

Colfax CORP
Form PRER14A
November 18, 2011

PRELIMINARY PROXY STATEMENT DATED NOVEMBER 18, 2011—SUBJECT TO COMPLETION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission Only
(as permitted by 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

COLFAX CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
common stock, par value \$0.001 per share

(2) Aggregate number of securities to which transaction applies:

20,832,469

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

Solely for purposes of calculating the filing fee, the underlying value of the transaction was calculated as the product of (i) 167,868,402 Charter International plc ordinary shares and (ii) the average of the high and low sales price of Charter International plc ordinary shares as quoted on the London Stock Exchange on October 6, 2011 (\$13.38 based on an exchange rate of £1.00 = \$1.5398 on October 6, 2011).

(4) Proposed maximum aggregate value of transaction:
\$2,246,079,219.00

(5) Total fee paid:
\$257,400.68 (based upon the product of \$2,246,079,219.00 and the applicable fee rate of \$114.60 per million dollars).

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY PROXY STATEMENT DATED NOVEMBER 18, 2011—SUBJECT TO COMPLETION

COLFAX CORPORATION

, 2011

Dear Colfax Corporation Stockholders:

On behalf of Colfax's Board of Directors, I am pleased to deliver our proxy statement relating to an important set of transactions for your company. As we announced on September 12, 2011, we have agreed to acquire Charter International plc ("Charter") for consideration consisting of cash and shares of our common stock (the "Acquisition"). The Acquisition values Charter's fully diluted share capital at approximately £1,528 million (\$2,426 million) (based on the closing price of \$23.04 per share of Colfax common stock on September 9, 2011, being the last business day before the Acquisition was announced, at the foreign exchange rate of U.S.\$1.5881/£1 in effect as of that date). The Board of Directors unanimously approved the Acquisition as a significant enabler for long-term growth and value creation.

In order to finance in part the Acquisition, we have negotiated a \$680 million cash investment by BDT CF Acquisition Vehicle, LLC (the "BDT Investor"), in shares of our common stock and newly-created Series A perpetual convertible preferred stock that will be convertible into our common stock (the "BDT Investment"). Also in connection with the Acquisition, we have negotiated a \$50 million cash investment by each of Mitchell P. Rales and Steven M. Rales, and a \$25 million cash investment by Markel Corporation (together with Messrs. Rales, the "Other Investors"), in shares of our common stock (collectively, the "Other Investment"). Mitchell P. Rales is the Chairman of our Board of Directors and Steven M. Rales is his brother. In addition, Tom Gayner, a member of our Board of Directors, is an officer of Markel Corporation. Given these relationships, we determined to form a special committee of disinterested directors to review the terms of the Other Investment (the "Special Committee"). The Special Committee met on numerous occasions and unanimously approved the proposed investments by each of the Other Investors, having determined that the terms of the Other Investment were appropriate under the circumstances. The Other Investment was also approved by our disinterested directors pursuant to our corporate policy regarding related person transactions. In addition, the BDT Investment and Other Investment (together, the "Investments") were unanimously approved by our Board of Directors.

We have also entered into a credit facility to finance in part the Acquisition.

The Acquisition and the Investments are conditioned on each other: unless we complete the Investments, we will not complete the Acquisition and unless we complete the Acquisition we will not complete the Investments.

YOUR VOTE IS REQUIRED TO APPROVE THE INVESTMENTS AND, THEREFORE, CRITICAL TO MAKING THE ACQUISITION HAPPEN.

On September 12, 2011, we entered into an Implementation Agreement (the "Implementation Agreement") that sets out the terms of the Acquisition. On the same day, we entered into a securities purchase agreement with the BDT Investor (the "BDT Purchase Agreement"), pursuant to which we have agreed to sell to the BDT Investor (i) 14,756,945 shares of our common stock, par value \$0.001 per share (our "Common Stock") and (ii) 13,877,552 shares of newly created Series A perpetual convertible preferred stock ("Series A Preferred Stock") for an aggregate of \$680 million. In connection with the BDT Investment, we granted the BDT Investor certain voting and approval rights. We refer to the shares of Common Stock and shares of Series A Preferred Stock to be sold to the BDT Investor collectively as the BDT Shares. Also on September 12, 2011, we entered into securities purchase agreements with each of Mitchell P. Rales, Steven M. Rales and Markel Corporation (the "MPR Purchase Agreement," "SMR Purchase Agreement" and "Markel Purchase Agreement," respectively), pursuant to which we agreed to sell to (a) Mitchell P. Rales 2,170,139 shares of our Common Stock (the "MPR Shares") for an aggregate of \$50 million, (b) Steven M. Rales 2,170,139 shares of our Common Stock (the "SMR Shares") for an aggregate of \$50 million and (c) Markel Corporation ("Markel") 1,085,070 shares of our Common Stock for an aggregate of \$25 million (the "Markel Shares", and together with the MPR Shares and SMR Shares, the "Other Shares"). We refer to the MPR Purchase Agreement, SMR Purchase Agreement and Markel Purchase Agreement collectively as the Other Purchase Agreements. We refer to the BDT Shares and the Other Shares collectively as the Investor Securities, and refer to the Investor Securities and the up to 20,832,469 shares of Common Stock to be issued to the shareholders of Charter as partial consideration in the Acquisition (the "Acquisition Shares") collectively as the Securities. We refer to the BDT Purchase Agreement and the Other Purchase Agreements collectively as the Purchase Agreements.

The purchase price for the shares of Common Stock to be sold to the BDT Investor and the Other Investors in the Investments is \$23.04 per share (being the closing price of our Common Stock on September 9, 2011, which was the last business day prior to the execution of the Purchase Agreements), which was also the price used to calculate the value of the Acquisition as first announced on September 12, 2011. The purchase price for the shares of Series A Preferred Stock to be sold to the BDT Investor in the BDT Investment is \$24.50 per share and the initial conversion price is \$27.93 per share, subject to adjustment.

At our special meeting of stockholders on _____, 2011, stockholders are being asked to approve the issuance of the BDT Shares to the BDT Investor in the BDT Investment (and the issuance of shares of Common Stock upon conversion of the shares of Series A Preferred Stock to be issued in the BDT Investment), the issuance of the Other Shares to Mitchell P. Rales, Steven M. Rales and Markel in the Other Investment and the issuance of the Acquisition Shares to Charter's shareholders as part consideration in the Acquisition. Our stockholders are also being asked to approve an amendment and restatement of our Certificate of Incorporation ("the Amended and Restated Certificate of Incorporation") to increase the number of our authorized shares of Common Stock and preferred stock and to provide the BDT Investor certain voting and approval rights in Colfax. Additionally, you are being asked to authorize the adjournment or postponement of the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

After careful consideration, our Board of Directors has unanimously approved the Acquisition and the Investments and determined that the Acquisition and the Investments and the transactions contemplated by the Implementation Agreement and Purchase Agreements to support the Acquisition and the Investments, including the issuance of the Securities, the issuance of shares of Common Stock upon conversion of the shares of Series A Preferred Stock to be issued in the BDT Investment and the amendment and restatement of our Certificate of Incorporation, are advisable, fair to and in the best interests of Colfax and its stockholders. Our Board of Directors therefore unanimously recommends that you vote "FOR" the proposal to approve the issuance of the BDT Shares to the BDT Investor upon the terms set forth in the BDT Purchase Agreement (including the issuance of shares of Common Stock upon conversion of the shares of Series A Preferred Stock to be issued in the BDT Investment), "FOR" the proposal to approve the issuance of the Other Shares to the Other Investors upon the terms set forth in the Other Purchase Agreements, "FOR"

the proposal to approve the issuance of the Acquisition Shares to the shareholders of Charter as part consideration for the Acquisition upon the terms set forth in the Implementation Agreement, "FOR" the proposal to approve the Amended and Restated Certificate of Incorporation and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Stockholders are cordially invited to attend the special meeting of stockholders to vote on the proposals described above. The special meeting of stockholders will be held on _____, 2011 at _____ local time at our corporate headquarters located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759.

This proxy statement contains detailed information concerning us, the special meeting and the transactions contemplated by the Implementation Agreement and Purchase Agreements. Please pay careful attention to all of the information in this proxy statement. In particular, you should carefully consider the discussion in “Risk Factors” beginning on page 32 of this proxy statement.

Your vote is very important, regardless of the number of shares of Common Stock you own. In order to approve the Investments and issuance of the Acquisition Shares, which are necessary for the Acquisition, we need an affirmative vote of holders of a majority of the outstanding shares of Common Stock. Whether or not you plan to attend the special meeting of stockholders, please take the time to vote by completing the enclosed proxy card and returning it in the pre-addressed envelope provided or following the telephone or Internet voting instructions set forth on the enclosed proxy card. If you hold your shares of Common Stock through a broker or other custodian, please follow the voting instructions that the applicable institution provides to you.

Clay H. Kiefaber
President and Chief Executive Officer

Neither the U.S. Securities and Exchange Commission (the “SEC”), nor any state securities regulatory agency has approved or disapproved the transaction, passed upon the merits or fairness of the transaction or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated _____, 2011, and is first being mailed to stockholders on or about _____, 2011.

COLFAX CORPORATION

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2011

To Our Stockholders:

A special meeting of stockholders of Colfax Corporation, a Delaware corporation (“Colfax”), will be held at _____, local time, on _____, 2011 at our corporate headquarters located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759, to consider and vote upon the proposals listed below.

Proposal No. 1: To approve (i) the issuance to the BDT Investor of 14,756,945 shares of Common Stock and 13,877,552 shares of Series A Preferred Stock, in accordance with the terms of the BDT Purchase Agreement to fund a portion of the Acquisition and (ii) the issuance of shares of our Common Stock upon conversion of such Series A Preferred Stock.

Proposal No. 2: To approve the issuance of 2,170,139 shares of Common Stock to Mitchell P. Rales, 2,170,139 shares of Common Stock to Steven M. Rales and 1,085,070 shares of Common Stock to Markel in accordance with the terms of the Other Purchase Agreements to fund a portion of the Acquisition.

Proposal No. 3: To approve the issuance of up to 20,832,469 shares of Common Stock as part consideration for the Acquisition in accordance with the terms of the Implementation Agreement.

Proposal No. 4: To approve an amendment and restatement of our Certificate of Incorporation to (i) increase the number of shares of authorized capital stock from 210,000,000 to 420,000,000, comprised of an increase in Common Stock from 200,000,000 to 400,000,000 shares and an increase in preferred stock from 10,000,000 to 20,000,000 shares and (ii) make other changes to the Certificate of Incorporation to set forth certain rights of the BDT Investor to be granted in connection with the BDT Investment, including provisions that require the approval of the BDT Investor in order for us to take certain corporate actions and to provide the BDT Investor with the right to nominate up to two members of the Board of Directors depending on its beneficial ownership of Colfax securities from time to time.

Proposal No. 5: To adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

The approval of Proposals No. 1, No. 2, No. 3 and No. 4 is required for the issuance of the Securities described in this proxy statement. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used to fund in part the Acquisition, the approval of each of Proposal No. 1, No. 2, No. 3 and No. 4 is also a condition to the Acquisition.

The Acquisition and the Investments are conditioned on each other: unless we complete the Investments, we will not complete the Acquisition and unless we complete the Acquisition we will not complete the Investments.

We may postpone or adjourn the special meeting if (i) there are insufficient shares of Common Stock present or represented by a proxy at the special meeting to conduct business at the special meeting, (ii) we are required to postpone or adjourn the special meeting by applicable law or regulation or a request from the SEC or its staff, or (iii) we determine in good faith (after consultation with outside legal counsel) that it is necessary or appropriate to postpone or adjourn the special meeting in order to give our stockholders sufficient time to evaluate any information or disclosure that we have sent to our stockholders or otherwise made available to our stockholders by issuing a press release, filing materials with the SEC or otherwise. We may also adjourn or postpone the meeting to solicit additional proxies upon approval of Proposal No. 5.

The close of business on _____, 2011 has been fixed as the record date for determining those Colfax stockholders entitled to vote at the special meeting. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

Our Board of Directors unanimously recommends that you vote "FOR" each of the above proposals. Messrs. Rales and each member of our Board of Directors has advised us that they intend to vote all of the shares of Common Stock which they hold, directly or indirectly, in favor of the above proposals.

Your vote is very important. Whether or not you plan to attend the special meeting, please submit your proxy promptly by telephone or via the Internet in accordance with the instructions on the accompanying proxy card, or by completing, dating and returning your proxy card in the enclosed envelope. If you hold your shares of Common Stock through a broker, bank or other nominee, please follow the voting instructions that the applicable institution provides to you.

By order of Colfax's Board of Directors

A. Lynne Puckett
Corporate Secretary

Fulton, Maryland
, 2011

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QUESTIONS AND ANSWERS

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting, the issuance of the Securities and the other transactions contemplated by the Implementation Agreement entered into with Charter and the Purchase Agreements entered into with each of the BDT Investor, Mitchell P. Rales, Steven M. Rales and Markel. These questions and answers may not address all questions that may be important to you as a Colfax stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement, which you should read carefully. See “Where You Can Find More Information” beginning on page 311.

Except as otherwise noted, references in this proxy statement to “Colfax,” the “Company,” “we,” “us,” and “our” refer to the business of Colfax Corporation and its subsidiaries, and references in this proxy statement to “Charter” refer to the business of Charter International plc and its subsidiaries.

Q: Why am I receiving these materials?

A: We are sending you this proxy statement and the enclosed proxy card in connection with a special meeting of our stockholders, which will take place on _____, 2011, starting at _____, local time, at our corporate headquarters located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759. As a stockholder, you are invited to attend the special meeting and are entitled and requested to vote on the proposals described in this proxy statement.

Q: Who is entitled to vote at the special meeting?

A: You are entitled to vote at the special meeting if you owned shares of Common Stock as of the close of business on _____, 2011, the record date for the special meeting. You will have one vote for each share of Common Stock that you owned as of the record date. As of the record date there were _____ shares of Common Stock outstanding and entitled to vote. The presence in person or represented by proxy of stockholders possessing a majority of the shares of Common Stock entitled to vote as of the record date of the special meeting will constitute a quorum for the purpose of considering the proposals.

Q: Why is Colfax holding the special meeting?

A: On September 12, 2011, we entered into the Implementation Agreement and the Purchase Agreements in connection with the Acquisition and the Investments. We entered into the Implementation Agreement with Charter to purchase the entire issued and to be issued share capital of Charter. Pursuant to the terms of the Acquisition, Charter’s shareholders will be entitled to receive for each ordinary share of Charter 730 pence in cash and 0.1241 newly issued shares of our Common Stock. Accordingly, we will issue up to 20,832,469 shares of Common Stock as part of the consideration to Charter’s shareholders.

In addition, we entered into the BDT Purchase Agreement with the BDT Investor, pursuant to which we agreed to sell to the BDT Investor (i) 14,756,945 shares of our Common Stock and (ii) 13,877,552 shares of newly created Series A Preferred Stock, for an aggregate of \$680 million. Also on September 12, 2011, we entered into the Other Purchase Agreements with each of Mitchell P. Rales, Steven M. Rales and Markel, pursuant to which we agreed to sell to (a) Mitchell P. Rales 2,170,139 shares of our Common Stock for \$50 million, (b) Steven M. Rales 2,170,139 shares of our Common Stock for \$50 million and (c) Markel 1,085,070 shares of our Common Stock for \$25 million. The purchase price for the shares of Common Stock to be sold to the BDT Investor and the Other Investors in the Investments is \$23.04 per share, being the closing price of our Common Stock on September 9, 2011, which was the last business day prior to the execution of the Purchase Agreements. The purchase price for the shares of Series A Preferred Stock to be sold to the BDT Investor in the BDT Investment is \$24.50 per share and the initial conversion

price is \$27.93 per share, subject to adjustment.

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At our special meeting, stockholders are being asked to approve the issuance of the BDT Shares to the BDT Investor (including the issuance of shares of Common Stock upon conversion of the shares of Series A Preferred Stock to be issued in the BDT Investment) and the issuance of the Other Shares to Messrs. Rales and Markel in accordance with the terms of the Purchase Agreements as well as the issuance of the Acquisition Shares as partial consideration for the Acquisition. Our stockholders are also being asked to approve an amendment and restatement of our Certificate of Incorporation, referred to as the Amended and Restated Certificate of Incorporation, to increase the number of authorized shares of our Common Stock and preferred stock and to provide the BDT Investor certain approval rights and director nomination rights in Colfax.

Q: Why is Colfax making the Acquisition?

A: A number of strategic advantages are expected from the proposed combination of Colfax and Charter. We believe the Acquisition would complement our stated strategy which, in addition to driving organic growth, includes pursuing value-creating acquisitions within our served markets, and adding complementary growth platforms to provide scale and revenue diversity. We consider Charter to be a leading player in key markets with an attractive business mix and strong technological capabilities that fits well with our acquisition criteria. We believe that the Acquisition would accelerate our growth strategy and enable Colfax to become a multi-platform business with a strong global footprint. Charter's air and gas handling business ("Howden") would extend our existing fluid handling platform, and Charter's welding, cutting and automation ("ESAB") business would establish a new growth platform. We believe that the Acquisition will improve our business profile by providing a meaningful recurring revenue stream as well as considerable exposure to emerging markets, allowing the combined company to benefit from strong secular growth drivers and provide a balance of short and long cycle businesses. We also believe that, following the Acquisition, there are significant upside opportunities from applying our established management techniques to improve both margin and return on invested capital. The Acquisition is expected to provide a platform for additional acquisitions in the fragmented welding and air handling markets. It is also expected to be significantly accretive to earnings and to provide double digit returns on invested capital within three to five years.

Q: Why is Colfax entering into the Investments?

A: We will use the proceeds from the sale of the Investor Securities to fund in part the cash consideration payable in the Acquisition. We expect to complete the sale of the Investor Securities to the Investors six business days after the Acquisition becomes wholly unconditional or effective in accordance with the terms of the Implementation Agreement.

Q: Do any executive officers or directors of Colfax have interests in the transactions contemplated by the Purchase Agreements and Implementation Agreement that may be different from, or in addition to, those of other stockholders?

A: Pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of our Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own 11,315,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation to be filed with the Secretary of State of Delaware immediately prior to closing of the Investments, the replacement of Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel.

Given our relationship with each of the Other Investors, we formed the Special Committee to review the terms of the Other Investment. The Special Committee met separately on numerous occasions and was afforded the opportunity to discuss the terms of the Other Investment with the benefit of input from financial and legal advisors. The Special Committee unanimously approved the proposed investments by each of the Other Investors, having determined that the terms of the Other Investment were appropriate under the circumstances. The Other Investment was also approved by our disinterested directors pursuant to our corporate policy regarding related person transactions. In addition, the BDT Investment and Other Investment were unanimously approved by our Board of Directors.

Q: What are the amendments to Colfax's Certificate of Incorporation under the Amended and Restated Certificate of Incorporation and what does the Certificate of Designations provide?

A: Immediately prior to the closing of the transactions contemplated by the Purchase Agreements and Implementation Agreement, we will file with the Secretary of State of the State of Delaware:

- an Amended and Restated Certificate of Incorporation, in the form attached as Annex VI to this proxy statement, which will, among other things, (i) increase the number of shares of our authorized capital stock from 210,000,000 to 420,000,000, comprised of an increase in Common Stock from 200,000,000 to 400,000,000 shares and an increase in preferred stock from 10,000,000 to 20,000,000 shares and (ii) provide the BDT Investor with certain approval and director nomination rights in Colfax; and
- a certificate of designations of Series A Perpetual Convertible Preferred Stock, referred to as the Certificate of Designations, in the form attached as Annex VII to this proxy statement, which sets out the rights, preferences, privileges and restrictions of the Series A Preferred Stock. The 13,877,552 shares of Series A Preferred Stock to be issued to the BDT Investor under the BDT Purchase Agreement will carry certain preferred voting, dividend, liquidation and other rights as set forth in the Certificate of Designations and the Amended and Restated Certificate of Incorporation.

Q: What rights will the BDT Investor receive pursuant to the Amended and Restated Certificate of Incorporation and the Certificate of Designations?

A: In connection with the BDT Investment, the BDT Investor will be granted certain rights in respect of Colfax under the Amended and Restated Certificate of Incorporation, which we will file with the Secretary of State of the State of Delaware immediately prior to closing of the transactions contemplated by the Purchase Agreements and the Implementation Agreement. Such rights include:

- Board nomination rights. The BDT Investor will have the right to exclusively nominate for election to our Board of Directors and certain of its committees (i) 2 of 11 directors for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, more than 20% of our outstanding Common Stock and (ii) 1 of 10 directors for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, equal to or less than 20% but more than 10% of our outstanding Common Stock; in each case calculated in accordance with the Amended and Restated Certificate of Incorporation and subject to applicable law and NYSE Listed Company Manual rules (“NYSE Rules”);

- Voting and approval rights. So long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock purchased by the BDT Investor, the BDT Investor's written consent will be required in order for us to take certain corporate actions, including (i) the incurrence of certain indebtedness, (ii) the issuance of any shares of preferred stock, (iii) any change to our dividend policy or the declaration or payment of any dividend or distribution on any of our stock ranking subordinate or junior to the Series A Preferred Stock (including the Common Stock) under certain circumstances, (iv) any voluntary liquidation, dissolution or winding up of Colfax, (v) any change in our independent auditor, (vi) the election of anyone other than Mitchell P. Rales as Chairman of the Board of Directors, (vii) any acquisition of another entity or assets for a purchase price exceeding 30% of our equity market capitalization, (viii) any amendments to our organizational or governing documents, including the Amended and Restated Certificate of Incorporation and our Bylaws; and (ix) any change in the size of our Board of Directors.

