based on the historical volatility of comparable public companies. The Company considers historical data to estimate employee termination within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Since the Company has limited option exercise history, it has elected to estimate the expected life of an award based upon the SEC-approved "simplified method" noted under the provisions of Staff Accounting Bulletin No. 107 with the continued use of this method extended under the provisions of Staff Accounting Bulletin No. 110.

Stock option activity for the nine months ended September 30, 2011 is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value[1] (in thousands)
Outstanding at December 31, 2010	1,540,656	$ 12.34		
Granted	385,682	21.55		
Exercised	(181,834)	11.86		
Forfeited	(101,670)	11.35		
Expired	(5,001)	20.83		
Outstanding at September 30, 2011	1,637,833	$ 14.60	5.16	$ 9,851
Vested or expected to vest at September 30, 2011	1,429,785	$ 15.29	5.17	$ 7,632
Exercisable at September 30, 2011	715,580	$ 13.14	4.19	$ 5,104

[1] The aggregate intrinsic value is based upon the difference between the Company's closing stock price at the date of the Condensed Consolidated Balance Sheet and the exercise price of the stock option for in-the-money stock options. The intrinsic value of outstanding stock options fluctuates based upon the trading value of the Company's common stock.

Restricted Stock Units

The fair value of each grant of restricted stock units is equal to the market value of the Company's common stock on the date of grant and the compensation expense is recognized ratably over the requisite service period when it is expected that any of the performance criterion will be achieved.

The activity in the Company's performance-based restricted stock units ("PRSUs") and restricted stock units ("RSUs") during the nine months ended September 30, 2011 is as follows:

	PRSUs		RSUs	
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2010	283,495	$ 13.33	83,793	$ 11.35
Granted	115,922	21.78	28,311	22.40
Vested	—	—	(47,841)	13.38
Forfeited	(37,829)	13.88	—	—
Nonvested at September 30, 2011	361,588	$ 15.97	64,263	$ 14.71

11. Warranty Costs

Estimated expenses related to product warranties are accrued at the time products are sold to customers and included in Cost of sales in the Condensed Consolidated Statements of Operations. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

The activity in the Company's warranty liability, which is included in Other accrued liabilities in the Company's Condensed Consolidated Financial Statements consisted of the following:

Nine Months Ended

	September 30, 2011	October 1, 2010
	(In thousands)	
Warranty liability, beginning of period	$ 2,963	$ 2,852
Accrued warranty expense	2,278	1,266
Changes in estimates related to pre-existing warranties	684	(553)
Cost of warranty service work performed	(1,777)	(723)
Acquisitions	452	—
Foreign exchange translation effect	22	(67)
Warranty liability, end of period	$ 4,622	$ 2,775

12. Restructuring and Other Related Charges

The Company initiated a series of restructuring actions beginning in 2009 in response to then current and expected future economic conditions. During the nine months ended September 30, 2011, the Company relocated its Richmond, Virginia corporate headquarters to Fulton, Maryland in order to provide improved access to international travel and to its key advisors and eliminated an executive position in its German operations. The Company also communicated initiatives to improve productivity and reduce structural costs by rationalizing and leveraging its existing assets and back office functions. These initiatives include the consolidation of the Company's commercial marine end-market operations, reduction in the back office personnel at several distribution centers in Europe, the closure of a small facility that previously produced units sold to certain customers located in the Middle East that the Company ceased supplying to during the year ended December 31, 2010, and the closure of a Portland, Maine production facility and consolidation of the operations with a Warren, Massachusetts facility.

The Company's Condensed Consolidated Statements of Operations reflect the following amounts related to its restructuring activities:

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011[1]	October 1, 2010[2]
	(In millions)			
Restructuring and other related charges	$ 5.3	$ 2.4	$ 7.5	$ 9.5

[1] Includes $0.2 million of non-cash stock-based compensation expense.

[2] Includes $0.6 million of non-cash stock-based compensation expense related to the departure of the Company's former Chief Executive Officer ("CEO") in January 2010.