In addition, the Series A Preferred Stock to be issued to the BDT Investor under the BDT Purchase Agreement will be convertible into shares of Common Stock and carry certain preferred voting, dividend, liquidation, pre-emptive and other rights as set forth in the Certificate of Designations to be filed with the Secretary of State of the State of Delaware prior to closing of the transactions contemplated by the Purchase Agreements and the Implementation Agreement. Among other things, the Certificate of Designations provides that holders of the Series A Preferred Stock are entitled to receive cumulative cash preferred dividends, payable quarterly, at a per annum rate of 6% of the liquidation preference (defined as \$24.50, subject to customary anti-dilution adjustments, the "Liquidation Preference"), provided that the dividend rate shall be increased to a per annum rate of 8% if we fail to pay the full amount of any dividend required to be paid on such shares until the date that full payment is made. In addition to the voting and approval rights to be granted to the BDT Investor under the Amended and Restated Certificate of Incorporation, as set forth above, the Certificate of Designations provides that any amendment to our organizational documents, including the Amended and Restated Certificate of Incorporation and our Bylaws, that would adversely affect the rights of the Series A Preferred Stock will require the approval of more than 50% of the shares of the Series A Preferred Stock.

The initial conversion price of the Series A Preferred Stock is \$27.93, which is subject to adjustment in customary circumstances. At the initial conversion price, the 13,877,552 shares of Series A Preferred Stock to be issued to the BDT Investor are convertible into 12,173,291 shares of Common Stock. The Series A Preferred Stock entitles its holder to vote on an as-converted basis on all matters submitted to the holders of the Common Stock, voting together as a single class. Immediately after the issuance of the Securities in the Investments and the Acquisition, the BDT Investor will own approximately 27.8% of the voting power of Colfax, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition.

Q: What other agreements has Colfax entered into, or is Colfax entering into, in connection with the transactions contemplated by the Purchase Agreements and the Acquisition?

A: In connection with the Purchase Agreements we will be entering into the following agreements:

- registration rights agreements (the "Registration Rights Agreements") with each of (i) the BDT Investor (the "BDT Registration Rights Agreement"), attached as Annex VIII to this proxy statement, (ii) Mitchell P. Rales (the "MPR Registration Rights Agreement"), attached as Annex IX to this proxy statement, (iii) Steven M. Rales (the "SMR Registration Rights Agreement"), attached as Annex X to this proxy statement, and (iv) Markel (the "Markel Registration Rights Agreement"), attached as Annex XI to this proxy statement, pursuant to which we will file a registration statement covering the resale of Common Stock issued to the Investors under the Purchase Agreements or upon conversion of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement and the Investors will have demand registration rights and piggyback registration rights under certain circumstances.

With respect to the Acquisition, we have entered into:

- the Implementation Agreement with Charter, attached as Annex I to this proxy statement, pursuant to which we will acquire by way of a court-sanctioned scheme of arrangement, or if we elect, by way of a takeover offer for, the entire issued and to be issued share capital of Charter for 730 pence in cash and 0.1241 newly issued shares of Common Stock per Charter ordinary share; and
- a credit agreement (the “Credit Agreement”), attached as Annex XII to this proxy statement, with certain of our subsidiaries, Deutsche Bank AG New York Branch, as administrative agent, collateral agent, swing line lender and L/C issuer, Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc., as joint lead arrangers and book managers, and the lenders identified therein with respect to credit facilities to be provided to us and certain of our subsidiaries.

In addition, each of Mitchell P. Rales, Chairman of our Board of Directors and a current beneficial owner of approximately 21.0% of our Common Stock, and Steven M. Rales, a current beneficial owner of approximately 21.0% of our Common Stock entered into:

- voting agreements with the BDT Investor, attached as Annex XV and Annex XVI to this proxy statement, pursuant to which Messrs. Rales agreed to vote the Common Stock held by them in favor of the BDT Investment and Amended and Restated Certificate of Incorporation; and
- voting agreements with Charter, attached as Annex XIII and Annex XIV to this proxy statement, pursuant to which Messrs. Rales agreed to vote the Common Stock held by them in favor of the issuance of securities to be issued as partial consideration for the Acquisition.

Q: What am I being asked to vote on?

A: You are being asked to vote to:

- approve the issuance of the BDT Shares to the BDT Investor in accordance with the terms of the BDT Purchase Agreement and the issuance of shares of our Common Stock upon conversion of the shares of Series A Preferred Stock to be issued to the BDT Investor, referred to in this proxy statement as Proposal No. 1;
- approve the issuance of the Other Shares to Mitchell P. Rales, Steven M. Rales and Markel in accordance with the terms of the Other Purchase Agreements, referred to in this proxy statement as Proposal No. 2;
- approve the issuance of the Acquisition Shares as partial consideration in the Acquisition, referred to in this proxy statement as Proposal No. 3;

- approve the Amended and Restated Certificate of Incorporation to (i) increase the number of shares of our authorized capital stock from 210,000,000 to 420,000,000, comprised of an increase in our Common Stock from 200,000,000 to 400,000,000 shares and an increase in our preferred stock from 10,000,000 to 20,000,000 shares and (ii) make other changes to our Certificate of Incorporation to set forth certain rights of the BDT Investor to be granted in connection with the BDT Investment, including provisions that require the approval of the BDT Investor in order for us to take certain corporate actions and to provide the BDT Investor with the right to nominate up to two members of the Board of Directors depending on its beneficial ownership of Colfax securities from time to time, referred to in this proxy statement as Proposal No. 4; and
- adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals, referred to in this proxy statement as Proposal No. 5.

Q: Why is Colfax seeking stockholder approval of the issuance of the Securities as described in Proposal No. 1, Proposal No. 2 and Proposal No. 3?

A: We are subject to the listing requirements of the New York Stock Exchange (“NYSE”) because our Common Stock is listed on the NYSE. These rules, which apply to the proposed issuance of the Securities, require stockholder approval for an issuance of Common Stock, or securities convertible into Common Stock, (i) in a transaction or series of related transactions equal to or greater than 20% of our Common Stock outstanding before the issuance of the additional securities at a price, or having a conversion price, less than the greater of book or market value of the Common Stock or (ii) to a director, officer or substantial security holder of Colfax if the Common Stock to be issued is greater than 1% of our Common Stock outstanding before such issuance. The Securities to be issued represent greater than 20% of our outstanding Common Stock and the Other Investment involves the issuance of greater than 1% of our Common Stock to a director and substantial security holders of Colfax. Therefore, under the NYSE Rules, shareholder approval is required for the issuance of the Securities.

Q: Why is Colfax seeking stockholder approval of the Amended and Restated Certificate of Incorporation as described in Proposal No. 4?

A: We do not currently have sufficient authorized shares of preferred stock to complete the issuance of the Series A Preferred Stock to the BDT Investor as described in Proposal No. 1. To issue the Series A Preferred Stock to the BDT Investor, we need to increase the number of shares of our preferred stock authorized for issuance under our Certificate of Incorporation. It is a condition to the completion of the Investments and Implementation Agreement that our stockholders approve Proposal No 4. We have proposed increasing the authorized number of shares of preferred stock from 10,000,000 to 20,000,000 shares to permit the issuance of the Series A Preferred Stock to the BDT Investor pursuant to the BDT Purchase Agreement. In addition, we have proposed increasing the number of shares of our Common Stock from 200,000,000 to 400,000,000 shares to provide for additional authorized shares of Common Stock to issue in the future. The additional shares may be issued for various purposes without further stockholder approval, except to the extent required by applicable NYSE Rules. The purposes may include raising capital, providing equity incentives to employees, officers, directors or consultants, establishing strategic relationships with other companies, expanding our business or product lines through the acquisition of other businesses or products and other corporate purposes. In addition, it is a condition to the completion of the transactions contemplated by the BDT Purchase Agreement that our stockholders approve other changes to our Certificate of Incorporation in order to provide the BDT Investor certain approval rights and director nomination rights.

Q: What quorum and vote is required in connection with each of the proposals?

A: A quorum, consisting of the holders of a majority of the shares of our Common Stock entitled to vote as of the record date of the special meeting, must be present in person or represented by proxy before any action may be taken at the special meeting. Abstentions and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum.

The affirmative vote of the majority of shares of Common Stock present or represented by proxy at the special meeting and entitled to vote is necessary to approve each of Proposals No. 1, No. 2, No. 3 and Proposal No. 5. The affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote is necessary to approve Proposal No. 4.

The approval of Proposals No. 1, No. 2, No. 3 and No. 4 is required for the issuance of the Securities described in this proxy statement. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used to fund in part the Acquisition, the approval of each of Proposals No. 1, No. 2, No. 3 and No. 4 is a condition to the Acquisition.

Q: What happens if only one, two or three of Proposal No. 1, Proposal No. 2, Proposal No. 3 or Proposal No. 4 (but not all four) are approved by Colfax's stockholders at the special meeting or adjournment thereof?

A: If proposals No. 1, No. 2, No. 3 and No. 4 are not approved, we will not consummate the Investments or Acquisition as described in this proxy statement. The approval of Proposals No. 1, No. 2, No. 3 and No. 4 is required for the issuance of the Securities described in this proxy statement. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used as partial consideration for and to fund in part the Acquisition of Charter, the approval of each of Proposals No. 1, No. 2, No. 3 and No. 4 is a condition to the Acquisition.

Q: Am I being asked to vote to approve the Acquisition?

A: No. However, the Acquisition Shares will be issued to the shareholders of Charter as partial consideration for the Acquisition and the proceeds received from the issuance of the Investor Securities to the BDT Investor and Other Investors will be used to fund in part the Acquisition, so approval of each of Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4 is required for us to complete the Acquisition. This will be the only opportunity for our stockholders to consider and vote upon the transactions contemplated in connection with the Acquisition.

Q: Are there any risks in undertaking (or not undertaking) the transactions contemplated by the Implementation Agreement and the Purchase Agreements?

A: Yes. In evaluating the issuance of the Securities and the other transactions contemplated by the Implementation Agreement and Purchase Agreements, including the Acquisition, you should carefully consider the factors discussed in the section of this proxy statement entitled "Risk Factors" beginning on page 32.

Q: What are the conditions to completing the Acquisition?

A: The Implementation Agreement contains conditions to each party's obligations, and includes the condition that we have received stockholder approval for the issuance of the Investor Securities pursuant to the Purchase Agreements. In addition, since the Acquisition Shares will be issued to the shareholders of Charter as partial consideration under the Acquisition and the proceeds received from the issuance of the Investor Securities to the BDT Investor and Other Investors will be used to partially fund the Acquisition, approval of the matters set out in each of Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4 is required for us to complete the Acquisition.

Q: What are the conditions to completing the transactions contemplated by the Purchase Agreements?

A: The BDT Purchase Agreement contains conditions to each party's obligations, and includes the approval by Colfax's stockholders of the matters set out in Proposal No. 1 and Proposal No. 4 at the special meeting.

The Other Purchase Agreements each contain conditions customary for transactions such as those contemplated by the Other Purchase Agreements, and include the approval by Colfax's stockholders of the matters set out in Proposal No. 2 and Proposal No. 4 at the special meeting.

Q: How will my vote affect the composition of Colfax's Board of Directors?

A: If Proposal No. 1 and Proposal No. 4 are approved by our stockholders at the special meeting and the transactions contemplated by the BDT Purchase Agreements are subsequently completed, effective as of the closing of the issuance of the BDT Shares to the BDT Investor, the number of authorized directors will be increased from 9 to 11 and the BDT Investor will have the right to exclusively nominate for election 2 of 11 directors to serve as members of our Board of Directors and certain of its committees (subject to applicable law and NYSE Rules) pursuant to the Amended and Restated Certificate of Incorporation. Our Board of Directors may elect persons to fill the two newly created directorships without stockholder approval, until a successor is elected and qualified at our next annual meeting of stockholders. Any such appointment will be made by our Board of Directors in compliance with applicable law and the NYSE Rules.

Q: How does Colfax's Board of Directors recommend that I vote on each of the proposals?

A: Our Board of Directors unanimously recommends that you vote (i) "FOR" Proposal No. 1 to approve the issuance of the BDT Shares to the BDT Investor in accordance with the terms of the BDT Purchase Agreement (and the issuance of shares of our Common Stock upon conversion of the shares of Series A Preferred Stock to be issued in the BDT Investment), (ii) "FOR" Proposal No. 2 to approve the issuance of the Other Shares to the Other Investors in accordance with the terms of the Other Purchase Agreements; (iii) "FOR" Proposal No. 3 to approve the issuance of the Acquisition Shares as partial consideration in the Acquisition, (iv) "FOR" Proposal No. 4 to approve the Amended and Restated Certificate of Incorporation and (v) "FOR" Proposal No. 5 to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

Q: What happens if I do not vote?

A: Proposal No. 4 requires the affirmative vote of a majority of the outstanding shares of our Common Stock entitled to vote thereon. Because the approval of Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4 are required to consummate the Acquisition, failure to vote on Proposal No. 4 is effectively a vote against the issuance of the Securities and the Acquisition.

In addition, the failure to vote on these proposals, by failing to either submit a proxy or attend the special meeting if you are a stockholder of record, may make it more difficult to establish a quorum, consisting of the holders of a majority of the shares of Common Stock entitled to vote at the special meeting.

Q: What happens if I abstain?

A: If you execute and return your proxy card or submit a proxy by telephone or via the Internet and vote “ABSTAIN” or if you vote “ABSTAIN” at the special meeting, this will have the same effect as voting against each of the proposals. Abstentions will be treated as shares that are present for purposes of determining the presence of a quorum.

Because the approval of Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4 are required to consummate the Acquisition, voting “ABSTAIN” on Proposal No. 1, Proposal No. 2, Proposal No. 3 or Proposal No. 4 is effectively a vote against the issuance of the Securities and Acquisition of Charter.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most of our stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

- **Stockholder of Record**—If your shares are registered directly in your name with our transfer agent, Registrar and Transfer Company, you are considered the stockholder of record with respect to those shares and these proxy materials are being sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the special meeting. After carefully reading and considering the information contained in this proxy statement, if you are the stockholder of record, please submit your proxy by telephone or via the Internet in accordance with the instructions set forth in the enclosed proxy card, or fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the special meeting.
- **Beneficial Ownership**—If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in “street name,” and these proxy materials are being forwarded to you by your broker, bank or other nominee who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote and are also invited to attend the special meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the special meeting unless you request a legal proxy from your broker, bank or other nominee. Your broker, bank or other nominee has enclosed a voting instruction card with this proxy statement for you to use in directing such institution regarding how to vote the shares you beneficially own.

See “The Special Meeting—How to Vote Your Shares” beginning on page 25.

Q: If my shares are held in “street name” by my broker, will my broker vote my shares for me?

A: If your shares are held in street name, your broker may, under certain circumstances, vote your shares. Certain brokerage firms have authority to vote a client’s unvoted shares on some “routine” matters but cannot vote a client’s unvoted shares on “non-routine” matters. Proposals No. 1, No. 2, No. 3 and No. 4 are considered “non-routine” matters under exchange rules applicable to certain brokerage firms. If you do not give voting instructions to your broker on a “non-routine” matter, your shares may constitute “broker non-votes.” A broker non-vote occurs on a matter when a broker returns an executed proxy but indicates that it does not have discretionary authority to vote on that matter and has not received instructions from the beneficial owner. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on these proposals.

You should instruct your broker to vote your shares. If you do not instruct your broker, your broker may not have the authority to vote your shares for any of the proposals at the special meeting.

Please check with your broker and follow the voting procedures your broker provides. Your broker will advise you whether you may submit voting instructions by telephone or via the Internet. See “The Special Meeting–Quorum and Required Votes” and “The Special Meeting–Abstentions and Broker ‘Non-Votes’.”

Q: How can I vote my shares in person at the special meeting?

A: Shares held directly in your name as the stockholder of record may be voted in person at the special meeting. If you choose to do so, please bring the enclosed proxy card or proof of identification to the meeting. Even if you plan to attend the special meeting, we recommend that you vote your shares in advance so that your vote will be counted if you later decide not to attend the special meeting. If you hold your shares in “street name,” you must request a legal proxy from your broker, bank or other nominee in order for you to vote at the special meeting.

Q: How can I vote my shares without attending the special meeting?

A: If you do not plan to attend the special meeting, we request that you vote your shares as promptly as possible. If you are the stockholder of record, you may mark your votes, date, sign and return the enclosed proxy card.

For shares held in “street name,” you may vote your shares by submitting voting instructions to your broker, bank or other nominee. A voting instruction card will be provided by your broker, bank or other nominee. For shares held in “street name,” you may be eligible to vote by telephone or via the Internet if your broker, bank or other nominee participates in the proxy voting program provided by Broadridge. Instructions for voting by telephone or via the Internet, if available, will be provided by your broker, bank or other nominee.

Q: May I change my vote after I have submitted a proxy by telephone or via the Internet or mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in several ways. If you hold your shares as a stockholder of record, you can send a written notice stating that you want to revoke your proxy, or you can complete and submit a new proxy card, in either case dated later than the prior proxy card relating to the same shares. You must submit your notice of revocation or your new proxy card to A. Lynne Puckett, Corporate Secretary of Colfax at Colfax Corporation, 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland, Attention: Corporate Secretary.

You can also attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy; you must vote at the special meeting to revoke your proxy if you have not previously revoked your proxy.

You can also change your vote by submitting a proxy at a later date by telephone or via the Internet, if you have previously voted by telephone or via the Internet in connection with the special meeting, in which case your later-submitted proxy will be recorded and your earlier proxy revoked.

If your shares are held in "street name" and you have instructed your broker, bank or other nominee to vote your shares, the preceding instructions do not apply, and you must follow the voting procedures received from your broker, bank or other nominee to change your vote.

Q: If I want to attend the special meeting, what do I do?

A: You should come to our corporate headquarters located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759 at _____, local time, on _____, 2011. Stockholders of record as of the record date for the special meeting can vote in person at the special meeting. If your shares are held in "street name," then you must ask your broker, bank or other nominee holder how you can vote at the special meeting.

Q: Who is paying for this proxy solicitation?

A: The total expense of this solicitation will be borne by Colfax, including reimbursement paid to brokerage firms and others for their expenses in forwarding material regarding the special meeting to beneficial owners. Solicitation of proxies may be made personally or by mail, telephone, internet, e-mail or facsimile by officers and other management employees of Colfax, who will receive no additional compensation for their services.

Q: Who can help answer my additional questions about the special meeting, the Acquisition, the Implementation Agreement, the Purchase Agreements and the transactions contemplated by the Implementation Agreement and Purchase Agreements?

A: If you have questions about the special meeting and the matters to be voted upon, you should contact:

Colfax Corporation.
8170 Maple Lawn Boulevard, Suite 180
Fulton, Maryland 47669
Telephone: (301) 323-9000
Attention: A. Lynne Puckett

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The information contained in this proxy statement may contain certain statements about Colfax and Charter that are or may be “forward-looking statements” that is, statements related to future, not past, events, including forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations of the management of Colfax and Charter (as the case may be) and are naturally subject to uncertainty and changes in circumstances and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause our results to differ materially from current expectations include, but are not limited to factors detailed in our reports filed with the U.S. Securities and Exchange Commission (“SEC”) as well as this proxy statement under the caption “Risk Factors”. In addition, these statements are based on a number of assumptions that are subject to change. The forward-looking statements contained in the information in this proxy statement may include statements about the expected effects on Charter and Colfax of the Acquisition, the expected timing and scope of the Acquisition, strategic options and all other statements in this document other than historical facts. Without limitation, any statements preceded or followed by, or that include the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects”, “seeks”, “sees”, “should,” “would,” “expect,” “positioned,” “strategy,” or words or terms of substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, losses and future prospects; (ii) business and management strategies and the expansion and growth of Colfax’s or Charter’s operations and potential synergies resulting from the Acquisition; (iii) the effects of government regulation on Colfax’s or Charter’s business, and (iv) our plans, objectives, expectations and intentions generally.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Acquisition and other risks related to the Acquisition and actions related thereto. Additional particular uncertainties that could cause our actual results to be materially different than those expressed in forward-looking statements include: risks associated with our international operations; significant movements in foreign currency exchange rates; changes in the general economy, as well as the cyclical nature of our markets; our ability to accurately estimate the cost of or realize savings from our restructuring programs; availability and cost of raw materials, parts and components used in our products; the competitive environment in our industry; our ability to identify, finance, acquire and successfully integrate attractive acquisition targets, including but not limited to Charter should the Acquisition be successful; our ability to complete the Acquisition as planned and achieve expected synergies, expected earnings of Colfax following the Acquisition, and risks relating to any unforeseen liabilities of Charter; the amount of and our ability to estimate asbestos-related liabilities; material disruption at any of our significant manufacturing facilities; the solvency of our insurers and the likelihood of their payment for asbestos-related costs; our ability to manage and grow our business and execution of our business and growth strategies; our recent substantial leadership turnover and realignment; our ability and the ability our customers to access required capital at a reasonable costs; our ability to expand our business in our targeted markets; our ability to cross-sell our product portfolio to existing customers; the level of capital investment and expenditures by our customers in our strategic markets; our financial performance; our ability to identify, address and remediate any material weakness in our internal control over financial reporting; our ability to achieve or maintain credit ratings and the impact on our funding costs and competitive position if we do not do so; and others risks and factors as disclosed in this proxy statement under the caption “Risk Factors”. Other unknown or unpredictable factors could also cause actual results to differ materially from those in any forward-looking statement.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. None of Colfax or Charter undertakes any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise,

except to the extent legally required.

Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of Colfax or any of its subsidiaries, Charter or the enlarged business following completion of the Acquisition, unless otherwise stated.

SUMMARY

This summary highlights selected information also contained elsewhere in this proxy statement related to the matters you are being asked to vote upon and may not contain all of the information important to you. You should read this entire document and the other documents to which this proxy statement refers you to fully understand the matters you are being asked to vote upon. Each item in this summary refers to the page where that subject is hereinafter discussed in more detail. Except as otherwise noted, references in this proxy statement to “Colfax,” the “Company,” “we,” “us,” and “our” refer to the business of Colfax Corporation and its subsidiaries, and references in this proxy statement to “Charter” refer to the business of Charter International plc and its subsidiaries.