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

	Nine Months Ended September 30, 2011				
	Balance at Beginning of Period	Provision	Payments	Foreign Currency Translation	Balance at End of Period
Restructuring and other related charges:					
Termination benefits[1]	$ 2,180	$ 6,607	$ (4,088)	$ (135)	$ 4,564
Facility closure costs[2]	—	438	(285)	—	153
Other related charges	—	294	(98)	(14)	182
	$ 2,180	7,339	$ (4,471)	$ (149)	$ 4,899
Non-cash termination benefits[3]		179			
		$ 7,518			

[1] 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.

[2] Includes the cost of relocating and training associates and relocating equipment in connection with the closing of the Portland, Maine facility.

[3] Represents non-cash stock-based compensation expense.

The Company expects to incur an additional $2.0 million of employee termination benefits, facility closure costs, relocation expense and operating lease exit costs during the remainder of 2011 related to its restructuring activities.

13. Net Periodic Benefit Cost–Defined Benefit Plans

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
	(In thousands)			
Pension Benefits—U.S. Plans:				
Service cost	$ —	$ —	$ —	$ —
Interest cost	2,845	3,174	8,537	9,283
Expected return on plan assets	(4,164)	(4,599)	(12,493)	(13,555)
Amortization	1,313	1,054	3,939	3,157
Net periodic benefit credit	$ (6)	$ (371)	$ (17)	$ (1,115)
Pension Benefits—Non U.S. Plans:				
Service cost	$ 304	$ 293	$ 926	$ 897
Interest cost	1,255	1,025	3,742	3,083
Expected return on plan assets	(354)	(321)	(1,070)	(913)
Amortization	151	87	464	259
Settlement loss[1]	—	—	1,476	—
Net periodic benefit cost	$ 1,356	$ 1,084	$ 5,538	$ 3,326
Other Post-Retirement Benefits:				
Service cost	$ —	$ —	$ —	$ —
Interest cost	172	168	517	502
Amortization	214	121	640	361
Net periodic benefit cost	$ 386	$ 289	$ 1,157	$ 863

(1) During the nine months ended September 30, 2011, the Company terminated a frozen pension plan of one of its non-U.S. subsidiaries.

Employer contributions to the pension plans during the nine months ended September 30, 2011 were $6.3 million, and the Company expects to contribute an additional $1.8 million during the remainder of 2011.

14. Financial Instruments

The carrying values of financial instruments, including Accounts receivable, Accounts payable and Other accrued liabilities approximate their fair values due to their short-term maturities. The estimated fair value of the Company's debt of $75.0 million and $81.6 million as of September 30, 2011 and December 31, 2010, respectively, was based on current interest rates for similar types of borrowings. 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.

A summary of the Company's assets and liabilities that are measured at fair value on a recurring basis for each fair value hierarchy level for the periods presented follows:

	September 30, 2011			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 12,376	$ —	$ —	$ 12,376
Foreign currency contracts – acquisition-related	—	5,386		5,386
Foreign currency contracts – primarily related to customer sales contracts	—	2	—	2
	$ 12,376	$ 5,388	$ —	$ 17,764
Liabilities:				
Interest rate swap	$ —	$ 704	$ —	$ 704
Foreign currency contracts – primarily related to customer sales contracts	—	115	—	115
	$ —	$ 819	$ —	$ 819

	December 31, 2010			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 24,925	$ —	$ —	$ 24,925
	$ 24,925	$ —	$ —	$ 24,925
Liabilities:				
Interest rate swap	$ —	$ 1,789	$ —	$ 1,789
Foreign currency contracts	—	257	—	257
	$ —	$ 2,046	$ —	$ 2,046

There were no transfers in or out of Level One, Two or Three during the nine months ended September 30, 2011.

Cash Equivalents

The Company's cash equivalents consist of investments in interest-bearing deposit accounts and money market mutual funds which are valued based on quoted market prices. The fair value of these investments approximate cost due to their short-term maturities and the high credit quality of the issuers of the underlying securities.

Derivatives

The Company periodically enters into foreign currency, interest rate swap and commodity derivative contracts. The Company uses interest rate swaps to manage exposure to interest rate fluctuations. Foreign currency contracts are used to manage exchange rate fluctuations and generally hedge transactions between the Euro and the U.S. dollar. Commodity futures contracts are used to manage costs of raw materials used in the Company's production processes.

The Company's derivative instruments are measured at fair value on a recurring basis using significant observable inputs and are included in Level Two of the fair value hierarchy.

Interest Rate Swap. The Company's interest rate swap is valued based on forward curves observable in the market. The notional value of the Company's interest rate swap was $25 million and $50 million as of September 30, 2011 and December 31, 2010, respectively, whereby it exchanged its LIBOR-based variable-rate interest for a fixed rate of 4.1375%. On June 30, 2011, the notional value decreased from $50 million to $25 million, and it expires on June 29, 2012. The interest rate swap agreement has been designated as a cash flow hedge, and therefore unrealized gains and losses are recognized in Accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets to the extent that it is effective at offsetting changes in the hedged cash flows. Realized gains and losses are reclassified to Interest expense in the Condensed Consolidated Statements of Operations. There has been no significant ineffectiveness related to this arrangement since its inception. As of September 30, 2011, the Company expects to reclassify $0.7 million of net losses on the interest rate swap from Accumulated other comprehensive loss to Interest expense during the next twelve months.

Foreign Currency Contracts. Foreign currency contracts are measured using broker quotations or observable market transactions in either listed or over-the-counter markets. The Company primarily uses foreign currency contracts to mitigate the risk associated with customer forward sale agreements denominated in currencies other than the applicable local currency. As of September 30, 2011 and December 31, 2010, the Company had foreign currency contracts used primarily to mitigate the risk associated with forward sale agreements with notional values of $6.7 million and $13.1 million, respectively. Additionally, on September 12, 2011 and in conjunction with the Acquisition, the Company entered into a foreign exchange option contract with Deutsche Bank in order to mitigate the potential foreign exchange risk from September 12, 2011 through the expected closing date of the Acquisition. The notional amount of the contract is 1.5 billion GBP, or $2.9 billion, the fair value as of September 30, 2011 is $5.4 million and the settlement date is March 28, 2012. See Note 3, "Acquisitions" for additional discussion regarding the Company's agreement to acquire Charter International plc. The fair values of the foreign exchange contracts are recorded in either Other current assets, Other assets, Other accrued liabilities or Other liabilities on the Condensed Consolidated Balance Sheets depending upon their respective expiration date. The Company has not elected hedge accounting for these contracts; therefore, changes in the fair value are recognized as a component of Selling, general and administrative expense in the Condensed Consolidated Statements of Operations.

The Company enters into derivative contracts with financial institutions of good standing, and the total credit exposure related to non-performance by those institutions is not material to the operations of the Company. The Company does not enter into derivative contracts for trading purposes.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
	(In thousands)			
Contract Designated as a Cash Flow Hedge:				
Interest Rate Swap:				
Unrealized loss	$ (13)	$ (292)	$ (146)	$ (1,151)
Realized loss	(251)	(490)	(1,231)	(1,951)
Contracts Not Designated in a Hedge Relationship:				
Foreign Currency Contracts – Acquisition-Related:				
Unrealized loss, net	(684)	—	(684)	—
Foreign Currency Contracts – Primarily Related to Customer Sales Contracts:				
Unrealized gain, net	36	701	210	43
Realized gain (loss), net	(545)	(100)	155	(838)

15. Commitments and Contingencies

Asbestos Liabilities and Insurance Assets

Two of the Company's subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers, and were not manufactured by any of the Company's subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of the subsidiaries' customers, including the U.S. Navy.

The subsidiaries settle asbestos claims for amounts the Company considers reasonable given the facts and circumstances of each claim. The annual average settlement payment per asbestos claimant has fluctuated during the past several years. The Company expects such fluctuations to continue in the future based upon, among other things, the number and type of claims settled in a particular period and the jurisdictions in which such claims arise. To date, the majority of settled claims have been dismissed for no payment.