The Transactions

As we announced on September 12, 2011, we have agreed to acquire Charter for consideration consisting of cash and shares of our Common Stock. The Acquisition values Charter’s fully diluted share capital at approximately £1,528 million (\$2,426 million) (based on the closing price of \$23.04 per share of Common Stock on September 9, 2011, being the last business day before the Acquisition was announced, and the foreign exchange rate of U.S.\$1.5881/£1 in effect as of that date). The Board of Directors unanimously approved the Acquisition as a critical component of our growth plan.

A number of strategic advantages are expected from the proposed combination of Colfax and Charter. We believe the Acquisition would complement our stated strategy which, in addition to driving organic growth, includes pursuing value-creating acquisitions within our served markets, and adding complementary growth platforms to provide scale and revenue diversity. We consider Charter to be a leading player in key markets with an attractive business mix and strong technological capabilities that fits well with our acquisition criteria. We believe that the Acquisition would accelerate our growth strategy and enable Colfax to become a multi-platform business with a strong global footprint. Charter’s air and gas handling business (Howden) would extend our existing fluid handling platform, and Charter’s welding, cutting and automation (ESAB) business would establish a new growth platform. We believe that the Acquisition will improve our business profile by providing a meaningful recurring revenue stream as well as considerable exposure to emerging markets, allowing the combined company to benefit from strong secular growth drivers and provide a balance of short and long cycle businesses. We also believe that, following the Acquisition, there are significant upside opportunities from applying our established management techniques to improve both margin and return on invested capital. The Acquisition is expected to provide a platform for additional acquisitions in the fragmented welding and air handling markets. It is also expected to be significantly accretive to earnings and to provide double digit returns on invested capital within three to five years.

In order to finance in part the Acquisition, we have negotiated a \$680 million cash investment by the BDT Investor, in shares of our Common Stock and newly-created Series A Preferred Stock that will be convertible into our Common Stock. Also in connection with the Acquisition, we have negotiated a \$50 million cash investment by each of Mitchell P. Rales and Steven M. Rales, and a \$25 million cash investment by Markel, in shares of our Common Stock.

The Special Committee unanimously approved the proposed investments by each of the Other Investors, having determined that the terms of the Other Investment were appropriate under the circumstances. The Other Investment was also approved by our disinterested directors pursuant to our corporate policy regarding related person transactions. In addition, the BDT Investment and Other Investment were unanimously approved by our Board of Directors.

On September 12, 2011, we entered into the Implementation Agreement which sets out the terms of the Acquisition. On the same day, we entered into the BDT Purchase Agreement with the BDT Investor, pursuant to which we agreed to sell to the BDT Investor (i) 14,756,945 shares of our Common Stock and (ii) 13,877,552 shares of newly created Series A Preferred Stock for an aggregate of \$680 million. In connection with the BDT Investment, we will grant the BDT Investor certain voting rights, pre-emptive rights and approval rights, which will be set forth in the Amended and Restated Certificate of Incorporation and the Certificate of Designations for the Series A Preferred Stock. Also on September 12, 2011, we entered into the Other Purchase Agreements with each of Other Investors, pursuant to which we agreed to sell to Mitchell P. Rales 2,170,139 shares of our Common Stock for an aggregate of \$50 million, sell to Steven M. Rales 2,170,139 shares of our Common Stock for an aggregate of \$50 million and sell to Markel 1,085,070 shares of our Common Stock for an aggregate of \$25 million.

The purchase price for the shares of Common Stock to be sold to the BDT Investor and the Other Investors in the Investments is \$23.04 per share, being the closing price of our Common Stock on September 9, 2011, which was the last business day prior to the execution of the Purchase Agreements. The purchase price for the shares of Series A Preferred Stock to be sold to the BDT Investor in the BDT Investment is \$24.50 per share and the initial conversion price is \$27.93 per share, subject to adjustment.

At our special meeting of stockholders on _____, 2011, our stockholders are being asked to approve the issuance of the BDT Shares to the BDT Investor (including the issuance of shares of our Common Stock upon conversion of the shares of Series A Preferred Stock to be issued in the BDT Investment), the issuance of the Other Shares to the Other Investors and the issuance of the Acquisition Shares in connection with the Acquisition of Charter. Stockholders are also being asked to approve an amendment and restatement of our Certificate of Incorporation, referred to as the Amended and Restated Certificate of Incorporation, to increase the number of our authorized shares of Common Stock and preferred stock and to provide the BDT Investor certain voting and approval rights in Colfax. Additionally, you are being asked to authorize the adjournment or postponement of the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

Interests of Colfax's Executive Officers and Directors in the Transaction

When you consider our Board of Directors' recommendation to vote in favor of the Proposals, you should be aware that our executive officers and directors may have interests in the transactions contemplated by the Purchase Agreements and the Implementation Agreement that may be different from, or in addition to, the interests of other Colfax stockholders. In particular, pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of our Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own 11,315,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation to be filed with the Secretary of State of Delaware immediately prior to closing of the Investments, the replacement of Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel.

The Special Meeting (see page 24)

Date, Time and Place

The special meeting of the stockholders of Colfax will be held at our corporate headquarters located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759 at _____, local time, on _____, 2011.

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Purpose

You will be asked to consider and vote upon the approval of the issuance of the BDT Shares to the BDT Investor (and the issuance of shares of Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment), the issuance of the Other Shares to the Other Investors, the issuance of the Acquisition Shares in connection with the Acquisition, the Amended and Restated Certificate of Incorporation and a proposal to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve any of the proposals.

Record Date and Quorum

You are entitled to vote at the special meeting if you owned shares of our Common Stock as of the close of business on _____, 2011, the record date for the special meeting. You will have one vote for each share of Common Stock that you owned as of the record date. As of the record date there were _____ shares of our Common Stock outstanding and entitled to vote. The presence in person or by proxy of stockholders having a majority of all shares of Common Stock entitled to be cast at the special meeting will constitute a quorum for the purpose of considering the proposals.

Vote Required

A quorum, consisting of the holders of a majority of the outstanding shares of Common Stock as of the record date of the special meeting, must be present in person or represented by proxy before any action may be taken at the special meeting. Abstentions and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum.

The affirmative vote of the majority of shares of Common Stock present or represented by proxy at the special meeting and entitled to vote is necessary to approve each of Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 5. The affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote thereon is necessary to approve Proposal No. 4.

The approval of Proposals No. 1, No. 2, No. 3 and No. 4 is required for the issuance of the Securities described in this proxy statement. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used to fund in part the Acquisition of Charter, the approval of each of Proposal No. 1, No. 2, No. 3 and No. 4 is also a condition to the Acquisition described in this proxy statement.

The Acquisition and the Investments are conditioned on each other: unless we complete the Investments, we will not complete the Acquisition and unless we complete the Acquisition we will not complete the Investments.

Common Stock Ownership of Directors and Executive Officers

As of the record date, the directors and executive officers of Colfax held an aggregate of _____ % of the shares of Common Stock entitled to vote at the special meeting, including the _____ % of our outstanding Common Stock held by Mitchell P. Rales, Chairman of our Board of Directors. Mitchell P. Rales and his brother, Steven M. Rales, who holds approximately 21.0% of our outstanding Common Stock, have each signed voting agreements with Charter and the BDT Investor, pursuant to which they have agreed to vote their shares of Common Stock in favor of the BDT Investment, including the Amended and Restated Certificate of Incorporation, and the issuance of securities necessary to complete the Acquisition.

Proposal No. 1: Issuance of Securities to the BDT Investor (see page 125)

You are being asked to approve (i) the issuance to the BDT Investor of 14,756,945 shares of Common Stock and 13,877,552 shares of Series A Preferred Stock, in accordance with the terms of the BDT Purchase Agreement in order to raise a portion of the funds required to complete the Acquisition and (ii) the issuance of shares of our Common Stock upon conversion of such Series A Preferred Stock. The proposal to approve the issuance of the BDT Shares to the BDT Investor and the issuance of the shares of our Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment is referred to as Proposal No. 1.

BDT Purchase Agreement (see page 128)

On September 12, 2011, Colfax entered into the BDT Purchase Agreement with the BDT Investor, pursuant to which Colfax will issue the BDT Shares to the BDT Investor for an aggregate consideration of \$680 million. The purchase price of each share of Common Stock under the BDT Purchase Agreement is \$23.04 per share and the purchase price of each share of Series A Preferred Stock under the BDT Purchase Agreements is \$24.50. The shares of Series A Preferred Stock are convertible into Common Stock at an initial conversion price of \$27.93 per share, subject to adjustment.

Parties to the BDT Purchase Agreement

- Colfax Corporation is a leading global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and controls and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used. For more information, visit www.colfaxcorp.com. Information included on the website is not incorporated by reference into this proxy statement.
- The BDT Investor is a newly formed entity controlled by BDT Capital Partners. BDT Capital Partners, which is based in Chicago, Illinois, provides entrepreneur and family owned companies with long-term capital, solutions-based advice and access to an extensive network of world-class family businesses. BDT Capital Partners is a merchant bank structured to provide advice and capital that address the unique needs of closely held businesses. The firm has an investment fund as well as an investor base with the ability to co-invest additional capital. The investment fund's portfolio includes investments in Pilot Flying J, City Beverage, Tudor, Pickering, Holt & Co. and Weber-Stephen Products Co.
- Mitchell P. Rales and Steven M. Rales are also signatories to the BDT Purchase Agreement solely for the purpose of certain provisions pursuant to which the BDT Investor has been granted tag-along sale rights in respect of the BDT Shares in the event of certain sales of Colfax shares by either or both of Mitchell P. Rales or Steven M. Rales.

Use of Proceeds (see page 128)

Colfax will use the proceeds from the sale of the BDT Shares to the BDT Investor to fund the Acquisition of Charter.

Conditions to Closing (see page 128)

Consummation of the transactions contemplated by the BDT Purchase Agreement is conditional upon, among other things, approval by our stockholders of the transactions contemplated by the BDT Purchase Agreement and the Amended and Restated Certificate of Incorporation and sanctioning of the scheme of arrangement for implementing the Acquisition of Charter by the Royal Court of Jersey (or in the case of a takeover offer, such offer becoming unconditional).

Termination (see page 132)

Prior to the closing of the issuance of the BDT Shares to the BDT Investor, the BDT Purchase Agreement may be terminated:

- by the BDT Investor, if Colfax's offer for Charter is withdrawn, lapses or terminates;
- by the BDT Investor or Colfax, if the issuance of the BDT Shares has not been completed before March 30, 2012 (the "Termination Date") (provided that the right to so terminate the BDT Purchase Agreement shall not be available to any party if such party's action or inaction was a principal cause of or resulted in the failure to complete the issuance of the BDT Shares and constitutes a breach of the BDT Purchase Agreement);
- by the BDT Investor or Colfax, if any applicable governmental authority has issued a non-appealable final order, decree or ruling or taken any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the consummation of the issuance of the BDT Shares and other transactions contemplated by the BDT Purchase Agreement;
- by the BDT Investor at any time prior to completion of the issuance of the BDT Shares, if Colfax (i) has breached certain material representations or undertakings under the BDT Purchase Agreement and failed to cure such breach by the earlier of the Termination Date and 20 days from written notice of such breach and (ii) such breach, if not cured, would give rise to the failure to meet a condition to closing;
- by Colfax at any time prior to completion of the issuance of the BDT Shares, if the BDT Investor has (i) breached their representations, warranties and covenants under the BDT Purchase Agreement and failed to cure such breach by the earlier of the Termination Date and 20 days from written notice of such breach and (ii) such breach, if not cured, would give rise to the failure to meet a condition to closing; and
- by mutual written agreement of the BDT Investor and Colfax.

Certain Agreements and Documents Related to the BDT Investment (see page 133)

In connection with the BDT Purchase Agreement, we have entered into or will enter into agreements related to the BDT Purchase Agreement and the transactions contemplated by the BDT Purchase Agreement, including the BDT Registration Rights Agreement. In addition, immediately prior to the closing of the transactions contemplated by the BDT Purchase Agreement, we will file the Amended and Restated Certificate of Incorporation and Certificate of Designations with the Secretary of State of the State of Delaware.

Directors of Colfax Following the Transaction (see page 134)

Our Board of Directors is currently comprised of nine directors, each serving a term expiring at the next annual meeting of stockholders in 2012. If our stockholders vote to approve Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4, effective upon the consummation of the transactions contemplated by the Purchase Agreements and the Implementation Agreement, the number of authorized directors will be increased from 9 to 11 and the BDT Investor will have the right to exclusively nominate for election 2 of the 11 directors to serve as members of our Board of Directors and certain of its committees (subject to applicable law and NYSE Rules) pursuant to the Amended and Restated Certificate of Incorporation. Our Board of Directors has the ability to elect persons to fill the two newly created directorships without stockholder approval, until a successor is elected and qualified at our next annual meeting of stockholders. Any such appointment will be made by our Board of Directors in compliance with applicable law and the NYSE Rules.

Proposal No. 2: Issuance of Securities to the Other Investors (see page 137)

You are being asked to approve the issuance of 2,170,139 shares of Common Stock to Mitchell P. Rales, 2,170,139 shares of Common Stock to Steven M. Rales and 1,085,070 shares of Common Stock to Markel in accordance with the terms of the Other Purchase Agreements between Colfax and each of Mitchell P. Rales, Steven M. Rales and Markel, respectively, in order to raise a portion of the funds necessary to complete the Acquisition. The proposal to approve the issuance of the Other Shares to the Other Investors is referred to as Proposal No. 2.

Other Purchase Agreements (see page 138)

On September 12, 2011, we entered into the Other Purchase Agreements with each of Mitchell P. Rales, Steven M. Rales and Markel, respectively, pursuant to which, among other things, we will issue the MPR Shares to Mitchell P. Rales for \$50 million, the SMR Shares to Steven M. Rales for \$50 million and the Markel Shares to Markel for \$25 million. The purchase price of each share of Common Stock under the Other Purchase Agreements is \$23.04 per share.

Parties to the Other Purchase Agreements

- Colfax Corporation
- Mr. Mitchell P. Rales is a co-founder of Colfax and has served as a director of Colfax since our founding in 1995. He is the Chairman of the Board of Directors of Colfax and the beneficial owner of approximately 21.0% of our Common Stock. Mr. Mitchell P. Rales served as a member of the Board of Directors of Danaher Corporation since 1983 and as Chairman of Danaher Corporation's Executive Committee since 1984. Mr. Rales has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded companies for over 25 years. He was instrumental in the founding of Colfax and has played a key leadership role on our Board of Directors since that time. Mr. Rales helped create the Danaher Business System, on which the Colfax Business System is modeled, and he has provided critical strategic guidance in our growth.

- Mr. Steven M. Rales is a co-founder of Danaher Corporation and has served on its Board of Directors since 1983, serving as Chairman of the Board since 1984. He was also CEO of the Danaher Corporation from 1984 to 1990. In addition, for more than the past five years he has been a principal in private business entities in the areas of manufacturing and film production. Mr. Rales is a brother of Mr. Mitchell P. Rales.
- Markel Corporation (NYSE: MKL) markets and underwrites specialty insurance products and programs. Markel operates in three segments: the Excess and Surplus lines, the Specialty Admitted and the London Insurance Markets. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel.

Use of Proceeds (see page 138)

We will use the proceeds from the sale of the Other Shares to fund in part the Acquisition of Charter.

Conditions to Closing (see page 140)

Consummation of the transactions contemplated by each of the MPR Purchase Agreement, SMR Purchase Agreement and Markel Purchase Agreement are conditional upon, among other things, approval by our stockholders of the issuance of the Other Shares and the Amended and Restated Certificate of Incorporation.

Termination (see page 140)

Prior to the closing, each of the Other Purchase Agreements may be terminated:

- by the relevant Other Investor, if our offer for Charter is withdrawn, lapses or terminates;
- by either party, if closing has not occurred before March 30, 2012 (provided that the right to so terminate shall not be available to any party if such party's action or inaction was a principal cause of or resulted in the failure to close the transactions contemplated under the agreement or constitute a breach thereof);
- by the relevant Other Investor, at any time prior to closing, if we (i) have breached certain material representations and failed to cure such breach by the earlier of March 30, 2012 and 20 days from written notice of such breach and (ii) such breach, if not cured, would give rise to the failure to meet a condition to closing; and
- by mutual written agreement of the parties.

Certain Agreements Related to the Other Investments (see page 140)

In connection with the Other Purchase Agreements, we have entered into or will enter into agreements related to the transactions contemplated therein, including the MPR Registration Rights Agreement, the SMR Registration Rights Agreement and the Market Registration Rights Agreement. In addition, immediately prior to the closing of the transactions contemplated by the Other Purchase Agreements, we will file the Amended and Restated Certificate of Incorporation and Certificate of Designations with the Secretary of State of the State of Delaware.

Proposal No. 3: Issuance of Securities in the Acquisition (see page 144)

You are being asked to approve the issuance of up to 20,832,469 shares of our Common Stock as part of the consideration in the Acquisition. The proposal to approve the issuance of the Acquisition Shares is referred to as Proposal No. 3.

We intend to cause the Acquisition Shares to be authorized for listing on the NYSE, subject to notice of issuance.

Implementation Agreement (see page 145)

On September 12, 2011, we and our wholly-owned subsidiary, Colfax UK Holdings Ltd. (“Bidco”), entered into the Implementation Agreement with Charter that provides the terms of the Acquisition. The Acquisition is intended to be implemented by way of a court-sanctioned scheme of arrangement (the “Scheme”) under Article 125 of the Companies (Jersey) Law 1991 (the “Companies Act”) or, if Bidco elects, by way of a takeover offer under the Companies Act. The Scheme, which will be subject to the conditions set out in the Implementation Agreement, will require the sanction of the Royal Court of Jersey.

Pursuant to the Acquisition, Charter's shareholders will be entitled to receive 730 pence in cash and 0.1241 newly-issued shares of our Common Stock in exchange for each share of Charter's ordinary stock. The Acquisition values Charter's fully diluted share capital at approximately £1,528 million (\$2,426 million) (based on the closing price of \$23.04 per share of our Common Stock on September 9, 2011, being the last business day before the Acquisition was announced, and the foreign exchange rate of U.S.\$1.5881/£1 in effect as of that date).

Parties to the Implementation Agreement

- Colfax
- Colfax UK Holdings Ltd., Bidco, is our indirect wholly-owned subsidiary formed in England to effect the Acquisition. Bidco has not engaged in any business prior to the date of this proxy statement (except for entering into transactions relating to the Acquisition).
- Charter International plc, Charter, is the ultimate owner (through a number of intermediate holding companies) of two international engineering businesses: ESAB, which is focused on welding, cutting and automation, and Howden, which is focused on air and gas handling. Charter is registered in Jersey and listed on the London Stock Exchange.

ESAB is a leading international welding and cutting company. It formulates, develops, manufactures and supplies consumable products and equipment for use in the cutting and joining of steels, aluminum and metal alloys. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes. ESAB's welding and cutting equipment ranges from small retail uses to large bespoke equipment particularly in the energy and shipbuilding sectors.

Howden is an international applications engineering business. Howden designs, manufactures, installs and maintains air and gas handling equipment for use in the power, oil and gas, petrochemical and other industries.

Recommendation of Charter's Board of Directors (see page 64)

Charter agreed to have its board of directors unanimously recommend to Charter's shareholders to vote in favor of the Acquisition at the general meeting of Charter's shareholders to be convened to consider the Acquisition as well as at the meeting of Charter's shareholders to be convened by the order of the Royal Court of Jersey for purposes of approving the Scheme. The Charter directors have further agreed not to withdraw, qualify or adversely modify the recommendation of the Charter board of directors. However, the foregoing obligations shall not apply if the board of directors of Charter have determined, acting in their good faith discretion, after consultation with their legal and financial advisors, that their recommendation should not be given or should be withdrawn, qualified or adversely modified in order to comply with their legal duties.

Conditions to Closing of the Acquisition (see page 65)

The Implementation Agreement contains conditions to each party's obligations. Among other things, the Scheme is conditional upon (i) approval of the Acquisition and related matters by the stockholders of Charter at a general meeting and at a meeting of Charter's stockholders to be convened by the order of the Royal Court of Jersey for purposes of approving the Scheme (such approvals were obtained at the general meeting of Charter's stockholders held on November 14, 2011 and at the meeting of Charter's stockholders convened by the order of the Royal Court of Jersey, also held on November 14, 2011) and (ii) sanctioning of the Scheme by the Royal Court of Jersey. The Acquisition is also conditioned upon approval of the capital raising transactions contemplated by the Purchase Agreements entered into with each of the Investors.

Inducement Fee (see page 66)

Charter has agreed to pay an inducement fee of £15,275,000 (\$24,258,228 assuming a foreign exchange rate of U.S.\$1.5881/£1 in effect on September 9, 2011, the last business day prior to signing of the Implementation Agreement) to Bidco, subject to the terms and conditions set out in the Implementation Agreement, in circumstances where a competing offer (or similar proposal) is announced before the Acquisition lapses or is withdrawn and such competing offer (or similar proposal) or another third party offer (or similar proposal) becomes wholly unconditional or effective or is otherwise consummated.

In addition, Charter has agreed to pay an inducement fee of £7,638,000 (\$12,129,908 assuming the foreign exchange rate described above) to Bidco in certain other circumstances, subject to the terms and conditions set out in the Implementation Agreement. These circumstances include where: (a) the board of directors of Charter recommends a competing offer (or similar proposal); (b) the board of directors of Charter withdraws, qualifies or adversely modifies its recommendation of the Acquisition or such recommendation ceases to be unanimous; and (c) where Charter takes any steps to implement a competing offer (or similar proposal) or if Charter makes certain changes in respect of the timing of the Acquisition and as a result the Scheme is reasonably expected not to become effective by March 30, 2012.

Termination (see page 65)

The Implementation Agreement may be terminated:

- as agreed in writing by the parties;
- in the event the recommendation of the board of directors of Charter in favor of the Acquisition is no longer unanimous or is withdrawn, qualified or adversely modified at any time;
- if the Acquisition has not occurred by March 30, 2012;
- on the date on which the Scheme lapses, terminates or is withdrawn or becomes effective in accordance with its terms;
- if the Scheme is not approved at the general meeting of Charter's shareholders to be convened to consider the Acquisition or the meeting of Charter's shareholders to be convened by the order of the Royal Court of Jersey for purposes of approving the Scheme;
 - if the Royal Court of Jersey fails to sanction the Scheme and approve related matters;
- if the capital raising transactions contemplated by the Purchase Agreements entered into with each of the Investors to finance part of the Acquisition are not approved at the special meeting and we have not, within 10 business days, presented an adequate proposal for alternative funding for the Acquisition.

Certain Agreements and Documents Related to the Acquisition (see page 133)

In connection with the Acquisition, we have entered into or will enter into certain agreements related to the Implementation Agreement, including the Purchase Agreements, the Registration Rights Agreements and the Credit Agreement. In addition, we will file the Amended and Restated Certificate of Incorporation and the Certificate of Designations with the Secretary of State of the State of Delaware.

Proposal No. 4: Amendment and Restatement of Colfax's Certificate of Incorporation (see page 146)

You are being asked to approve an amendment and restatement of our Certificate of Incorporation to (i) increase the number of shares of authorized capital stock of Colfax from 210,000,000 to 420,000,000, comprised of an increase in Common Stock from 200,000,000 to 400,000,000 shares and an increase in preferred stock from 10,000,000 to 20,000,000 shares and (ii) make other changes to our Certificate of Incorporation to set forth certain rights of the BDT Investor to be granted in connection with the BDT Investment, including provisions that require the approval of the BDT Investor in order for us to take certain corporate actions and to provide the BDT Investor with the right to nominate up to two members of our Board of Directors depending on its beneficial ownership of Colfax securities from time to time. Stockholder approval of the Amended and Restated Certificate of Incorporation is a condition to completing the issuance of the Investor Securities to the Investors and the Acquisition Shares in connection with the Acquisition. The proposal to approve the Amended and Restated Certificate of Incorporation is referred to as Proposal No. 4.

Proposal No. 5: Adjournment of Special Meeting (see page 151)

You are being asked to approve a proposal to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals. The proposal to adjourn or postpone the special meeting is referred to as Proposal No. 5.

Recommendation of Our Board of Directors (see page 151)

Our Board of Directors has unanimously approved the Implementation Agreement, the BDT Purchase Agreement, the Other Purchase Agreements, the issuance of the Securities thereunder and the Amended and Restated Certificate of Incorporation. Our Board of Directors unanimously recommends that stockholders vote “FOR” Proposal No. 1, Proposal No. 2, Proposal No. 3, Proposal No. 4 and Proposal No. 5.

THE SPECIAL MEETING

Date, Time and Place

The special meeting of Colfax's stockholders will be held on _____, 2011, starting at _____, local time, at our corporate headquarters located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759.

Matters to be Considered

The purpose of the special meeting is to consider and vote on:

Proposal No. 1: To approve (i) the issuance to the BDT Investor of 14,756,945 shares of Common Stock and 13,877,552 shares of Series A Preferred Stock, in accordance with the terms of the BDT Purchase Agreement to fund a portion of the Acquisition and (ii) the issuance of shares of our Common Stock upon conversion of such Series A Preferred Stock.

Proposal No. 2: To approve the issuance of 2,170,139 shares of Common Stock to Mitchell P. Rales, 2,170,139 shares of Common Stock to Steven M. Rales and 1,085,070 shares of Common Stock to Markel in accordance with the terms of the Other Purchase Agreements to fund a portion of the Acquisition.

Proposal No. 3: To approve the issuance of up to 20,832,469 shares of Common Stock as part consideration for the Acquisition in accordance with the terms of the Implementation Agreement.

Proposal No. 4: To approve an amendment and restatement of our Certificate of Incorporation to (i) increase the number of shares of authorized capital stock from 210,000,000 to 420,000,000, comprised of an increase in Common Stock from 200,000,000 to 400,000,000 shares and an increase in preferred stock from 10,000,000 to 20,000,000 shares and (ii) make other changes to the Certificate of Incorporation to set forth certain rights of the BDT Investor to be granted in connection with the BDT Investment, including provisions that require the approval of the BDT Investor in order for us to take certain corporate actions and to provide the BDT Investor with the right to nominate up to two members of the Board of Directors depending on its beneficial ownership of Colfax securities from time to time.

Proposal No. 5: To adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

Record Date; Shares Outstanding and Entitled to Vote

The close of business on _____, 2011 has been fixed as the record date for determining those Colfax stockholders entitled to notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. At the close of business on the record date for the special meeting, there were _____ shares of Common Stock outstanding and entitled to vote, held by approximately _____ holders of record. Each share of Common Stock entitles its holder to one vote at the special meeting on all matters properly presented at the meeting.

Common Stock Ownership of Directors and Executive Officers

As of the record date, our directors and executive officers held an aggregate of _____ % of the shares of Common Stock entitled to vote at the special meeting, including the _____ % of Common Stock held by Mitchell P. Rales, Chairman of our Board of Directors. Mitchell P. Rales and his brother, Steven M. Rales, who together hold an aggregate of approximately 42.0% of our Common Stock, have each signed voting agreements with Charter and the BDT Investor, pursuant to which they have agreed to vote their shares of Common Stock in favor of the BDT Investment, including the Amended and Restated Certificate of Incorporation, and the issuance of securities necessary to complete the Acquisition. In the aggregate, as of the record date, the shares held by the directors and executive officers of Colfax and Steven M. Rales represent _____ % of the voting power necessary to approve Proposals No. 1, No. 2, No. 3 and No. 5 (assuming the vote in person or by proxy of all outstanding shares of Common Stock) and Proposal No. 4.

How to Vote Your Shares

Stockholders of record may submit a proxy by telephone, via the Internet or by mail or vote by attending the special meeting and voting in person.

- **Submitting a Proxy by Telephone:** You can submit a proxy for your shares by telephone until 11:59 p.m. (EDT) on _____, 2011 by calling the toll-free telephone number on your proxy card. Telephone proxy submission is available 24 hours a day. Easy-to-follow voice prompts allow you to submit a proxy for your shares and confirm that your instructions have been properly recorded. Our telephone proxy submission procedures are designed to authenticate stockholders by using individual control numbers. **IF YOU SUBMIT A PROXY BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.**
- **Submitting a Proxy via the Internet:** You can submit a proxy via the Internet until 11:59 p.m. (EDT) on _____, 2011 by accessing the web site listed on your proxy card and following the instructions you will find on the web site. Internet proxy submission is available 24 hours a day. As with telephone proxy submission, you will be given the opportunity to confirm that your instructions have been properly recorded. **IF YOU SUBMIT A PROXY VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.**
- **Submitting a Proxy by Mail:** If you choose to submit a proxy by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided.
- **Attending the Special Meeting:** If you are a stockholder of record, you may attend the special meeting and vote in person. If you plan to attend the special meeting, you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

If your shares of Common Stock are held in the name of a broker, bank or other nominee, you will receive instructions from the stockholder of record that you must follow for your shares to be voted. Please follow their instructions carefully. Also, please note that if the stockholder of record of your shares of Common Stock is a broker, bank or other nominee and you wish to vote in person at the special meeting, you must request a legal proxy from your broker, bank or other nominee that holds your shares and present that proxy and proof of identification at the special meeting.

How to Change Your Vote

If you are the stockholder of record, you may revoke your proxy or change your vote prior to your shares being voted at the special meeting by:

- delivering a written notice of revocation or a duly executed proxy card, in either case dated later than the prior proxy card relating to the same shares, to Colfax's Corporate Secretary, A. Lynne Puckett, at Colfax Corporation, 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759, Attention: Corporate Secretary;
- submitting a proxy at a later date by telephone or via the Internet, if you have previously voted by telephone or via the Internet in connection with the special meeting; or
- attending the special meeting and voting in person.

If you are the beneficial owner of shares held in the name of a broker, bank or other nominee, you may change your vote by:

- submitting new voting instructions to your broker, bank or other nominee in a timely manner following the voting procedures received from your broker, bank or other nominee; or
- attending the special meeting and voting in person, if you have obtained a legal proxy from the broker, bank or other nominee that holds your shares giving you the right to vote the shares.

Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy.

Counting Your Vote

All properly executed proxies delivered and not properly revoked will be voted at the special meeting as specified in such proxies. If you provide specific voting instructions, your shares of Common Stock will be voted as instructed. If you hold shares in your name and sign and return a proxy card or submit a proxy by telephone or via the Internet without giving specific voting instructions, your shares will be voted "FOR":

- the approval of the issuance of the BDT Shares to the BDT Investor pursuant to the terms of the BDT Purchase Agreement and the issuance of shares of Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment;
- the approval of the issuance of the Other Shares to the Other Investors pursuant to the terms of the Other Purchase Agreements;
 - the approval of the issuance of the Acquisition Shares as partial consideration in the Acquisition,
 - the approval of the Amended and Restated Certificate of Incorporation; and

- adjournment or postponement of the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

Proxies solicited may be voted only at the special meeting and any adjournment or postponement of the special meeting and will not be used for any other meeting.

Quorum and Required Votes

A quorum, consisting of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the special meeting as of the record date, must be present in person or represented by proxy before any action may be taken at the special meeting. Abstentions and broker non-votes will be treated as shares that are present for the purpose of determining the presence of a quorum.

Proposal No. 1: The affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the special meeting and entitled to vote is necessary to approve the issuance of the BDT Shares to the BDT Investor pursuant to the BDT Purchase Agreement and the issuance of shares of Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment.

Proposal No. 2: The affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the special meeting and entitled to vote is necessary to approve the issuance of the Other Shares to the Other Investors pursuant to the Other Purchase Agreements.

Proposal No. 3: The affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the special meeting and entitled to vote is necessary to approve the issuance of the Acquisition Shares to the existing shareholders of Charter's ordinary shares as partial consideration in the Acquisition pursuant to the Implementation Agreement.

Proposal No. 4: The affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote thereon at the special meeting is necessary to approve the Amended and Restated Certificate of Incorporation.

Proposal No. 5: The affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the special meeting and entitled to vote is necessary to approve the adjournment or postponement of the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

The approval of Proposals No. 1, No. 2, No. 3 and No. 4 is required for the issuance of the Securities described in this proxy statement. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used to fund in part the Acquisition of Charter, the approval of each of Proposal No. 1, No. 2, No. 3 and No. 4 is also a condition to the Acquisition described in this proxy statement.

As of the close of business on the record date for the special meeting, the BDT Investor did not beneficially own any shares of our Common Stock and, to the knowledge of the BDT Investor, none of its affiliates beneficially owned any shares of our Common Stock. As of the close of business on the record date for the special meeting, Markel did not beneficially own any shares of our Common Stock and, to the knowledge of the Markel, none of its affiliates beneficially owned any shares of our Common Stock other than its President and Chief Investment Officer, Thomas Gayner, who is also a member of our board of directors and the beneficial owner of 19,860 shares of Common Stock, representing less than 1% of our outstanding Common Stock.

As of the close of business on the record date for the special meeting, Mitchell P. Rales and Steven M. Rales beneficially own an aggregate of 18,291,220 shares of Common Stock, representing _____ % of the shares of Common Stock entitled to vote at the special meeting. Mitchell P. Rales and Steven M. Rales have each signed voting agreements with the BDT Investor and Charter, pursuant to which they have agreed to vote their shares of Common Stock in favor of the BDT Investment, including the Amended and Restated Certificate of Incorporation, and the issuance of securities necessary to complete the Acquisition.

Abstentions and Broker “Non-Votes”

Abstentions will have the same effect as a vote “AGAINST” each of the proposals.

If shares are held in a brokerage account or by a bank or other nominee, the holders are considered the beneficial owner of shares held in “street name.” Certain brokerage firms have authority to vote a client’s unvoted shares on some “routine” matters but cannot vote a client’s unvoted shares on “non-routine” matters. Proposals No. 1, No. 2, No. 3 and No. 4 are considered “non-routine” matters under exchange rules applicable to certain brokerage firms. If you do not give voting instructions to your broker on a “non-routine” matter, your shares may constitute “broker non-votes.” A broker non-vote occurs on a matter when a broker returns an executed proxy but indicates that it does not have discretionary authority to vote on that matter and has not received instructions from the beneficial owner. Broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on these proposals.

Solicitation of Proxies

The total expense of this solicitation will be borne by Colfax, including reimbursement paid to brokerage firms and others for their expenses in forwarding material regarding the special meeting to beneficial owners. Solicitation of proxies may be made personally or by mail, telephone, internet, e-mail or facsimile by officers and other management employees of Colfax, who will receive no additional compensation for their services.

Adjournment and Postponement

Whether or not a quorum exists, holders of a majority of our Common Stock present in person or represented by proxy and entitled to vote at the special meeting may adjourn the special meeting, without further notice other than by an announcement made at the special meeting. Because a majority of the votes present in person or represented at the meeting, whether or not a quorum exists, is required to approve the proposal to adjourn the special meeting, abstentions will have the same effect on such proposal as a vote “AGAINST” the proposal to adjourn the special meeting. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Recommendation of Our Board of Directors

Our Board of Directors has unanimously approved the issuance of the Securities (including the issuance of shares of our Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment) and the Amended and the Restated Certificate of Incorporation. In addition, the Special Committee unanimously approved the proposed investments by each of the Other Investors, having determined that the terms of the Other Investment were appropriate under the circumstances. The Other Investment was also approved by our disinterested directors pursuant to our corporate policy regarding related person transactions.

Based on our reasons for the recommendations set forth in “Proposal No. 1—Issuance of Securities to the BDT Investor—Reasons for the BDT Investment and Recommendation of Our Board of Directors”, “Proposal No. 2—Issuance of Securities to the Other Investors—Reasons for the Other Investment and Recommendation of Our Board of Directors” and “Proposal No. 3—Issuance of Securities in the Acquisition of Charter—Reasons for the Acquisition and Recommendation of Our Board of Directors”, our Board of Directors believes that the approval of each of (i) the issuance of the BDT Shares (including the issuance of shares of our Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment), (ii) the issuance of the Other Shares (iii) the issuance of the Acquisition Shares and (iv) the Amended and Restated Certificate of Incorporation is advisable, fair to, and in the best interests of, Colfax’s stockholders.

Our Board of Directors recommends that you vote “FOR”:

- the approval of the issuance of the BDT Shares to the BDT Investor pursuant to the terms of the BDT Purchase Agreement (including the issuance of shares of our Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment);
- the approval of the issuance of the Other Shares to the Other Investors pursuant to the terms of the Other Purchase Agreements;
 - the approval of the issuance of the Acquisition Shares pursuant to the Acquisition;
 - the approval of the Amended and Restated Certificate of Incorporation; and
- adjournment or postponement of the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals.

CURRENCIES

In this proxy statement, unless otherwise specified or the context otherwise requires:

· “pounds sterling,” “pounds,” “sterling,” “U.K. pounds,” “ £,” “pence,” or “p” each refer to the lawful currency of the United Kingdom; and

- “U.S. dollars,” “dollars,” “\$” or “U.S.\$” each refer to the lawful currency of the United States.

We publish our financial statements in U.S. dollars and Charter publishes its financial statements in pounds sterling.

Please see the section of this proxy statement entitled “Exchange Rate Information” for additional information regarding the exchange rates between pounds sterling and the U.S. dollar.

EXCHANGE RATE INFORMATION

The following table shows, for the periods indicated, information concerning the exchange rate between U.S. dollars and pounds sterling. The information in the following table is expressed in U.S. dollars per pound sterling and is based on the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. The average rates for the monthly periods presented in these tables were calculated by taking the simple average of the daily noon buying rates. The average rates for the interim periods and annual periods presented in these tables were calculated by taking the simple average of the noon buying rates on the last day of each month during the relevant period.

On _____, 2011, the latest practicable date for which such information was available prior to the printing of this proxy statement, the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York was \$ _____ per £1.00. These translations should not be construed as a representation that the U.S. dollar amounts actually represent, or could be converted into, pounds sterling at the rates indicated.

	Period-end rate U.S.\$	Average rate U.S.\$	High U.S.\$	Low U.S.\$
Recent monthly data				
October 2011	1.6141	-	1.6141	1.5398
September 2011	1.5624	-	1.6190	1.5358
August 2011	1.6269	-	1.6591	1.6169
July 2011	1.6455	-	1.6455	1.5932
June 2011	1.6067	-	1.6444	1.5972
May 2011	1.6439	-	1.6690	1.6102
Interim period data				
Nine months ended September 30, 2011	1.5624	1.6147	1.6691	1.5358
Nine months ended September 30, 2010	1.5731	1.5339	1.6370	1.4344
Annual Data (year ended 31 December)				
2010	1.5392	1.5455	1.6370	1.4344
2009	1.6167	1.5660	1.6977	1.3658
2008	1.4619	1.8546	2.0311	1.4395
2007	1.9843	2.0016	2.1104	1.9235
2006	1.9586	1.8434	1.9794	1.7256

RISK FACTORS

You should carefully consider the following risks and uncertainties together with all the other information set out in, or incorporated by reference into, this proxy statement prior to deciding whether to vote for the approval of the proposals presented in this proxy statement. The risks described below are based on information known at the date of this document, but may not be the only risks to which Colfax and Charter and/or the combined group following the Acquisition (the “Combined Group”) might be exposed. Additional risks and uncertainties, which are currently unknown to us or that we do not currently consider to be material, may materially affect the business of Colfax, Charter and/or the Combined Group and could have material adverse effects on the business, financial condition and results of operations of Colfax, Charter and/or the Combined Group. If any of the following risks were to occur, the business, financial condition and results of operations of Colfax, Charter and/or the Combined Group could be materially adversely affected, and the value of our Common Stock could decline and investors could lose all or part of the value of their investment in Colfax shares. You should read this document as a whole, including the information incorporated by reference, and not rely solely on the information set out in this section.

Risks relating to our business (and, following completion of the Acquisition, the business of the Combined Group)

Changes in the general economy and the cyclical nature of markets could harm operations and financial performance

Colfax's and Charter's financial performance depends, in large part, on conditions in the markets we and Charter serve and on the general condition of the global economy. Any sustained weakness in demand, downturn or uncertainty in the global economy could reduce our and Charter's sales and profitability, and result in restructuring efforts. Restructuring efforts are inherently risky and we may not be able to predict the cost and timing of such actions accurately or properly estimate the impact on demand, if any. We also may not be able to realize the anticipated savings we expected from restructuring activities. In addition, our and Charter's products are sold in many industries, some of which are cyclical and may experience periodic downturns. Cyclical weakness in the industries that we and Charter serve could lead to reduced demand for our products and affect our profitability and financial performance. In 2010, the effects of the global economic slowdown started to recede in some markets but we still see sluggish demand and less than robust growth in certain areas.

We believe that many of our customers and suppliers are reliant on liquidity from global credit markets and in some cases, require external financing to purchase products or finance operations. Lack of liquidity or inability to access the credit markets by our and Charter's customers could impact our ability to collect amounts owed to us. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations and those of the Combined Group.

Acquisitions have formed a significant part of our growth strategy in the past and are expected to continue to do so. If we are unable to identify suitable acquisition candidates or successfully integrate the businesses we acquire or realize the intended benefits, our growth strategy may not succeed. Acquisitions involve numerous risks, including risks related to integration and undisclosed or underestimated liabilities

Historically, our business strategy has relied on acquisitions. We expect to derive a significant portion of our growth by acquiring businesses and integrating those businesses into our existing operations. We intend to seek acquisition opportunities both to expand into new markets and to enhance our position in our existing markets. However, our ability to do so will depend on a number of steps, including our ability to:

- identify suitable acquisition candidates;

- negotiate appropriate acquisition terms;
- obtain debt or equity financing that we may need to complete proposed acquisitions;
- complete the proposed acquisitions; and
- integrate the acquired business into our existing operations.

If we fail to achieve any of these steps, our growth strategy may not be successful.

In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired company, the potential loss of key employees of the acquired company and the diversion of our management's attention from other business concerns. This is the case particularly in the fiscal quarters immediately following the completion of an acquisition because the operations of the acquired business are integrated into the acquiring businesses' operations during this period. We cannot be sure that we will accurately anticipate all of the changing demands that any future acquisition may impose on our management, our operational and management information systems and our financial systems. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

We may underestimate or fail to discover liabilities relating to a future acquisition during the due diligence investigation and we, as the successor owner, might be responsible for those liabilities. For example, two of our acquired 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. Although our due diligence investigations in connection with these acquisitions uncovered the existence of potential asbestos-related liabilities, the scope of such liabilities were greater than we had originally estimated. Although we seek to minimize the impact of underestimated or potential undiscovered liabilities by structuring acquisitions to minimize liabilities and obtaining indemnities and warranties from the selling party, these methods may not fully protect us from the impact of undiscovered liabilities. Indemnities or warranties are often limited in scope, amount or duration, and may not fully cover the liabilities for which they were intended. The liabilities that are not covered by the limited indemnities or warranties could have a material adverse effect on our business, financial condition and results of operations.

Available insurance coverage, the number of future asbestos-related claims and the average settlement value of current and future asbestos-related claims of two of our subsidiaries could be different than we have estimated, which could materially and adversely affect our business, financial condition and results of operations

Two of our 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 our subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. For the purposes of our financial statements, we have estimated the future claims exposure and the amount of insurance available based upon certain assumptions with respect to future claims and liability costs. We estimate the liability costs to be incurred in resolving pending and forecasted claims for the next 15-year period.