Of the 22,512 pending claims as of September 30, 2011, approximately 3,600 of such claims have been brought in the Supreme Court of New York County, New York; approximately 1,000 of such claims have been brought in the U.S. District Court, Eastern and Western Districts of Michigan; approximately 200 of such claims have been brought in the Superior Court, Middlesex County, New Jersey; and approximately

100 claims have been brought in various federal and state courts in Mississippi. The remaining pending claims have been filed in various other state and federal courts.

Claims activity related to asbestos is as follows[1]:

	Nine Months Ended	
	September 30, 2011	October 1, 2010
	(Number of Claims)	
Claims unresolved, beginning of period	24,764	25,295
Claims filed[2]	2,799	2,952
Claims resolved[3]	(5,051)	(3,448)
Claims unresolved, end of period	22,512	24,799

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

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

(3) 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 has projected each subsidiary's future asbestos-related liability costs with regard to pending and future unasserted claims based upon the Nicholson methodology. The Nicholson methodology is a standard approach used by experts and has been accepted by numerous courts. It is the Company's policy to record a liability for asbestos-related liability costs for the longest period of time that it can reasonably estimate.

The Company believes that it can reasonably estimate the asbestos-related liability for pending and future claims that will be resolved in the next 15 years and has recorded that liability as its best estimate. While it is reasonably possible that the subsidiaries will incur costs after this period, the Company does not believe the reasonably possible loss or range of reasonably possible loss is estimable at the current time. Accordingly, no accrual has been recorded for any costs which may be paid after the next 15 years. Defense costs associated with asbestos-related liabilities as well as costs incurred related to litigation against the subsidiaries' insurers are expensed as incurred.

Each subsidiary has separate insurance coverage acquired prior to Company ownership of each independent entity. In its evaluation of the insurance asset, the Company used differing insurance allocation methodologies for each subsidiary based upon the applicable law pertaining to the affected subsidiary.

For one of the subsidiaries, the Delaware Court of Chancery ruled on October 14, 2009, that asbestos-related costs should be allocated among excess insurers using an "all sums" allocation (which allows an insured to collect all sums paid in connection with a claim from any insurer whose policy is triggered, up to the policy's applicable limits) and that the subsidiary has rights to excess insurance policies purchased by a former owner of the business. Based upon this ruling mandating an "all sums" allocation, as well as the language of the underlying insurance policies and the assertion and belief that defense costs are outside policy limits, the subsidiary expects to be responsible for approximately 10% of its future asbestos-related costs.

For this subsidiary, during the three months ended October 1, 2010, an insolvent carrier that had written approximately $1.4 million in limits for which the subsidiary had assumed no recovery made a cash settlement offer of approximately $0.7 million. As such, the subsidiary recorded a gain for this amount and a receivable from the insurer.

The subsidiary was notified in 2010 by the primary and umbrella carrier who had been fully defending and indemnifying the subsidiary for 20 years that the limits of liability of its primary and umbrella layer policies had been exhausted. Since then, the subsidiary has sought coverage from certain excess layer insurers whose terms and conditions follow form to the umbrella carrier. Certain first-layer excess insurers have defended and/or indemnified the subsidiary and/or agreed to defend and/or indemnify the subsidiary, subject to their reservations of rights and their applicable policy limits. Litigation between this subsidiary and its excess insurers is continuing and it is anticipated that the trial phase will be completed in 2011. The subsidiary continues to work with its excess insurers to obtain defense and indemnity payments while the litigation is proceeding. Given the uncertainties of litigation, there is a variety of possible outcomes, including but not limited to the subsidiary being required to fund all or a portion of the subsidiary's defense and indemnity payments until such time a final ruling orders payment by the insurers. While not impacting

the results of operations, the funding requirement could range up to $10 million per quarter until final resolution.