Our decision to use a 15-year period is based on our belief that this is the extent of our ability to forecast liability costs. We also estimate the amount of insurance proceeds available for such claims based on the current financial strength of the various insurers, our estimate of the likelihood of payment and applicable current law. We reevaluate these estimates regularly. Although we believe our current estimates are reasonable, a change in the time period used for forecasting our liability costs, the actual number of future claims brought against us, the cost of resolving these claims, the likelihood of payment by, and the solvency of, insurers and the amount of remaining insurance available could be substantially different than our estimates, and future revaluation of our liabilities and insurance recoverables could result in material adjustments to these estimates, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, we incur defense costs related to those claims, a portion of which has historically been reimbursed by our insurers. We also incur litigation costs in connection with actions against certain of the subsidiaries' insurers relating to insurance coverage. While these costs may be significant, we may not be able to predict the amount or duration of such costs. Additionally, we may experience delays in receiving reimbursement from insurers, during which time we may be required to pay cash for settlement or legal defense costs. Any increase in the actual number of future claims brought against us, the defense costs of resolving these claims, the cost of pursuing claims against our insurers, the likelihood and timing of payment by, and the solvency of, insurers and the amount of remaining insurance available, could materially and adversely affect our business, financial condition and results of operations.

A material disruption at any of our or, following completion of the Acquisition, the Combined Group's manufacturing facilities could adversely affect our ability to generate sales and meet customer demand

If operations at our or, following completion of the Acquisition, the Combined Group's manufacturing facilities were to be disrupted as a result of significant equipment failures, natural disasters, power outages, fires, explosions, terrorism, adverse weather conditions, labor disputes or other reasons, our financial performance could be adversely affected as a result of our or, following completion of the Acquisition, the Combined Group's inability to meet customer demand for our or, following completion of the Acquisition, the Combined Group's products. Interruptions in production could increase our or, following completion of the Acquisition, the Combined Group's costs and reduce our or, following completion of the Acquisition, the Combined Group's sales. Any interruption in production capability could require us or the Combined Group to make substantial capital expenditures to remedy the situation, which could negatively affect our or, following completion of the Acquisition, the Combined Group's profitability and financial condition. We maintain property damage insurance which we believe to be adequate to provide for reconstruction of facilities and equipment, as well as business interruption insurance to mitigate losses resulting from any production interruption or shutdown caused by an insured loss. However, any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could adversely affect our business, financial condition and results of operations.

Our international operations are, and, following completion of the Acquisition, the Combined Group's international operations will be, subject to the laws and regulations of the United States and many foreign countries. Failure to comply with these laws may affect our ability to conduct business in certain countries and may affect our financial performance

We and Charter are, and, following completion of the Acquisition, the Combined Group will be, subject to a variety of laws regarding our international operations, including the U.S. Foreign Corrupt Practices Act and regulations issued by U.S. Customs and Border Protection, the U.S. Bureau of Industry and Security, and the regulations of various foreign governmental agencies. We cannot predict the nature, scope or effect of future regulatory requirements to which our international sales and manufacturing operations might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries in which some of our or, following completion of the Acquisition, the Combined Group's products may be manufactured or sold, or could restrict our or, following completion of the Acquisition, the Combined Group's access to, and increase the cost of obtaining, products

from foreign sources. In addition, actual or alleged violations of these laws could result in enforcement actions and financial penalties that could result in substantial costs. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

We and Charter have done and, following completion of the Acquisition, the Combined Group's foreign subsidiaries may continue to do business in countries subject to U.S. sanctions and embargoes, and we have limited managerial oversight over those activities. Failure to comply with these sanctions and embargoes may result in enforcement or other regulatory actions

From time to time, certain of our foreign subsidiaries sell products to companies and entities located in, or controlled by the governments of, certain countries that are or have previously been subject to sanctions and embargoes imposed by the U.S. government and/or the United Nations, such as Syria. In March 2010, our Board of Directors affirmatively prohibited any sales to Iran by us and all of our foreign subsidiaries. With the exception of the U.S. sanctions against Cuba, the applicable sanctions and embargoes generally do not prohibit our foreign subsidiaries from selling non-U.S.-origin products and services to countries that are or have previously been subject to sanctions and embargoes. However, our and, following completion of the Acquisition, the Combined Group's U.S. personnel and each of their domestic subsidiaries, as well as employees of the Combined Group's and each of their foreign subsidiaries who are U.S. citizens, are prohibited from participating in, approving or otherwise facilitating any aspect of the business activities in those countries. These constraints may negatively affect the financial or operating performance of such business activities. We cannot be certain that our attempts to comply with U.S. sanction laws and embargoes will be effective, and as a consequence we may face enforcement or other actions if our compliance efforts are not effective. Actual or alleged violations of these laws could result in substantial fines or other sanctions which could result in substantial costs. In addition, Syria is currently identified by the U.S. State Department as a state sponsor of terrorism, and may be subject to increasingly restrictive sanctions. Because certain of our and Charter's foreign subsidiaries have contact with and transact business in such countries, including sales to enterprises controlled by agencies of the governments of such countries, our reputation may suffer due to our association with these countries, which may have a material adverse effect on the price of our shares. In addition, certain U.S. states and municipalities have recently enacted legislation regarding investments by pension funds and other retirement systems in companies that have business activities or contacts with countries that have been identified as state sponsors of terrorism and similar legislation may be pending in other states. As a result, pension funds and other retirement systems may be subject to reporting requirements with respect to investments in companies such as Colfax or may be subject to limits or prohibitions with respect to those investments that may have a material adverse effect on the price of our shares.

In addition, one of our foreign subsidiaries made a small number of sales from 2003 through 2007 totaling approximately \$60,000 in the aggregate to two customers in Cuba which may have been made in violation of regulations of the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC. Cuba is also identified by the U.S. State Department as a state sponsor of terrorism. We have submitted a disclosure report to OFAC regarding these transactions. As a result of these sales, we may be subject to fines or other sanctions.

If we and Charter and, following completion of the Acquisition, the Combined Group fail to comply with export control regulations, we could be subject to substantial fines or other sanctions

Some of our and Charter's products manufactured or assembled in the United States are subject to the U.S. Export Administration Regulations, administered by the U.S. Department of Commerce, Bureau of Industry and Security, which require that an export license be obtained before such products can be exported to certain countries. Additionally, some of our and Charter's products are subject to the International Traffic in Arms Regulations, which restrict the export of certain military or intelligence-related items, technologies and services to non-U.S. persons. Failure to comply with these laws could harm our, and following the completion of the Acquisition, the Combined Group's business by subjecting us to sanctions by the U.S. government, including substantial monetary penalties, denial of export privileges and debarment from U.S. government contracts. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

The majority of our sales are derived from international operations. We are and, following completion of the Acquisition, the Combined Group will be subject to specific risks associated with international operations

In the year ended December 31, 2010, we derived approximately 66% of our sales from operations outside of the U.S. and we have manufacturing facilities in eight countries. Sales from international operations, export sales and the use of manufacturing facilities outside of the U.S. by us and, following completion of the Acquisition, the Combined Group are subject to risks inherent in doing business outside the U.S. These risks include:

- economic or political instability;
- partial or total expropriation of international assets;
- trade protection measures, including tariffs or import-export restrictions;
- currency exchange rate fluctuations and restrictions on currency repatriation;
- significant adverse changes in taxation policies or other laws or regulations; and
- the disruption of operations from political disturbances, terrorist activities, insurrection or war.

If any of these risks were to materialize, they may have a material adverse effect on our business, financial condition and results of operations.

Approximately 49% of our employees are represented by foreign trade unions. Charter also has employees that are represented by trade unions. If the representation committees responsible for negotiating with these unions on our or Charter's behalf are unsuccessful in negotiating new and acceptable agreements when the existing agreements with our or Charter's employees covered by the unions expire or if the foreign trade unions chose not to support our restructuring programs, we and, following the completion of the Acquisition, the Combined Group could experience business disruptions or increased costs

As of December 31, 2010, we had 1,524 employees in foreign locations. In certain countries, labor and employment laws are more restrictive than in the U.S. and, in many cases, grant significant job protection to employees, including rights on termination of employment. In Germany, Sweden and the Netherlands, by law, some of our employees are represented by trade unions in these jurisdictions, which subject us to employment arrangements very similar to collective bargaining agreements. Charter also has employees that are represented by trade unions. If our or Charter's and, following completion of the Acquisition, the Combined Group's employees represented by foreign trade unions were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our or, following completion of the Acquisition, the Combined Group's operations. Such disruption could interfere with our or, following completion of the Acquisition, the Combined Group's business operations and could lead to decreased productivity, increased labor costs and lost revenue. Although we have not experienced any material recent strikes or work stoppages, we cannot offer any assurance that the representation committees that negotiate with the foreign trade unions on our behalf will be successful in negotiating new collective bargaining agreements or other employment arrangements when the current ones expire. Furthermore, future labor negotiations could result in significant increases in our labor costs. The occurrence of any of the foregoing could have a material and adverse effect on our or, following completion of the Acquisition, the Combined Group's business, financial condition and results of operations.

Our manufacturing business is and Charter's manufacturing businesses are, and following the completion of the Acquisition, the Combined Group's manufacturing business will be subject to the possibility of product liability lawsuits, which could harm our business and the business of the Combined Group

In addition to the asbestos-related liability claims described above, as the manufacturer of equipment for use in industrial markets, we face, and, following completion of the Acquisition, the Combined Group will face an inherent risk of exposure to other product liability claims. Although we and Charter maintain quality controls and procedures, we cannot be sure that our or, following completion of the Acquisition, the Combined Group's products will be free from defects. In addition, some of our and Charter's products contain components manufactured by third parties, which may also have defects. We and Charter maintain insurance coverage for product liability claims. The insurance policies have limits, however, that may not be sufficient to cover claims made. In addition, this insurance may not continue to be available at a reasonable cost. With respect to components manufactured by third-party suppliers, the contractual indemnification that we and Charter seek from our third-party suppliers may be limited and thus insufficient to cover claims made against us or, following completion of the Acquisition, the Combined Group. If insurance coverage or contractual indemnification is insufficient to satisfy product liability claims made against us or, following completion of the Acquisition, the Combined Group, the claims could have an adverse effect on our or, following completion of the Acquisition, the Combined Group's business and financial condition. Even claims without merit could harm our or, following completion of the Acquisition, the Combined Group's reputation, reduce demand for our or, following completion of the Acquisition, the Combined Group's products, cause us to incur substantial legal costs and distract the attention of our management. The occurrence of any of the foregoing could have a material and adverse effect on our or, following completion of the Acquisition, the Combined Group's business, financial condition and results of operations.

As manufacturers, we and Charter are, and, following completion of the Acquisition, the Combined Group will be, subject to a variety of environmental and health and safety laws for which compliance, or liabilities that arise as a result of noncompliance, could be costly

Our and Charter's businesses are subject to international, federal, state and local environmental and safety laws and regulations, including laws and regulations governing emissions of: regulated air pollutants; discharges of wastewater and storm water; storage and handling of raw materials; generation, storage, transportation and disposal of regulated wastes; and worker safety. These requirements impose on our and Charter's businesses certain responsibilities, including the obligation to obtain and maintain various environmental permits. If we or Charter were to fail to comply with these requirements or fail to obtain or maintain a required permit, we or Charter could be subject to penalties and be required to undertake corrective action measures to achieve compliance. In addition, if our or Charter's noncompliance with such regulations were to result in a release of hazardous materials to the environment, such as soil or groundwater, we or Charter could be required to remediate such contamination, which could be costly. Moreover, noncompliance could subject us or Charter to private claims for property damage or personal injury based on exposure to hazardous materials or unsafe working conditions. Changes in applicable requirements or stricter interpretation of existing requirements may result in costly compliance requirements or otherwise subject us or Charter to future liabilities. The occurrence of any of the foregoing could have a material and adverse effect on our or, following completion of the Acquisition, the Combined Group's business, financial condition and results of operations.

As the present or former owner or operator of real property, or generator of waste, we could become subject to liability for environmental contamination, regardless of whether we caused such contamination

Under various federal, state and local laws, regulations and ordinances, and, in some instances, international laws, relating to the protection of the environment, a current or former owner or operator of real property may be liable for the cost to remove or remediate contamination on, under, or released from such property and for any damage to natural resources resulting from such contamination. Similarly, a generator of waste can be held responsible for contamination resulting from the treatment or disposal of such waste at any off-site location (such as a landfill), regardless of whether the generator arranged for the treatment or disposal of the waste in compliance with applicable laws. Costs associated with liability for removal or remediation of contamination or damage to natural resources could be substantial and liability under these laws may attach without regard to whether the responsible party knew of, or was responsible for, the presence of the contaminants. In addition, the liability may be joint and several. Moreover, the presence of contamination or the failure to remediate contamination at our and, following completion of the Acquisition, the Combined Group's properties, or properties for which we are deemed responsible, may expose us to liability for property damage or personal injury, or materially adversely affect our ability to sell our real property interests or to borrow using the real property as collateral. We cannot be sure that we will not be subject to environmental liabilities in the future as a result of historic or current operations that have resulted or will result in contamination. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

Failure to maintain and protect our and, following completion of the Acquisition, the Combined Group's trademarks, trade names and technology may affect our operations and financial performance

The market for many of our and Charter's products is, in part, dependent upon the goodwill engendered by our trademarks and trade names. Trademark protection is therefore material to a portion of our and Charter's businesses. The failure to protect our trademarks and trade names may have a material adverse effect on our business, financial condition, and results of operations. Litigation may be required to enforce our and, following completion of the Acquisition, the Combined Group's intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights of others. Any action we or, following completion of the Acquisition, the Combined Group take to protect our intellectual property rights could be costly and could absorb significant management time and attention. As a result of any such litigation, we could lose any proprietary rights we have. In addition, it is possible that others will independently develop technology that will compete with our patented or unpatented technology. The development of new technologies by competitors that may compete with our technologies could reduce demand for our products and affect our financial performance. The occurrence of any of the foregoing could have a material and adverse effect on our or, following completion of the Acquisition, the Combined Group's business, financial condition and results of operations.

The loss of key leadership could have a material adverse effect on our and, following completion of the Acquisition, the Combined Group's ability to run our business

We or, following completion of the Acquisition, the Combined Group may be adversely affected if we lose members of our senior leadership. We are highly dependent on our senior leadership team as a result of their expertise. During 2010 we added several new members to our senior leadership team, including Clay H. Kiefaber, our President and Chief Executive Officer, and C. Scott Brannan, our Senior Vice President, Finance and Chief Financial Officer. The loss of key leadership or the inability to attract, retain and motivate sufficient numbers of qualified management personnel could have a material adverse effect on our business, financial condition and results of operations.

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, our and our subsidiaries' capital stock;

- make certain investments;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all its assets; and
- enter into certain transactions with affiliates.

In addition, under the Credit Agreement, the we are required to satisfy and maintain compliance with a total leverage ratio and an interest coverage ratio. The Credit Agreement's various covenants and the additional leverage taken on by us could limit our financial and operational flexibility and increase our vulnerability to general economic slowdowns which could have a materially adverse effect on our business, financial condition and results of operations.

Any impairment in the value of our intangible assets, including goodwill, would negatively affect our operating results and total capitalization

Our total assets reflect substantial intangible assets, primarily goodwill. The goodwill results from our acquisitions, representing the excess of cost over the fair value of the net assets we have acquired. We assess at least annually whether there has been impairment in the value of our intangible assets. If future operating performance at one or more of our business units were to fall significantly below current levels, if competing or alternative technologies emerge, or if market conditions for businesses acquired declines, we could incur, under current applicable accounting rules, a non-cash charge to operating earnings for goodwill impairment. Any determination requiring the write-off of a significant portion of unamortized intangible assets would adversely affect our business, financial condition, results of operations and total capitalization, the effect of which could be material.

Our and Charter's defined benefit pension schemes and post retirement medical and death benefits plans are or may become subject to funding requirements or obligations that could adversely affect their business, financial condition and results of operations

We and Charter operate defined benefit pension schemes and post retirement medical and death benefit plans for our current and former employees worldwide. Each scheme's funding position is affected by the investment performance of the scheme's investments, changes in the fair value of the scheme's assets, the type of investments selected by the trustees, the life expectancy of the scheme's members, changes in the actuarial assumptions used to value the scheme's liabilities, changes in the rate of inflation and interest rates, the financial position of Colfax, Charter or, following the Acquisition, the Combined Group (as appropriate), as well as other changes in economic conditions. Furthermore, since a significant proportion of the schemes' assets are invested in publicly traded debt and equity securities, they are, and will be, affected by market risks. Any detrimental change in any of the above factors is likely to worsen the funding position of each of the relevant schemes, and this is likely to require the schemes' sponsoring employers to increase the contributions currently made to the schemes to satisfy our obligations. Any requirement to increase the level of contributions currently made could have a material and adverse effect on the business, financial conditions and results of operations of Colfax, Charter or, following the Acquisition, the Combined Group.

The UK Pensions Regulator may require Colfax or Charter to provide additional funding in respect of Charter's four UK defined benefit pension schemes.

Charter operates four UK defined benefit pension schemes. The trustees of the Charter UK defined benefit pension schemes have requested that we mitigate the impact of the Acquisition on the financial position of those schemes. We may be required by the trustees to provide mitigation in the form of cash payments, security, guarantees and/or other undertakings to compensate the schemes. Discussions between us and the trustees of the Charter defined benefit pension schemes in this regard are ongoing. If the trustees consider that the mitigation offered by us is insufficient the trustees may request that the UK Pensions Regulator obtains additional funding from us, Charter and/or an entity in the Combined Group by exercising its statutory powers to issue a contribution notice or financial support direction. Any requirement to provide additional funding in excess of the mitigation already offered by Colfax could have a material and adverse effect on the business, financial condition and results of operations of Colfax, Charter or, following the Acquisition, the Combined Group.

For further information, see "Risk Factors—Charter may be subject to additional funding requirements in respect of its UK defined benefit pension schemes as a result of a requirement to equalize guaranteed minimum pensions".

Significant movements in foreign currency exchange rates may harm our and, following the completion of the Acquisition, the Combined Group's financial results

We and Charter is and, following the Acquisition, the Combined Group will be exposed to fluctuations in currency exchange rates. In the year ended December 31, 2010, approximately 66% of our sales were derived from operations outside the U.S. A significant portion of our revenues and income are denominated in Euros, Swedish Krona and Norwegian Krone. Consequently, depreciation of the Euro, Krona or Krone against the U.S. dollar has had a negative impact on the income from operations of our European operations. Large fluctuations in the rate of exchange between the Euro, the Krona, the Krone and the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations.

In addition, we do not engage to a material extent in hedging activities intended to offset the risk of exchange rate fluctuations. Any significant change in the value of the currencies of the countries in which we do business against the U.S. dollar could affect our ability to sell products competitively and control our cost structure, which, in turn, could adversely affect our business, financial condition and results of operations.

We and Charter are, and, following completion of the Acquisition, the Combined Group will be dependent on the availability of raw materials, as well as parts and components used in our products

While we manufacture many of the parts and components used in our products, we and Charter require and, following completion of the Acquisition, the Combined Group will require substantial amounts of raw materials and purchase parts and components from suppliers. The availability and prices for raw materials, parts and components may be subject to curtailment or change due to, among other things, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. Any significant change in the supply of, or price for, these raw materials or parts and components could materially affect our and Charter's and, following completion of the Acquisition, the Combined Group's business, financial condition and results of operations. In addition, delays in delivery of components or raw materials by suppliers could cause delays in our or following completion of the Acquisition, the Combined Group's delivery of products to our or their customers.

The markets we serve are, and, following completion of the Acquisition, the markets the Combined Group serves will be highly competitive and some of our competitors may have superior resources. Responding to this competition could reduce our and/or the Combined Group's sales and operating margins

We sell most of our products in highly fragmented and competitive markets. We believe that the principal elements of competition in our markets are:

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- the ability to meet customer specifications;
 - application expertise and design and engineering capabilities;
- product quality and brand name;
- timeliness of delivery;
- price; and
- quality of aftermarket sales and support.

In order to maintain and enhance our competitive position, we intend to continue our investment in manufacturing quality, marketing, customer service and support, and distribution networks. We may not have sufficient resources to continue to make these investments and we may not be able to maintain our competitive position. Our competitors may develop products that are superior to our products, develop methods of more efficiently and effectively providing products and services, or adapt more quickly than us to new technologies or evolving customer requirements. Some of our and, following the completion of the Acquisition, the Combined Group's competitors may have greater financial, marketing and research and development resources than we have. As a result, those competitors may be better able to withstand the effects of periodic economic downturns. In addition, pricing pressures could cause us to lower the prices of some of our products to stay competitive. We may not be able to compete successfully with our existing competitors or with new competitors. If we or, following completion of the Acquisition, the Combined Group fail to compete successfully, the failure may have a material adverse effect on our or, following completion of the Acquisition, the Combined Group's business, financial condition and results of operations.

Additional risks and other considerations relating to Charter (and, following completion of the Acquisition, the Combined Group)

Charter may be subject to additional funding requirements in respect of its UK defined benefit pension schemes as a result of a requirement to equalize guaranteed minimum pensions

Since 1990, pension schemes in the UK have been prohibited from providing more favorable benefits to a male member compared with a female member, or vice versa. Historically, it has been unclear whether this prohibition extends to guaranteed minimum pensions. Guaranteed minimum pensions replace state scheme benefits for members who contracted-out of the UK state scheme pension for pensionable service prior to April 6, 1997. The vast majority of UK defined benefit pension schemes have not taken steps to equalize guaranteed minimum pensions for both men and women because of this uncertainty. The UK government has recently announced that it believes that guaranteed minimum pensions must be equalized although it has not yet provided guidance on how this should be done. Equalization of guaranteed minimum pensions will require that members receive the more favorable of the benefits provided to men and to women which is likely to increase a pension scheme's liabilities and require additional funding over several years. This additional funding liability could have a material and adverse effect on Charter's business, financial conditions and results of operations. For further information see, "Risk Factors—Our and Charter's defined benefit pension schemes and post retirement medical and death benefits plans are or may become subject to funding requirements or obligations that could adversely affect their business, financial condition and results of operations".

Charter's products may be subject to certain liability claims

In common with similar manufacturers, Charter and its Subsidiary and associated undertakings, as defined in the UK Companies Act 2006 (the "Charter Group") periodically receives claims alleging that its products and/or processes have caused damage to employees or third parties. While the Charter Group carries liability insurance for various risks, it could be exposed to liability claims in excess of, or beyond the scope of, this cover or, in certain circumstances, the cover may not apply. Following completion of the Acquisition, this could have a material adverse effect on the Combined Group's businesses, financial condition and/or operating results. Certain subsidiaries of Charter have, since approximately 1985, been named as defendants in asbestos-related actions in the United States alleging liability in connection with the acts of a former partially owned subsidiary, Cape plc. Currently the only pending cases are dormant and are not actively being pursued by the plaintiffs.

Howden North America, Inc. (formerly Howden Buffalo Inc.), an indirect subsidiary of Charter, has also been named as a defendant in a number of asbestos-related actions in the United States. Over the past few years, Howden North America has sought and received dismissal from over 11,700 cases and settled 499 for nuisance value amounts, much less than the cost of defending the actions at trial. ESAB Group, Inc., an indirect subsidiary of Charter, is currently named as a defendant in a number of lawsuits in state and federal courts alleging personal injuries from exposure to manganese in fumes generated by welding consumables. Upon the advice of counsel, Charter has advised that it believes that ESAB Group, Inc. has meritorious defences to these claims and it intends to defend these vigorously, although the outcome is of course uncertain. If any such claims were successful or the relevant plaintiff's sought to continue such claims, they may have material adverse effect on the Combined Group's business, financial condition and results of operations.

Charter may be subject to risks arising from changes in technology

The supply chains in which the Charter Group operates are subject to technological change and changes in customer requirements. Charter cannot provide any assurance that it will successfully develop new or modified types of products or technologies that may be required by its customers in the future. Following completion of the Acquisition, should Charter not be able to maintain or enhance the competitive values of its products or develop and introduce new products or technologies successfully, or if new products or technologies fail to generate sufficient revenues to offset research and development costs, the Combined Group's businesses, financial condition and operating results could be materially and adversely affected.

Risks and other considerations relating to the Acquisition

We may fail to realize the anticipated benefits and operating synergies expected from the Acquisition, which could adversely affect our business, financial condition and operating results

The success of the Acquisition will depend, in significant part, on our ability to successfully integrate the acquired business, grow the Combined Group's revenue and realize the anticipated strategic benefits and synergies from the combination. We believe that the addition of Charter Group will complement our stated strategy by adding complementary growth platforms and providing scale and revenue diversity, accelerate our growth strategy and enable us to become a multi-platform business with a strong global footprint. Achieving these goals requires growth of the revenue of the Combined Group and realization of the targeted operating synergies expected from the Acquisition. This growth and the anticipated benefits of the transaction may not be realized fully or at all, or may take longer to realize than we expect. Actual operating, technological, strategic and sales synergies, if achieved at all, may be less significant than we expect or may take longer to achieve than anticipated. If we are not able to achieve these objectives and realize the anticipated benefits and synergies expected from the Acquisition within a reasonable time, our business, financial condition and operating results may be adversely affected.

The Acquisition will result in significant integration costs and any material delays or unanticipated additional expense may harm our business, financial conditions and results of operations

The complexity and magnitude of the integration effort associated with the Acquisition are significant and require that we fund significant capital and operating expense to support the integration of the combined operations. Such expenses have included significant transaction, consulting and third party service fees. We anticipate that we may incur additional integration costs during the remainder of 2011 and 2012. We have incurred and expect to continue to incur additional operating expense as we build up internal resources or engage third party providers, while we integrate the Combined Group following the Acquisition. In addition to these transition costs, we have incurred and expect to continue to incur increased expense relating to, among other things, restructuring. Any material delays, difficulties or unanticipated additional expense associated with integration activities may harm our business, financial conditions and results of operations.

We may not be able to integrate Charter into the Combined Group successfully

The Acquisition by us of Charter involves the integration of two businesses that previously operated independently. The integration of the departments, systems, business units, operating procedures and information technologies of the two businesses will present a significant challenge to management. There can be no assurance that we will be able to integrate and manage these operations effectively. The failure to successfully integrate the two businesses in a timely manner, or at all, could have an adverse effect on our business, financial condition and results of operations. The difficulties of combining Colfax with Charter include:

- the necessity of coordinating geographically separated organizations;
- implementing common systems and controls;
- integrating personnel with diverse business backgrounds;
- the challenges in developing new products and services that optimizes the assets and resources of the two businesses;
- integrating the businesses' technology and products;
- combining different corporate cultures;
- unanticipated expenses related to integration, including technical and operational integration;
- increased fixed costs and unanticipated liabilities that may affect operating results;
- retaining key employees; and
- retaining and maintaining relationships with existing customers, distributors and other partners.

Also, the process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or both of us and Charter. The diversion of management's attention and any delays or difficulties encountered in connection with the transactions contemplated by the Implementation Agreement and the integration of the operations could have an adverse effect on our business, financial condition and results of operations.

The Acquisition may expose us to significant unanticipated liabilities that could adversely affect our business, financial conditions and results of operations

Our purchase of Charter may expose us to significant unanticipated liabilities relating to the operation of the Charter Group. These liabilities could include employment, retirement or severance-related obligations under applicable law or other benefits arrangements, legal claims, warranty or similar liabilities to customers, and claims by or amounts owed to vendors. We may also incur liabilities or claims associated with our acquisition of Charter's technology and intellectual property including claims of infringement. Particularly in international jurisdictions, our acquisition of Charter, or our decision to independently enter new international markets where Charter previously conducted business, could also expose us to tax liabilities and other amounts owed by Charter. The incurrence of such unforeseen or unanticipated liabilities, should they be significant, could have a material adverse affect on our business, results of operations and financial condition.

The complexity of the integration and transition associated with the Acquisition, together with Charter's increased scale and global presence, may affect our internal control over financial reporting and our ability to effectively and timely report our financial results

The additional scale of Charter's operations, together with the complexity of the integration effort, including changes to or implementation of critical information technology systems, may adversely affect our ability to report our financial results on a timely basis. In addition, we will have to train new employees and third party providers, and assume operations in jurisdictions where we have not previously had operations. We expect that the Acquisition may necessitate significant modifications to our internal control systems, processes and information systems, both on a transition basis and over the longer-term as we fully integrate the Combined Group. Due to the complexity of the Acquisition, we cannot be certain that changes to our internal control over financial reporting during the 2011 fiscal year will be effective for any period, or on an ongoing basis. If we are unable to accurately report our financial results in a timely manner, or are unable to assert that our internal controls over financial reporting are effective, our business, results of operations and financial condition and the market perception thereof may be materially adversely affected.

The Amended and Restated Certificate of Incorporation contains provisions that grant the BDT Investor certain rights which may limit our flexibility in operating our business

If the Amended and Restated Certificate of Incorporation is approved by our stockholders, so long as the BDT Investor and its permitted transferees beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement, the BDT Investor's written consent will be required in order for us to take certain corporate actions, including:

- the incurrence of certain indebtedness (excluding certain permitted indebtedness) if the ratio of such indebtedness to EBITDA (as defined in the Credit Agreement as in effect as of September 12, 2011) exceeds certain specified ratios, measured by reference to the last twelve-month period for which financial information is reported by Colfax (pro forma for acquisitions during such period);
- the issuance of any shares of preferred stock;
- any change to our dividend policy or the declaration or payment of any dividend or distribution on any of our stock ranking subordinate or junior to the Series A Preferred Stock with respect to the payment of dividends and distributions (including our Common Stock) under certain circumstances;

- any voluntary liquidation, dissolution or winding up of Colfax;
- any change in our independent auditor;
- the election of anyone other than Mr. Mitchell P. Rales as Chairman of our Board of Directors;
- any acquisition of another entity or assets for a purchase price exceeding 30% of our equity market capitalization;
- any merger, consolidation, reclassification, joint venture or strategic partnership or similar transaction, or any disposition of any assets (excluding sale/leaseback transactions and other financing transactions in the ordinary course of business) of Colfax if the value of the resulting entity, level of investment by Colfax or value of the assets disposed, as applicable, exceeds 30% of our equity market capitalization;
- any amendments to our organizational or governing documents, including the Amended and Restated Certificate of Incorporation and our Bylaws; and
 - any change in the size of our Board of Directors.

The Amended and Restated Certificate of Incorporation also provides that, so long as the BDT Investor and certain permitted transferees beneficially own at least 10% of our Common Stock (on a fully-diluted basis), the BDT Investor's written consent is required to alter, amend or repeal the provisions of the Amended and Restated Certificate of Incorporation which set forth the authorized number of members of our Board of Directors and the BDT Investor's nomination rights in respect of members of our Board of Directors. The above factors could limit our financial and operational flexibility, and as a result could have a material adverse effect on our business, financial condition and results of operations.

Provisions in our charter documents and Delaware law may delay or prevent an acquisition of Colfax, which could decrease the value of its shares

Our Amended and Restated Certificate of Incorporation, Bylaws, and Delaware law contain provisions that may make it difficult for a third-party to acquire us without the consent of our Board of Directors. These provisions include prohibiting stockholders from taking action by written consent, prohibiting special meetings of stockholders called by stockholders and prohibiting stockholder nominations and approvals without complying with specific advance notice requirements. In addition, our Board of Directors has the right to issue preferred stock without stockholder approval, which it could use to effect a rights plan or "poison pill" that could dilute the stock ownership of a potential hostile acquirer and may have the effect of delaying, discouraging or preventing an acquisition of Colfax. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding voting stock. Although Mitchell P. Rales and Steven M. Rales, both individually hold more than 15% of our outstanding voting stock, and the BDT Investor will hold more than 25% of our outstanding voting stock, this provision of Delaware law does not apply to them.

Depending on the legal method for implementing the Acquisition, we may not be able to acquire the entire issued share capital of Charter, which would mean that there would be minority shareholders in Charter

If we elect to implement the Acquisition by way of takeover offer, rather than the Scheme, we will be able to determine (within certain parameters) the level at which the acceptance condition for the offer will be set. If we set the acceptance level at (or reduce the level of the acceptance condition during the takeover process to) less than 90% by value of the Charter shares subject to the offer and of voting rights carried by those shares, it is possible that the acceptance condition will be satisfied (so that we cannot invoke the condition and withdraw our offer) but that an insufficient number of Charter shareholders will accept the offer to allow us to compulsorily acquire the shares of those shareholders who have not accepted the offer. In such circumstances, minority shareholders would retain a stake in Charter and would benefit from certain legal protections afforded to them under English law. We may be unable to realize all of the benefits that we might otherwise obtain from a successful completion of the Acquisition if there are minority shareholders in Charter after completion of the Acquisition.

Even if a material adverse change to Charter's business were to occur, it is highly unlikely that we would be able to invoke the conditions to the Acquisition and terminate the Acquisition, which could reduce the value of our Common Stock

The Acquisition is subject to certain conditions, including the condition that there have not been certain material adverse changes in the business, assets, liabilities, financial or trading position, profits or operational performance of any member of the wider Charter group. We may invoke this "material adverse change" condition to the Acquisition to cause it not to proceed only if The Panel on Takeovers and Mergers (the "UK Takeover Panel") is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to Colfax in the context of the Acquisition. In making this determination, the UK Takeover Panel will require there to be an adverse change of very considerable significance striking at the heart of the purpose of the transaction. In practice, it is highly unlikely that we would be able to invoke the material adverse change condition. As a result, the conditions may provide us less protection than the customary conditions in an offer for a U.S. domestic company. If a material adverse change affecting Charter were to occur and the UK Takeover Panel did not allow us to invoke a condition that would cause the Acquisition not to proceed, the market price of our Common Stock could decline or our business, financial condition or results of operations could be materially adversely affected.

Risks and other considerations relating to Colfax shares

The BDT Investor may exercise significant influence over us, including through its ability to elect up to two members of our Board of Directors

When the transactions contemplated by the Purchase Agreements and Implementation Agreement are completed, the shares of Common Stock and Series A Preferred Stock owned by the BDT Investor will represent approximately 27.8% of the voting rights in respect of our issued share capital, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. The Amended and Restated Certificate of Incorporation provides that the BDT Investor's consent will be required before we may take certain actions for so long as the BDT Investor and its permitted transferees beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued pursuant to the BDT Purchase Agreement. As a result, the BDT Investor may have the ability to significantly influence the outcome of any matter submitted for the vote of our stockholders. The BDT Investor may have interests that diverge from, or even conflict with, those of Colfax and our other stockholders.

The Amended and Restated Certificate of Incorporation also provides that the BDT Investor will have the right to exclusively nominate two out of eleven directors to our Board of Directors so long as the BDT Investor and its permitted transferees beneficially own, in the aggregate, more than 20% of the outstanding Common Stock, with one

of its nominees to serve on the audit committee of the Board of Directors and one of its nominees to serve on the compensation committee of the Board of Directors, and one out of ten directors to our Board of Directors so long as the BDT Investor and its permitted transferees beneficially own, in the aggregate, equal to or less than 20% but more than 10% of the outstanding Common Stock, with such nominee to serve on the audit committee and the compensation committee of the Board of Directors; in each case calculated on a fully diluted basis, assuming conversion of the Series A Preferred Stock at the then-existing conversion price.

In addition, following the completion of the transactions contemplated by the Purchase Agreements, the ownership position of the BDT Investor and Messrs. Rales and the governance rights of the BDT Investor could discourage a third party from proposing a change of control or other strategic transaction concerning Colfax.

The transactions contemplated by the Purchase Agreements and Implementation Agreement could have a substantial dilutive effect on our Common Stock, which may adversely affect the market price of our Common Stock

When the transactions contemplated by the Purchase Agreements and Implementation Agreement are completed, there will be up to 41,014,762 additional shares of Common Stock outstanding (assuming we acquire Charter's entire fully-diluted share capital in the Acquisition) as well as an additional 12,173,291 shares of Common Stock issuable upon conversion (at the initial conversion price) of the Series A Preferred Stock, which will be entitled to participate with respect to any dividends or other distributions paid on our Common Stock. Under the Scheme, the Acquisition Shares will be issued pursuant to the exemption provided by Section 3(a)(10) of the Securities Act, and such shares of Common Stock will be freely transferable by former Charter shareholders who are not our affiliates.

As a result of the issuance of the Securities, the voting interests of our current stockholders will be significantly diluted. For example, a holder of 1,000,000 shares of Common Stock on September 30, 2011 would have owned approximately 2.3% of the voting power of Colfax. Immediately after the issuance of the Securities (excluding any conversion of the Series A Preferred Stock), such holder would own approximately 1.0% of the total voting power of Colfax (assuming we acquire Charter's entire fully-diluted share capital in the Acquisition).

In addition, we are unable to predict the potential effects of the issuance of the securities to the BDT Investor, Markel and Messrs. Rales pursuant to the Purchase Agreements on the trading activity and market price of our Common Stock. Pursuant to the Registration Rights Agreements, we have granted the BDT Investor, Markel and Messrs. Rales and their permitted transferees registration rights for the resale of the shares of Common Stock purchased in the Investments and, with respect to the BDT Investor, shares of Common Stock issuable upon conversion of the Series A Preferred Stock. These registration rights would facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of Common Stock available for public trading. Sales by the BDT Investor, Markel or Messrs. Rales or their permitted transferees of a substantial number of shares of Common Stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our Common Stock.

Also, if the Amended and Restated Certificate of Incorporation is approved by our stockholders there will be additional authorized shares of Common Stock, which, if subsequently issued, could have a further dilutive effect on outstanding Common Stock.

The market price of our Common Stock may experience a high level of volatility

Stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad fluctuations may adversely affect the trading price of our Common Stock, regardless of our operating performance.

INFORMATION ON THE CHARTER ACQUISITION

The following information regarding the Acquisition of Charter, including the summary of certain terms and provisions of the Implementation Agreement, which is incorporated into this proxy statement by reference, is qualified in its entirety by reference to the more detailed Annexes to this proxy statement. We urge you to read all of the Annexes to this proxy statement in their entirety.

Transaction Structure

As announced on September 12, 2011, we have reached an agreement with Charter under which our wholly-owned subsidiary, Bidco, will acquire the entire issued share capital of Charter for cash and newly-issued shares of our Common Stock. The terms of the Acquisition are set forth in the Implementation Agreement entered into by Colfax, Bidco and Charter on September 12, 2011. The Acquisition is intended to be implemented by way of a court-sanctioned scheme of arrangement (the “Scheme”) under Article 125 of the Companies (Jersey) Law 1991 (the “Companies Act”). Alternatively, Bidco may elect to implement the Acquisition by way of a takeover offer under the Companies Act.

A scheme of arrangement is a formal procedure under the Companies Act which is commonly used to carry out corporate acquisitions and requires the approval of Charter’s stockholders (such approval was obtained on November 14, 2011) and the Royal Court of Jersey. If the relevant approvals are obtained, the Scheme will become effective and all Charter stockholders will be bound by the Acquisition regardless of whether or how they voted. Upon the Scheme becoming effective, Charter’s issued ordinary shares will be cancelled and in their place new ordinary shares in the capital of Charter will be issued to Bidco, whereupon Charter will become a private limited company and wholly-owned subsidiary of Colfax.

Under the terms of the Acquisition, Charter shareholders will be entitled to receive 730 pence in cash and 0.1241 newly-issued shares of our Common Stock for each share of Charter’s ordinary stock. The Acquisition values Charter’s fully diluted share capital at approximately £1,528 million (\$2,426 million), being 910 pence per Charter share on a fully diluted basis (based on the closing price of \$23.04 per share of our Common Stock on September 9, 2011, being the last business day before the Acquisition was announced, at the foreign exchange rate of U.S.\$1.5881/£1 in effect as of that date).

We will be providing a “mix and match facility” in connection with the Acquisition, under which Charter’s shareholders (other than certain residents or citizens in jurisdictions outside the U.S., U.K. or Jersey) may elect to vary the proportions in which they receive cash and Common Stock as a result of the Acquisition, subject to equal and opposite elections made by other Charter shareholders. However, the total number of shares of Common Stock to be issued and the maximum amount of cash to be paid in connection with the Acquisition will not be varied as a result of the elections under the mix and match facility. We will also be providing a “loan note alternative” option whereby Charter shareholders (other than certain residents or citizens in jurisdictions outside the U.K. or Jersey, including U.S. persons or persons resident in the U.S.) may elect to receive unsecured floating rate loan notes of Bidco instead of some or all of the cash consideration to which they would otherwise be entitled in exchange for their shares in Charter.

See “Information on the Charter Acquisition—Implementation Agreement and related Agreements.”

Background to the Acquisition

As part of the ongoing evaluation of our business, we continuously consider and analyze a variety of potential acquisitions of all sizes.

On February 15, 2011, we completed the acquisition of Rosscor Holding BV, a Netherlands-based fluid handling company and customer of Charter's air and gas handling business, Howden. Following this acquisition, our management conducted research and analysis on Charter's businesses and concluded that Charter would be a good strategic fit because, among other reasons, Charter's air and gas handling business (Howden) would extend our existing fluid handling platform, and Charter's welding, cutting and automation (ESAB) business would establish a new growth platform for Colfax. On April 15, 2011, our management presented Charter (along with several other potential acquisition targets) as a potential opportunity to our Board of Directors.

On June 29, 2011, Charter announced that it had received an unsolicited indicative approach (that may or may not lead to an offer) from Melrose plc ("Melrose"), an LSE-listed industrial holding company generally focused on underperforming or turnaround situations, for the entire share capital of Charter. This initial proposal by Melrose to acquire Charter for 780 pence per share (inclusive of Charter's interim dividend) in an undisclosed mix of stock and cash valued Charter's total equity at approximately £1.3 billion.

On June 30, 2011, Charter announced that its Board of Directors had rejected Melrose's proposed offer.

On June 30, 2011, we contacted Deutsche Bank Securities Inc. ("Deutsche Bank") to assist us in the evaluation and financing of a potential transaction and to serve as a U.K. advisor for purposes of the U.K. City Code on Takeovers and Mergers (the "UK Takeover Code"). We subsequently engaged Deutsche Bank as an advisor in this capacity.

In early July 2011, we contacted Skadden, Arps, Slate, Meagher & Flom LLP ("SASM&F") to assist as our outside legal advisors. On July 5, 2011 certain of our executive officers participated in a teleconference with certain representatives of Deutsche Bank. The discussions consisted of an overview of a potential transaction to acquire Charter, including the potential acquisition costs, indicative financing terms, consideration mix, transaction mechanics and potential financial impact of the acquisition. Between July 5, 2011 and July 8, 2011, certain of our executive officers conducted various internal discussions to review the attractiveness of a potential acquisition of Charter.

On July 8 and 9, 2011, we held telephone discussions with BDT & Company, LLC ("BDT"), an affiliate of the BDT Investor, about a potential role for BDT as a financial advisor in connection with a potential business combination with Charter, and as placement agent to arrange equity financing for the combination through certain limited partners in a BDT-affiliated investment fund. During these discussions, Mitchell P. Rales, Chairman of our Board of Directors, indicated that he and his brother Steven M. Rales would be willing to make concurrent investments in new Common Stock as part of this equity financing. We subsequently engaged BDT in these capacities on August 17, 2011.

On July 11, 2011, Charter's Board of Directors received a revised proposal from Melrose of 840 pence per Charter ordinary share (inclusive of Charter's interim dividend). Melrose's revised proposal valued Charter's total equity at approximately £1.4 billion.