In 2003, the other subsidiary filed a lawsuit against a large number of its insurers and its former parent to resolve a variety of disputes concerning insurance for asbestos-related bodily injury claims asserted against it. Although none of these insurance companies contested coverage, they disputed the timing, reasonableness and allocation of payments.

For this subsidiary it was determined by court ruling in 2007, that the allocation methodology mandated by the New Jersey courts will apply. Further court rulings in December of 2009, clarified the allocation calculation related to amounts currently due from insurers as well as amounts the Company expects to be reimbursed for asbestos-related costs incurred in future periods.

In connection with this litigation, the court engaged a special master to review the appropriate information and recommend an allocation formula in accordance with applicable law and the facts of the case. During 2010, the court-appointed special allocation master made its recommendation which, in May 2011, the court accepted with modifications. A final judgment at the trial court level in this litigation was rendered during the three months ended September 30, 2011, but appeals may follow. As a result of this judgment, the Company recorded a provision for $2.1 million during the three months ended September 30, 2011, which is reflected in the Condensed Consolidated Balance Sheet as an increase of $1.4 million in Other accrued liabilities and a reduction of $0.7 million in Asbestos insurance asset. The Company will also make a payment of $5.0 million, which was previously accrued for, to return certain overpayments to the insurers. The subsidiary expects to be responsible for approximately 15% of all future asbestos-related costs.

The Company has established reserves of $413.3 million and $429.7 million as of September 30, 2011 and December 31, 2010, respectively, for the probable and reasonably estimable asbestos-related liability cost it believes the subsidiaries will pay through the next 15 years. It has also established recoverables of $353.6 million and $374.4 million as of September 30, 2011 and December 31, 2010, respectively, for the insurance recoveries that are deemed probable during the same time period. Net of these recoverables, the expected cash outlay on a non-discounted basis for asbestos-related bodily injury claims over the next 15 years was $59.7 million and $55.3 million as of September 30, 2011 and December 31, 2010, respectively. In addition, the Company has recorded a receivable for liability and defense costs previously paid in the amount of $37.5 million and $51.8 million as of September 30, 2011 and December 31, 2010, respectively, for which insurance recovery is deemed probable. The Company has included the reserves for the asbestos liabilities in Accrued asbestos liability and Long-term asbestos liability and the related insurance recoveries in Asbestos insurance asset and Long-term asbestos insurance asset in the Condensed Consolidated Balance Sheets. The receivable for previously paid liability and defense costs is recorded in Asbestos insurance receivable and Long-term asbestos insurance receivable in the Condensed Consolidated Balance Sheets. The Company also has reflected in Other accrued liabilities $22.1 million and $23.3 million as of September 30, 2011 and December 31, 2010, respectively, for overpayments by certain insurers and unpaid legal costs related to defending itself against asbestos-related liability claims and legal action against the Company's insurers.

The expense related to these liabilities and legal defense was $4.4 million and $7.6 million for the three and nine months ended September 30, 2011, respectively, and $2.2 million and $4.2 million for the three and nine months ended October 1, 2010, respectively. Legal costs related to the subsidiaries' action against their asbestos insurers were $3.1 million and $8.5 million for the three and nine months ended September 30, 2011, respectively, and $2.3 million and $10.8 million for the three and nine months ended October 1, 2010, respectively.

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.

General Litigation

On June 3, 1997, one of the Company's subsidiaries was served with a complaint in a case brought by Litton Industries, Inc. ("Litton") in the Superior Court of New Jersey which alleges damages in excess of $10.0 million incurred as a result of losses under a government contract bid transferred in connection with the sale of its former Electro-Optical Systems business. In 2004, this case was tried and the jury rendered a verdict of $2.1 million for the plaintiffs. After appeals by both parties, the Supreme Court of New Jersey upheld the plaintiffs' right to a refund of their attorney's fees and costs of trial, but remanded the issue to the trial court to reconsider the amount of fees using a proportionality analysis of the relationship between the fee requested and the damages recovered. The date for the new trial on additional claims allowed by the Appellate Division of the New Jersey Superior Court and the recalculation of attorney's fees has not been set. The court issued a schedule for summary judgment motions. After the summary judgment motions have been briefed, the court is expected to issue a ruling. The subsidiary intends to continue to defend this matter vigorously. As of both September 30, 2011 and December 31, 2010, $9.5 million was included in Other liabilities in the Company's Condensed Consolidated Balance Sheets related to this matter.