On July 13, 2011, members of our senior management and Board of Directors participated in a teleconference with certain representatives of BDT. The discussions covered an overview of a potential transaction to acquire Charter, including indicative equity financing terms and coordinating an initial approach to Goldman, Sachs & Co. ("Goldman Sachs"), in its capacity as financial advisor to Charter, regarding Charter's possible strategic interest in a transaction with Colfax. On July 14, 2011, BDT sent us preliminary proposed terms for equity financing to be provided by certain limited partners in a BDT-affiliated investment fund. These proposed terms contemplated financing from BDT of up to \$1.3 billion and two potential structures: the first a combination of Common Stock, subordinated debt and warrants and the second a combination of Common Stock and Series A Preferred Stock. For the following two months, members of our senior management, taking into account discussions with Deutsche Bank and SASM&F, engaged in extensive negotiations with representatives of BDT regarding the terms of the potential equity investment focusing on the mix and structure of the equity financing. Our management indicated to BDT that an issuance of Series A

Preferred Stock and Common Stock was preferable to a Common Stock, subordinated debt and warrant financing based on cost, stockholder dilution, leverage and likely ratings impact. The negotiations focused in particular on the relative amounts of Common Stock and Series A Preferred Stock that would comprise such investment, the mechanism for determining the price of the Common Stock, the conversion price of the Series A Preferred Stock, the dividend and forced conversion terms of the Series A Preferred Stock and the governance rights that would be granted in connection with such investment. All such discussions assumed that Messrs. Rales would collectively invest \$100 million as part of the equity financing, with any such possible investment being subject to the review and consideration by a committee of disinterested members of our Board of Directors.

On July 14 and 15, 2011, a representative of BDT called certain representatives from Goldman Sachs, informing Goldman Sachs that an unnamed potential strategic buyer might be interested in making an offer to acquire Charter. Goldman Sachs indicated that Melrose had approached Charter on an unsolicited basis and that no exclusivity agreement had been entered into between Melrose and Charter. Goldman Sachs also confirmed to BDT that no non-public information had been provided by Charter to Melrose. On July 15, 2011, members of our senior management and Board of Directors had a telephone conversation with BDT regarding BDT's discussions with Goldman Sachs.

On July 15, 2011, Charter's Board of Directors announced that it had rejected Melrose's revised proposal of 840 pence per share equity and cash offer, as opportunistic and undervaluing Charter and its prospects. At that time, Charter's Board of Directors confirmed that it remained committed to maximizing value for its stockholders and was exploring a full range of strategic alternatives.

On July 19, 2011, we entered into a non-disclosure agreement with BDT and provided BDT certain non-public information to facilitate their evaluation of equity financing in connection with an acquisition of Charter. On July 22, 2011, and again on July 25, 2011, BDT provided us with updated proposed terms for such equity investment based on this information. The proposed terms included the mechanism for determining the price of the Common Stock, the conversion premium for the Series A Preferred Stock, mandatory conversion rights, the dividend rate, the proportion of the investment to be made in Common Stock versus Series A Preferred Stock, and the governance rights that would be granted in connection with the investment. These terms were discussed by members of our senior management and representatives of BDT over the subsequent weeks, with management's objective being to obtain the most attractive pricing and terms, taking into account dilution to our current stockholders and fixed charges incurred by Colfax, while addressing BDT's demands for certain governance rights that BDT deemed commensurate with its contemplated level of investment.

On July 26 and 27, 2011, Daniel A. Pryor, Senior VP - Strategy & Business Development of Colfax, made presentations to our Board of Directors about a potential acquisition of Charter. The potential transaction was discussed in detail by our Board of Directors as part of the Strategy and Business Development session during our regularly scheduled Board meeting on July 27, 2011. Following the July 27 Board meeting, one of our directors, Mr. Thomas Gayner indicated that Markel Corporation, a company for which Mr. Gayner is the President and Chief Investment Officer, would be interested in purchasing \$25 million of Common Stock in the equity financing on the same terms as Messrs. Rales, with any such possible investment being subject to the review and consideration by a committee of disinterested members of our Board of Directors.

On July 27, 2011, a representative of BDT informed Goldman Sachs that we were the unnamed potential strategic buyer referred to in their conversations on July 14 and 15, 2011, and requested a meeting be held between representatives of Colfax, BDT, Charter and Goldman Sachs. In subsequent conversations between representatives of BDT and Goldman Sachs, Goldman Sachs requested that we provide written confirmation of our interest in acquiring Charter.

On July 30 and 31, 2011, members of our senior management and Board of Directors, together with SASM&F, attended calls with BDT, during which we discussed and finalized a letter to be presented to Charter to provide formal written confirmation of our interest in acquiring Charter.

On August 1, 2011, we provided the letter to Charter, giving formal written confirmation of our interest in acquiring Charter. On August 5, 2011, Charter provided BDT an initial proposed non-disclosure agreement. After agreeing to certain changes with Goldman Sachs, we signed a revised version of the initial non-disclosure agreement on August 12, 2011, pursuant to which we agreed to keep certain information provided by Charter confidential.

Between August 4 and August 13, 2011, members of our senior management and Board of Directors held telephone discussions with BDT representatives regarding the potential BDT equity financing to be provided in connection with an acquisition of Charter, as well as the terms of such financing and the concurrent Common Stock investments by Mitchell P. Rales, Steven M. Rales and Markel. During this same period, Mr. Pryor held telephone discussions with Deutsche Bank during which Deutsche Bank discussed the terms of the proposed BDT equity financing in the context of the limited universe of comparable investments made in public companies, the proceeds from which were used to finance an acquisition. Deutsche Bank noted the pricing terms (including the conversion premium, dividend rate and redemption provisions), the magnitude of the investment and the willingness of the BDT investors to commit to invest on a funds certain basis at a fixed price at the time of the announcement of the agreement to acquire Charter. Taking these discussions into account, based on subsequent internal discussions and analyses, our management concluded that the terms of the Series A Preferred Stock included as a part of the proposed BDT investment were acceptable to Colfax, subject to the final approval of our Board of Directors. During this same period, members of our senior management and Board of Directors also held telephone discussions with Deutsche Bank during which Deutsche Bank discussed preliminary proposed terms for any potential debt financing in connection with an acquisition of Charter.

On August 11, 2011, following discussions with advisors to both Charter and Melrose, the Panel Executive from the UK Takeover Panel ruled that Melrose must either announce a firm intention to make an offer for Charter under Rule 2.5 of the UK Takeover Code, or announce that it did not intend to make an offer for Charter, by September 6, 2011.

On August 14, 2011 and August 15, 2011, members of the Board of Directors and management of both Colfax and Charter engaged in high-level discussions regarding a potential business combination involving the two companies. On August 14, 2011, Mr. Mitchell P. Rales met with Mr. Emilson at the airport Hilton hotel in Copenhagen and discussed a potential acquisition of Charter by Colfax. On August 15, 2011, members of our senior management and Board of Directors and representatives from BDT met with Gareth Rhys Williams, CEO of Charter, Michael Hampson, General Counsel of Charter, Brendan Colgan, Chief Executive of Charter's ESAB division, Ian Brander, Chief Executive of Charter's Howden division (by videoconference), and representatives of Goldman Sachs and Slaughter and May, Charter's legal advisor, in London at the offices of Goldman Sachs. During these meetings, they presented an overview of Colfax, reviewed Charter's 2011 Interim Results and Strategic Overview presentation dated July 26, 2011 and discussed the potential transaction. No material non-public information was discussed at this meeting, save for the possibility of a potential transaction between Colfax and Charter.

Also on August 15, 2011, members of our senior management and Board of Directors met with representatives of BDT at the offices of Goldman Sachs to discuss the terms of a potential equity financing in connection with the acquisition of Charter. The terms proposed by representatives of BDT reflected the discussions between BDT and members of Colfax's senior management to date.

On August 16, 2011, our Board of Directors held a special meeting telephonically and approved and submitted to Mr. Emilson a non-binding indicative offer indicating a purchase price range of 875 to 900 pence per ordinary share of Charter, valuing the existing and to be issued share capital of Charter at approximately £1.5 billion. At that meeting, our Board of Directors formed the Special Committee, consisting of Clay Perfall (as Chair), Mr. Kiefaber and Patrick Allender as disinterested directors, for purposes of reviewing the terms of the investment by Mitchell P. Rales and his brother, Steven M. Rales, the proceeds of which would be used to finance in part the Acquisition.

On August 17, 2011, BDT informed us that Charter had indicated willingness to engage in discussions regarding a transaction with Colfax. Also on August 17, 2011, Mr. Pryor held discussions with BDT about the terms of potential equity financing in connection with the acquisition of Charter.

On August 18, 2011, the Special Committee met, together with representatives of SASM&F, Mr. Pryor and A. Lynne Puckett, Senior VP, General Counsel and Secretary of Colfax, to review the terms of the investment by Mitchell P. Rales and Steven M. Rales, where it was noted that, unlike the BDT-affiliated investment fund, neither of Mitchell P. Rales nor Steven M. Rales would purchase Series A Preferred Stock and that Mitchell P. Rales and Steven M. Rales would purchase our Common Stock on the same terms as the BDT-affiliated investment fund, which such terms had been negotiated on an arms-length basis with BDT.

Also on August 18, 2011, Mr. Pryor held discussions with BDT about the terms of potential equity financing in connection with the acquisition of Charter, and the parties agreed on a preliminary equity financing term sheet containing terms reflecting discussions between BDT and members of Colfax's senior management to date.

On August 19, 2011, the Special Committee met again to discuss the terms of the investments by Mitchell P. Rales and Steven M. Rales, together with Mr. Pryor, Ms. Puckett and representatives of SASM&F and Deutsche Bank, and approved such terms, having determined that they represent appropriate terms under the circumstances. Also on August 19, 2011, we engaged in discussions with financial institutions, including Deutsche Bank, as potential lenders in connection with potential debt financing in connection with the acquisition of Charter.

On August 23, 2011, we entered into a more comprehensive non-disclosure agreement with Charter, pursuant to which we agreed to certain customary standstill provisions with respect to Charter's ordinary shares, in addition to keeping certain information provided by Charter confidential. On that same date, in response to an article in the UK press and as requested by the UK Takeover Panel, Charter announced that it was in discussions with a potential

offeror other than Melrose regarding a possible offer for Charter. At this time, we and our advisors were granted access to an electronic dataroom containing certain commercial, financial, legal and other information about Charter.

Later that day, certain members of our senior management (and Mr. Allender and Steven Simms, members of our Board of Directors, participating by videoconference) and representatives of BDT met with Charter at the offices of SASM&F in London and participated in due diligence meetings with Mr. Rhys Williams, Robert Careless, Finance Director of Charter, Mr. Hampson, Mr. Colgan and Mr. Brander, as well as representatives of Goldman Sachs and Slaughter and May. These meetings continued with members of our senior management the next day.

On August 25, 2011, BDT circulated a private placement memorandum to certain limited partners in its affiliated investment fund with respect to a potential co-investment in the equity financing. The proposed terms of the co-investment were substantially the same as the terms presented by BDT on August 18, 2011.

On August 31 and September 1, 2011, members of our senior management, certain of our advisors and representatives from BDT participated in due diligence meetings with certain members of Charter's management team as well as representatives of Goldman Sachs at the offices of SASM&F in London and by videoconference.

On September 1, 2011, Charter's Board of Directors announced that it had received a revised indicative proposal from Melrose, indicating that Melrose was prepared, subject to certain pre-conditions, to increase the value of its possible offer for Charter by 18 pence per ordinary shares of Charter. The announcement also stated that, on the basis of the increased proposal, and in light of the recent heightened economic uncertainty and financial market volatility, Charter had agreed to commence discussions with Melrose about its revised indicative proposal and to allow Melrose to complete its confirmatory due diligence.

On September 4, 2011, Colfax's Board of Directors met telephonically to review the financial model and due diligence performed to date and discuss next steps. Later in the day, pursuant to a request from the UK Takeover Panel and following an article in the UK press, we announced that we were in preliminary discussions regarding a possible all-cash offer to acquire Charter.

Between September 5 and September 9, 2011, we continued to perform due diligence on Charter, including telephone discussions with certain members of Charter's management on September 8, 2011 to review recent order and shipment trends.

Also between September 5 and 9, 2011, a number of UK-based news publications published stories about the Melrose acquisition proposal, noting that some of Charter's large stockholders preferred share consideration for the acquisition so they would be able to share in the potential upside of any proposed business combination.

On or around September 9, 2011, following the interest expressed by certain Charter stockholders in participating in any potential upside of the combined business, we altered the form of consideration contemplated in the possible offer from all cash to a combination of cash and Common Stock.

On September 9, 2011, members of our senior management and Board of Directors spoke with BDT and agreed on certain changes to the equity financing term sheet, including finalizing the size of the BDT equity investment at \$680 million and the investment by Mitchell P. Rales, Steven M. Rales and Markel at \$125 million, reflecting the amount of merger consideration to be in the form of Common Stock offered to Charter stockholders.

Also on September 9, 2011, based on our confirmatory due diligence, we sent a letter to Charter outlining the terms of a possible offer that included detail as to, among other things, the anticipated form of consideration in cash and shares, the inclusion of a mix and match facility and the acquisition being effected by way of a scheme of arrangement under Jersey law. The mix of cash and stock consideration was determined based upon the cost and available amounts of the debt and equity financing as well as the stated interest by certain Charter stockholders in receiving a portion of the merger consideration in the form of equity in order to share in the potential upside of any proposed business

combination. This offer would value the outstanding shares of Charter at 900 pence per Charter share on a fully diluted basis (based on the closing price of \$23.04 per share of our Common Stock on September 9, 2011 at the foreign exchange rate of U.S.\$1.5881/£1 in effect as of that date), with 730 pence provided in cash and the balance in Common Stock at an exchange ratio of 0.1247 share of Common Stock per share of Charter stock. That afternoon representatives of Deutsche Bank and BDT met with representatives of Goldman Sachs to discuss the possible offer in person.

On September 10, 2011, our Board of Directors met in Washington, D.C. to review the findings of the due diligence that had been undertaken by our senior management with respect to Charter, the terms and conditions of the Acquisition, discuss the terms of the equity and debt financing and consider authorizing our management to submit a binding offer for Charter. Representatives of SASM&F and Deutsche Bank were also present. A presentation prepared by Deutsche Bank reflecting certain terms and conditions of the Acquisition and including certain financial analyses with respect to the Acquisition was distributed to and discussed by the Board of Directors and its advisors. Deutsche Bank indicated to our Board of Directors that nothing had come to the attention of Deutsche Bank that would lead Deutsche Bank to believe that it could not deliver to our Board of Directors an opinion, to the effect that, as of the date of such opinion and based upon and subject to various assumptions, matters considered and limitations, qualifications and conditions described in its opinion, the Acquisition Consideration (as defined below) taken as a whole is fair, from a financial point of view, to Colfax. On September 11, 2011, Deutsche Bank delivered such opinion orally (subsequently confirmed in writing).

Also on September 10, 2011, our Board of Directors concluded that the terms of the Series A Preferred Stock included as part of the BDT equity investment were consistent with the anticipated prevailing market terms that would be applicable to newly issued Series A Preferred Stock of Colfax. In addition, on September 10, 2011, the Special Committee met again separately to review the terms of the investment by Mitchell P. Rales, Steven M. Rales and Markel (a company in which Tom Gayner, a member of our Board of Directors, is an officer), given their relationships with Colfax. Representatives of SASM&F and Deutsche Bank were also present. The Special Committee unanimously approved and recommended the proposed investments by the Other Investors, having determined that the terms of the Other Investment represent appropriate terms under the circumstances and noting that the Other Investors would not be participating in the Series A Preferred Stock. Later that day, our Board of Directors approved, among other things, (i) the terms of the offer to effect the Acquisition (including certain additional documents necessary or advisable or otherwise in connection with the Acquisition), (ii) the terms of the BDT Investment (iii) the terms of the Other Investment and (iv) the terms of the debt financing for the Acquisition.

On September 11, 2011, Charter rejected our proposed offer. Later that day, we verbally delivered a revised offer to Charter, increasing the value per outstanding share of Charter on a fully-diluted basis to 910 pence. On September 12, 2011, we reached an agreement with Charter based on this revised offer under which our wholly-owned subsidiary, Bidco, will acquire the entire issued share capital of Charter for cash and newly-issued shares of our Common Stock and entered into the Implementation Agreement setting forth the terms of the Acquisition. The Acquisition was publicly announced that day. The Acquisition values Charter's fully diluted share capital at approximately £1,528 million (\$2,426 million), being 910 pence per Charter share on a fully diluted basis (based on the closing price of \$23.04 per share of our Common Stock on September 9, 2011, being the last business day before the Acquisition was announced, at the foreign exchange rate of U.S.\$1.5881/£1 in effect as of that date).

On September 12, 2011, we also entered into the Purchase Agreements with the Investors, pursuant to which we agreed to issue the Investor Shares to the BDT Investor, Mitchell P. Rales, Steven M. Rales and Markel for an aggregate of \$805 million, and the Credit Agreement, to finance in part the Acquisition.

Also on September 12, 2011, at the request of Charter and the BDT Investor, respectively, each of Mitchell P. Rales and Steven M. Rales entered into voting agreements with Charter and the BDT Investor. Pursuant to such voting agreements, Mitchell P. Rales and Steven M. Rales have agreed to vote their shares of Common Stock in favor of the BDT Investment, including the Amended and Restated Certificate of Incorporation, and the issuance of Colfax securities necessary to complete the Acquisition at a special meeting of our stockholders.

On September 27, 2011, Melrose withdrew its proposal to acquire Charter and announced that it would not be making an offer for Charter.

Opinion of Our Financial Advisor

On June 30, 2011, we contacted Deutsche Bank to assist us in the evaluation and financing of a potential transaction and to serve as a U.K. advisor for purposes of the U.K. Takeover Code. We subsequently engaged Deutsche Bank as an advisor in this capacity. At the September 10, 2011 meeting of our Board of Directors, Deutsche Bank indicated to our Board of Directors that nothing had come to the attention of Deutsche Bank that would lead Deutsche Bank to believe that it could not deliver to our Board of Directors an opinion, to the effect that, as of the date of such opinion and based upon and subject to various assumptions, matters considered and limitations, qualifications and conditions described in its opinion, the Acquisition Consideration (as defined below) taken as a whole is fair, from a financial point of view, to Colfax. On September 11, 2011, Deutsche Bank delivered such opinion orally (subsequently confirmed in writing).

The full text of the written opinion of Deutsche Bank, dated as of September 11, 2011, which sets forth, among other things, the assumptions made, matters considered and limitations, qualifications and conditions of the review undertaken by Deutsche Bank in rendering its opinion, is attached as Annex XVII to this proxy statement. The Deutsche Bank opinion only addressed the fairness of the Acquisition Consideration taken as a whole, from a financial point of view, to Colfax and did not address any other aspect or implication of the Acquisition. The summary of the Deutsche Bank opinion set forth in this proxy statement is qualified by reference to the full text of the opinion attached hereto as Annex XVII. The Deutsche Bank opinion should be read carefully in its entirety.

Summary of Deutsche Bank Opinion

In connection with Deutsche Bank's role as financial advisor to Colfax, and in arriving at its opinion, Deutsche Bank, among other things:

- reviewed certain publicly available financial and other information concerning Charter and Colfax;
- reviewed certain internal analyses, financial forecasts and other information relating to Charter and Colfax prepared by the management of Charter and Colfax, respectively, and held discussions with certain senior officers and other representatives and advisors of Charter and Colfax regarding the businesses and prospects of Charter and Colfax, respectively, and of Colfax after giving effect to the Acquisition;
- reviewed the reported prices and trading activity for the ordinary shares of 2 pence each in the capital of Charter (the "Charter Shares") and the shares of our Common Stock;
- to the extent publicly available, compared certain financial and stock market information for Charter and Colfax with similar information for certain other companies it considered relevant whose securities are publicly traded;
- to the extent publicly available, reviewed the financial terms of certain recent business combinations which it deemed relevant;
- reviewed a draft dated September 11, 2011 of the Implementation Agreement, a draft dated September 11, 2011 of Colfax's announcement to Charter's shareholders describing the terms of the agreement for the Acquisition, as required under Rule 2.7 of the City Code on Takeovers and Mergers (the "Announcement"), and certain related documents; and
- performed such other studies and analyses and considered such other factors as it deemed appropriate.

Deutsche Bank did not assume responsibility for the independent verification of, and did not independently verify, any information, whether publicly available or furnished to it, concerning Charter or Colfax, including, without limitation, any financial information considered in connection with the rendering of its opinion. Accordingly, for purposes of its opinion, Deutsche Bank, with the permission of our Board of Directors, assumed and relied upon the accuracy and completeness of all such information. Deutsche Bank did not conduct a physical inspection of any of the properties or assets, and did not prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities), of Charter or Colfax or any of their respective subsidiaries, nor did Deutsche Bank evaluate the solvency or fair value of Charter or Colfax under any state or federal law relating to bankruptcy, insolvency or similar matters. With respect to the financial forecasts made available to Deutsche Bank and used in its analyses, Deutsche Bank assumed with the permission of our Board of Directors that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Charter and Colfax as to the matters covered thereby. In rendering its opinion, Deutsche Bank expressed no view as to the reasonableness of such forecasts and projections or the assumptions on which they are based. The Deutsche Bank opinion was necessarily based upon economic, market and other conditions as in effect on, and the information made available to Deutsche Bank as of, the date of its opinion. Deutsche Bank expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting its opinion of which it becomes aware after the date of the opinion.

For purposes of rendering its opinion, Deutsche Bank assumed with the permission of our Board of Directors that, in all respects material to its analysis, the Acquisition would be consummated in accordance with its terms, without any material waiver, modification or amendment of any term, condition or agreement. Deutsche Bank also assumed that all material governmental, regulatory or other approvals and consents required in connection with the consummation of the Acquisition would be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, no material restrictions would be imposed. Deutsche Bank is not a legal, regulatory, tax or accounting expert and has relied on the assessments made by Colfax and its advisors with respect to such issues. Representatives of Colfax informed Deutsche Bank, and Deutsche Bank further assumed, that the final terms of the Implementation Agreement and the Announcement would not differ materially from the terms set forth in the drafts Deutsche Bank reviewed.