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 reserves 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.

PART 2: CHARTER UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

Following publication of the Prospectus on October 18, 2011, Charter announced the publication of Charter's Interim Management Statement on October 28, 2011 which contains, amongst other things, Charter's unaudited condensed consolidated financial information for the nine months ended September 30, 2011 (prepared in accordance with IFRS). The table below sets out the sections of Charter's Interim Management Statement which contain information incorporated by reference into, and forming part of, this document. Only information in the parts of Charter's Interim Management Statement identified in the list below is incorporated into and forms part of this document. Information in other parts of Charter's Interim Management Statement is not relevant to a Charter Shareholder's or potential investor's assessment of the assets and liabilities, financial position, profit and losses and prospects of Colfax or the rights attaching to the New Colfax Common Shares.

Information incorporated by reference into this document	Reference document	Page number in reference document
For the nine months ended September 30, 2011		
Consolidated income statement for the nine months ended September 30, 2011	Charter's Interim Management Statement	5
Consolidated statement of comprehensive income for the nine months ended September 30, 2011	Charter's Interim Management Statement	6
Consolidated statement of changes in equity for the nine months ended September 30, 2011	Charter's Interim Management Statement	7
Consolidated balance sheet as at September 30, 2011	Charter's Interim Management Statement	8
Consolidated cash flow statement for the nine months ended September 30, 2011	Charter's Interim Management Statement	9
Notes to the interim financial statements	Charter's Interim Management Statement	10 to 20

PART 3: ADDITIONAL INFORMATION

COLFAX DIRECTORS

The following table sets out the names and positions of the Colfax Directors:

Name	Position
Mitchell P. Rales	Chairman
Clay Kiefaber	President and Chief Executive Officer
Patrick W. Allender	Director
Joseph O. Bunting III	Director
Thomas S. Gayner	Director
Rhonda L. Jordan	Director
A. Clayton Perfall	Director
Steven E. Simms	Director
Rajiv Vinnakota	Director

RESPONSIBILITY

Colfax and the Colfax Directors accept responsibility for the information contained in this document. To the best of the knowledge of Colfax and the Colfax Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

WITHDRAWAL RIGHTS

Charter Shareholders who have returned a Form of Election in connection with the Mix and Match Facility and subsequently wish to withdraw or amend their election have the right do so by contacting Computershare, at Corporate Actions 2, Bristol, BS99 6AG in writing by no later than 1:00 p.m. on January 10, 2012 (or such earlier or later time and date (if any) after 9 November 2011 as Charter and Colfax may announce through a Regulatory Information Service). If your election was made through a TTE Instruction please contact the Registrar as soon as possible to arrange electronic withdrawal or amendment.

DOCUMENTS FOR INSPECTION

In addition to those documents set out in the Prospectus at *Part 14: Additional Information – 19. Documents for inspection*, copies of this document, Colfax's unaudited condensed consolidated financial information for the nine months ended September 30, 2011 and Charter's Interim Management Statement will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP at 40 Bank Street, London E14 5DS, England until the later of October 17, 2012 and the completion of the Acquisition.

Dated: 7 November 2011

PART 4: DEFINITIONS

Words or expressions defined in the Prospectus have the same meaning when used in this document unless otherwise defined herein. In addition, the following definitions apply throughout this document unless the context otherwise requires:

"Charter's Interim Management Statement"	Charter's interim management statement for the period from July 1, 2011 to October 27, 2011 announced on October 28, 2011 which includes, amongst other things, Charter's unaudited condensed consolidated financial information for the nine months ended September 30, 2011
"Prospectus"	Colfax's prospectus dated October 18, 2011 (including any information incorporated by reference therein and together with any supplements or amendments thereto)