The Deutsche Bank opinion was approved and authorized for issuance by a fairness opinion review committee, was addressed to, and for the use and benefit of, our Board of Directors and is not a recommendation to the stockholders of Colfax to approve the Acquisition. The Deutsche Bank opinion was limited to the fairness, from a financial point of view, of the Acquisition Consideration taken as a whole to Colfax. Deutsche Bank was not asked to, and the Deutsche Bank opinion did not, address the fairness of the Acquisition, or any consideration received in connection therewith, to the holders of any class of securities, creditors or other constituencies of Colfax, nor did it address the fairness of the contemplated benefits of the Acquisition. Deutsche Bank expressed no opinion as to the merits of the underlying decision by Colfax to engage in the Acquisition. Deutsche Bank did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received by any of the officers, directors or employees of any parties to the Acquisition, or any class of such persons, relative to the Acquisition Consideration. Deutsche Bank also expressed no opinion as to the “mix and match facility” or the “loan note alternative”. The Deutsche Bank opinion did not in any manner address the prices at which shares of our Common Stock or other securities would trade following announcement or consummation of the Acquisition.

The following is a summary of the material financial analyses that were used by Deutsche Bank in connection with rendering its opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Deutsche Bank, nor does the order of analyses described represent the relative importance or weight given to those analyses by Deutsche Bank. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Deutsche Bank’s financial analyses. Except as otherwise noted,

the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before September 9, 2011, and is not necessarily indicative of current market conditions.

Transaction Overview

Pursuant to the Implementation Agreement, holders of Charter Shares will be entitled to receive for each Charter Share (other than any Charter Shares legally or beneficially held by Colfax or any of its subsidiaries or subsidiary undertakings (collectively, the “Excluded Shares”)) (i) 730 pence in cash (the “Cash Consideration”) and (ii) 0.1241 shares of our Common Stock (the “Share Consideration”). The aggregate amount of Cash Consideration and Share Consideration to be paid to all holders of Charter Shares (other than the Excluded Shares) is referred to herein as the “Acquisition Consideration”.

Based on the Acquisition Consideration and the closing price per share of our Common Stock of \$23.04 on September 9, 2011, at the spot foreign exchange rate of \$1.5881/£1 in effect as of that date, Deutsche Bank noted that the implied equity value of Charter as of September 9, 2011 was approximately £1,528 million and the implied acquisition consideration per Charter Share as of September 9, 2011 was 910 pence. Based upon the implied equity value of Charter and selected balance sheet information as of June 30, 2011, Deutsche Bank further noted that the implied enterprise value of Charter as of September 9, 2011 was approximately £1,905 million.

Summary of Material Financial Analyses

Historical Share Price Analysis. Deutsche Bank noted that the low and high closing prices per Charter Share during the 52-week period ending on September 9, 2011 were 515 pence and 860 pence, compared to the implied per share acquisition consideration of 910 pence.

Illustrative Discounted Cash Flow Analysis. Deutsche Bank performed an illustrative discounted cash flow analysis for Charter on a stand-alone basis based on Charter and Colfax management estimates of Charter's free cash flows for the years 2011 through 2016. Deutsche Bank calculated the discounted cash value for Charter as of December 31, 2011 as the sum of the net present value of (i) the estimated future unlevered free cash flows, calculated as EBIT minus unlevered cash taxes, capital expenditures, changes in working capital and restructuring charges (if any), plus depreciation and amortization, that Charter is expected to generate for the years 2011 through 2016, plus (ii) the value of Charter at the end of such period, or the terminal value. The terminal value of Charter was calculated by applying perpetual growth rates ranging from 1.0% to 2.0% to the terminal unlevered free cash flow. Deutsche Bank applied discount rates ranging from 9.5% to 10.5% to discount Charter's future unlevered free cash flows and terminal value. Deutsche Bank calculated the estimated equity values per Charter Share by deducting estimated net debt, calculated as debt minus cash and equity investments, plus the cost of an underfunded pension, minority interests and the cost of phantom restricted shares, from the sum of the present values of the period unlevered free cash flows and the terminal value. This analysis resulted in a range of implied values per Charter Share (rounded to the nearest 5 pence) of (i) 925 pence to 1,170 pence, on a stand-alone basis and excluding the restructuring measures disclosed by Charter in its 2011 Interim Results and Strategic Overview presentation dated July 26, 2011 (the "Restructuring Measures") and (ii) 1,090 pence to 1,375 pence, on a stand-alone basis and including the Restructuring Measures.

Analysis of Selected Publicly Traded Companies. Deutsche Bank reviewed and compared certain financial information for Charter to the corresponding financial information, ratios and public market multiples for the following publicly traded companies in the welding equipment, compressor and U.K. engineering industries:

Welding Equipment

- Illinois Tool Works Inc.
- Sandvik AB
- Kennametal Inc.
- Lincoln Electric Holdings Inc.

Compressor

- Atlas Copco Group
- Alfa Laval AB
- GEA Group AG
- SPX Corporation
- Burckhardt Compression Holding AG

U.K. Engineering

- Smiths Group plc
- GKN plc

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- IMI plc
- Invensys plc
- Cookson Group plc
- Melrose PLC
- Spectris plc
- Halma plc
- Spirax-Sarco Engineering plc
- Rotork plc
- Morgan Crucible Co. plc
- Renishaw plc
- Bodycote plc

Although none of the selected companies is directly comparable to Charter, the companies included were chosen because they are publicly traded companies with operations that, for purposes of analysis, may be considered similar to certain operations of Charter. Accordingly, the analysis of publicly traded comparable companies was not simply mathematical. Rather, it involved complex considerations and qualitative judgments, reflected in Deutsche Bank's opinion, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of such companies.

In its analysis, Deutsche bank derived and compared multiples for the selected companies, calculated as follows:

- the ratio of total enterprise value to estimated earnings before interest and taxes ("EBIT") for calendar year 2011, which is referred to below as "TEV/2011E EBIT";
- the ratio of the average total enterprise value during the past 120 days to estimated EBIT for calendar year 2011, which is referred to below as "120-Day Average TEV/2011E EBIT";
- the ratio of total enterprise value to estimated EBIT for calendar year 2012, which is referred to below as "TEV/2012E EBIT";
- the ratio of the average total enterprise value during the past 120 days to estimated EBIT for calendar year 2012, which is referred to below as "120-Day Average TEV/2012E EBIT";
- the ratio of price per share to estimated earnings per share ("EPS") for calendar year 2011, which is referred to below as "P/2011E EPS";
- the ratio of the average price per share during the past 120 days to estimated EPS for calendar year 2011, which is referred to below as "120-Day Average P/2011E EPS";
- the ratio of price per share to estimated EPS for calendar year 2012, which is referred to below as "P/2012E EPS"; and
- the ratio of the average price per share during the past 120 days to estimated EPS for calendar year 2012, which is referred to below as "120-Day Average P/2012E EPS".

The multiples and ratios for each of the selected companies were calculated using the closing price of the selected companies' common stock on September 9, 2011 (or, in case of the 120-day averages, the closing prices for the 120 days ending on September 9, 2011), and were based on the most recent publicly available information, as well as Capital IQ and Thomson estimates.

Based on the foregoing and qualitative judgment, Deutsche Bank then selected certain reference ranges for each of these ratios and calculated the corresponding ranges of implied equity values of Charter. This analysis indicated the following ranges of implied values per Charter Share (rounded to the nearest 5 pence), compared, in each case, to the implied per share acquisition consideration of 910 pence:

	Implied Price Range
TEV/2011E EBIT	630p-725p
120-Day Average TEV/2011E EBIT	630p-820p
TEV/2012E EBIT	670p-850p
120-Day Average TEV/2012E EBIT	730p-850p
P/2011E EPS	765p-905p
120-Day Average P/2011E EPS	870p-1,045p
P/2012E EPS	890p-1,065p
120-Day Average P/2012E EPS	980p-1,155p

Analysis of Selected Precedent Transactions. Deutsche Bank reviewed the financial terms, to the extent publicly available, of the following selected completed business combination transactions since September 1, 2000, involving companies participating in the welding equipment, compressor or U.K. engineering industries. Deutsche Bank calculated various financial multiples based on certain publicly available information for each of the selected transactions. The transactions reviewed were as follows:

Month and Year Announced	Target	Acquiror
Welding Equipment		
November 2002	American Saw & Mfg. Company	Newell Rubbermaid Inc.
November 2003	Toshiba Tungaloy Co. Ltd.	Nomura Holdings Inc.
July 2005	Facom Tools	The Stanley Works
March 2006	J&L America, Inc.	MSC Industrial Direct Co., Inc.
October 2008	Sia Abrasives Holding AG	Robert Bosch GmbH
December 2009	SSH Corporation Ltd.	KS Energy Services Ltd.
October 2010	Thermadyne Holdings Corporation	Irving Place Capital
December 2010	Winterthur Technologies AG	3M Co.
Compressor		
July 2006	Volution Holdings	ABN AMRO Capital
October 2007	APV	SPX Corporation
July 2008	CompAir Holdings Limited	Gardner Denver, Inc.
September 2010	Munters AB	Nordic Capital
August 2011	CLYDEUNION Pumps	SPX Corporation
U.K. Engineering		
September 2000	TI Group plc	Smiths Industries plc
April 2001	DONCASTERS plc	Royal Bank Private Equity
July 2001	Britax International plc	Royal Bank Private Equity

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June 2003	Chubb plc	United Technologies Corp.
November 2003	Syltone plc	Gardner Denver, Inc.
December 2004	Kidde plc	United Technologies Corp.
		Parker Hannifin International Corporation
August 2005	Domnick Hunter Group plc	Honeywell International
December 2004	Novar plc	Honeywell International
December 2005	First Technology plc	Cookson Group plc
October 2007	Foseco plc	Cooper Controls (U.K.), Limited
December 2007	MTL Instruments Group plc	The Manitowoc Company, Inc.
April 2008	Enodis plc	Candover Partners Limited
April 2008	Expro International Group PLC	Melrose PLC
April 2008	FKI plc	Emerson Electric Co.
April 2010	Chloride Group PLC	

Although none of the selected transactions is directly comparable to the Acquisition, the companies that participated in the selected transactions are such that, for purposes of analysis, the selected transactions may be considered similar to the Acquisition. Accordingly, the analysis of precedent transactions was not simply mathematical. Rather, it involved complex considerations and qualitative judgments, reflected in Deutsche Bank's opinion, concerning differences between the characteristics of the selected transactions and the Acquisition that could affect the value of the subject companies and Charter.

In its analysis, Deutsche Bank derived and compared multiples for the selected transactions, including the ratio of total enterprise value based on transaction price to the target company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for the latest twelve months prior to entering into the transaction, or "TEV/LTM EBITDA".

Based on the foregoing and qualitative judgment, Deutsche Bank determined an estimated TEV/LTM EBITDA reference range, resulting in a range of implied values per Charter Share (rounded to the nearest 5 pence) of 860 pence to 1,105 pence, compared to the implied per share acquisition consideration of 910 pence.

Analysis of Historical U.K. Offer Premia. Deutsche Bank reviewed publicly available information relating to selected acquisition transactions announced since 2006 that involved a U.K. listed publicly-traded target company. With respect to each selected acquisition transaction, Deutsche Bank calculated the premium or discount of the per share consideration to the closing price of the target's common stock on the trading day that was one day and one month prior to the announcement date of such transaction. This analysis indicated the following, compared to a premium of 48% for the implied per share acquisition consideration of 910 pence over the closing price per Charter Share of 615 pence on June 28, 2011 (the last date on which the trading price of Charter Shares was perceived to be unaffected by a potential transaction) and a premium of 27% for the implied per share acquisition consideration of 910 pence over the closing price per Charter Share of 718 pence on June 17, 2011 (the last date on which the trading price of Charter Shares was perceived to be unaffected by a profit warning issued by Charter):

Year	Average Premia			
	One Day		One Month	
2005	28	%	31	%
2006	31	%	34	%
2007	34	%	37	%
2008	48	%	49	%
2009	57	%	47	%
2010	42	%	47	%
2011 (through September 9)	47	%	54	%

General

The preparation of a fairness opinion is a complex process involving the application of subjective business and financial judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying the Deutsche Bank opinion. In arriving at its fairness determination, Deutsche Bank considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Deutsche Bank made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company used in the above analyses as a comparison is directly comparable to Charter.

Deutsche Bank prepared these analyses for purposes of providing its opinion to our Board of Directors as to the fairness of the Acquisition Consideration taken as a whole, from a financial point of view, to Colfax. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty. As described above, in connection with its analyses, Deutsche Bank made, and was provided by the management of Charter and Colfax with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Deutsche Bank, Charter or Colfax. Analyses based upon forecasts of future results, including, without limitation, estimates of the Restructuring Measures, are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Charter, Colfax, Deutsche Bank or any other person assumes responsibility if future results are materially different from those forecast. No Charter or Colfax management estimates and no analyses based on such estimates are intended to constitute profit forecasts or asset valuations by any of Charter, Colfax, Deutsche Bank or any other person and no person should rely on such estimates or analyses in making any decision in connection with the Acquisition.

The Acquisition Consideration was determined through arm's-length negotiations between Charter and Colfax and was approved by our Board of Directors. Deutsche Bank provided advice to Colfax during these negotiations. Deutsche Bank did not, however, recommend the Acquisition Consideration to Colfax or our Board of Directors or that any specific consideration constituted the only appropriate consideration for the Acquisition.

Our Board of Directors selected Deutsche Bank as its financial advisor in connection with the Acquisition based on Deutsche Bank's qualifications, expertise, reputation and experience in mergers and acquisitions and related transactions and Deutsche Bank's familiarity with Colfax. Pursuant to its engagement letter with Colfax, Deutsche Bank was entitled to receive \$2,000,000 upon delivery of its opinion. An additional fee, excluding any discretionary fee, of \$13,000,000, which is contingent upon consummation of the Acquisition, will be payable to Deutsche Bank for its services as financial advisor to Colfax in connection with the Acquisition, against which the amount payable for the opinion will be credited. If the Acquisition is not successful, Deutsche Bank will generally be entitled to 10% of any inducement fee to which Colfax is entitled under the Implementation Agreement, against which the amount payable for the opinion would be credited. Colfax also agreed to reimburse Deutsche Bank for its expenses, and to indemnify Deutsche Bank against certain liabilities, in connection with its engagement.

Deutsche Bank is an internationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions and related transactions. Deutsche Bank is an affiliate of Deutsche Bank AG (together with its affiliates, the "DB Group"). One or more members of the DB Group have, from time to time, provided investment banking, commercial banking (including extension of credit) and other financial services to Charter and Colfax or their respective affiliates for which it has received compensation. One or more members of the DB Group

have agreed to provide financing to Colfax in connection with the Acquisition. The DB Group may also provide investment and commercial banking services to Colfax and Charter in the future, for which DB Group would expect to receive compensation. In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of Colfax and Charter for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations.

Reasons for the Proposed Acquisition; Recommendation by our Board

In approving the Acquisition, including the issuance of the Acquisition Shares, our Board of Directors consulted with our management, as well as our legal and financial advisors, and considered a number of factors concerning the benefits of the proposed Acquisition. Without giving any relative or specific weight to the factors, our Board of Directors considered, among others, the following factors:

- Strategic attractiveness – we consider Charter to be a leading player in key markets with an attractive business mix and strong technological capabilities. We believe Charter’s air and gas handling business (Howden) would extend our existing fluid handling platform, and Charter’s welding, cutting and automation (ESAB) business will establish a new growth platform.

- Global footprint – we believe the Acquisition will accelerate our growth strategy and enable us to become a multi-platform business with a strong global footprint. We believe that the Acquisition will improve our business profile by providing considerable exposure to emerging markets, allowing the combined company to benefit from strong secular growth drivers and provide a balance of short and long cycle businesses.
- Compelling Financial Returns – we believe the Acquisition will provide a meaningful recurring revenue stream, be significantly accretive to earnings and provide double digit returns on invested capital within three to five years.
- Value creation opportunity – we believe that, following the Acquisition, there are significant upside opportunities from applying our established management techniques to improve both margin and return on invested capital.
- Portfolio impact – we believe Charter will provide a platform for additional acquisitions in the fragmented welding and air handling markets.

Our Board of Directors also considered the potential risks of the Acquisition and the issuance of the Securities in connection with the Acquisition, including those set forth in the section of this proxy statement entitled “Risk Factors.”

The foregoing discussion is not intended to be exhaustive, but is believed to include the material factors our Board of Directors considered with respect to the Acquisition. Our Board of Directors believes that the terms of the Acquisition and the Implementation Agreement and Purchase Agreements are in the best interests of Colfax.

Information about Colfax

Colfax Corporation, a Delaware corporation headquartered in Fulton, Maryland, is engaged in the global supply of a broad range of fluid handling products, including pumps, fluid handling systems and controls and specialty valves. Colfax was founded in 1995 by Mitchell P. Rales and Steven M. Rales, who also co-founded Danaher Corporation. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. Our products serve a variety of applications in five strategic end markets: commercial marine, oil and gas, power generation, global defense and general industrial. We design and engineer our products to high quality and reliability standards for use in critical fluid-handling applications where performance is paramount. We also offer customized fluid-handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used.

Over the last few years, we have successfully grown our systems business, providing our customers with complete fluid handling systems and solutions. In 2010, approximately 14% of total revenues (approximately \$80 million) were derived from systems (up from approximately 4% in 2006). Pumps, including aftermarket parts and services, contributed 82% of total revenues (approximately \$445 million) in 2010 (greater than 90% in 2006). Valves and other products accounted for approximately 4%.

Our products are marketed principally under the Allweiler, Baric, Fairmount Automation, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the markets in which we participate, with Allweiler dating back to 1860.

We believe that one of our most significant competitive advantages comes through a comprehensive set of tools and processes we employ that we refer to as the Colfax Business System (“CBS”). CBS is a disciplined strategic planning and execution methodology designed to achieve excellence and world-class financial performance in all aspects of our business by focusing on the Voice of the Customer and continuously improving quality, delivery and cost.

Our Common Stock is traded on the NYSE under the symbol “CFX”.

Our principal executive offices are located at 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759, and our telephone number is (301) 323-9000. Our Internet address is www.colfaxcorp.com. The information contained on our website is not part of this proxy statement.

Information about Bidco

Colfax UK Holdings Ltd. (Bidco) is a newly incorporated English company which is a wholly-owned subsidiary of Colfax established to effect the Acquisition. Bidco has not engaged in any business prior to the date of this proxy statement (except for entering into transactions relating to the Acquisition).

Bidco’s registered office is located at 40 Bank Street, London E14 5DS, U.K.

Information about Charter

Charter is the ultimate owner (through a number of intermediate holding companies) of two international engineering businesses, ESAB, which is focused on welding, cutting and automation, and Howden, which is focused on air and gas handling.

Charter's global sales of £1,719.6 million for the year ended December 31, 2010 were split as follows: Europe (34%), North America (20%), Asia (18%), South America (16%) and the rest of the world (12%).

ESAB

ESAB is a leading international welding and cutting company. It formulates, develops, manufactures and supplies consumable products and equipment for use in the cutting and joining of steels, aluminum and metal alloys. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes. ESAB's welding and cutting equipment ranges from small retail uses to large bespoke equipment particularly in the energy and shipbuilding sectors.

Howden

Howden is an international applications engineering business. Howden designs, manufactures, installs and maintains air and gas handling equipment for use in the power, oil and gas, petrochemical and other industries. Howden’s principal products are fans, heat exchangers and compressors. The fans and heat exchangers are used mainly in the generation of electricity by coal-fired power stations, both in combustion and the control of emissions, and other large scale industrial plant. Howden’s compressors are mainly used in the oil, gas and petrochemical industries.

Charter's ordinary stock is traded on the LSE under the symbol "CHTR".

Charter's principal executive offices are located at 27 Northwood House, Northwood Park, Santry, Dublin, Co. Dublin 9, Ireland, and Charter's telephone number is +353 1 842 7190. Charter's Internet address is www.charter.ie. The information contained on Charter's website is not part of this proxy statement.

Regulatory Approvals

Antitrust in the United States

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and the related rules and regulations that have been issued by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated until certain information and documentary material ("Premerger Notification and Report Forms") have been furnished to the FTC and the Antitrust Division of the Department of Justice (the "Antitrust Division") and certain waiting period requirements have been satisfied. These requirements of the HSR Act apply to our proposed acquisition of Charter ordinary shares.

Under the HSR Act, the Acquisition may not be completed until the expiration of a 30-day waiting period following our filing of a Premerger Notification and Report Form concerning the proposed Acquisition with the FTC and the Antitrust Division, unless the waiting period is earlier terminated by the FTC and the Antitrust Division. We filed a Premerger Notification and Report Form on September 30, 2011 with the FTC and the Antitrust Division in connection with the Acquisition and the required waiting period has expired.

At any time before or after the Acquisition, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the Acquisition or seeking the divestiture of Charter or the divestiture of substantial assets of Colfax or its subsidiaries or of Charter or its subsidiaries.

In addition, the Acquisition may be reviewed by the attorneys general in the various states in which we and Charter operate. These authorities may claim that there is authority, under the applicable state and federal antitrust laws and regulations, to investigate and/or disapprove of the Acquisition under the circumstances and based upon the review set forth in applicable state laws and regulations. We cannot assure you that one or more state attorneys general will not attempt to file an antitrust action to challenge the Acquisition. Private parties also may seek to take legal action under the antitrust laws in some circumstances.

Foreign Competition Law Filings

Both Colfax and Charter sell products in a number of jurisdictions throughout the world (including in the European Union), where antitrust filings or approvals are required or advisable in connection with the completion of the Acquisition. We are currently submitting notifications and seeking approvals in the relevant jurisdictions. We believe that completion of the Acquisition will be approved without conditions in all such countries where approval is required. However, we cannot rule out the possibility that any foreign antitrust authority might seek to require remedial undertakings as a condition to its approval.

We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of any approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. We also cannot assure you that the Department of Justice, the FTC or any state attorney general or any other governmental entity or any private party will not attempt to challenge the completion of the Acquisition on antitrust grounds, and, if such a challenge is made, we cannot assure you as to its result.

Implementation Agreement and Related Agreements

The following is a summary of selected provisions of the Implementation Agreement and related agreements. The description of the Implementation Agreement in this proxy statement has been included to provide you with information regarding its terms. While we believe this description covers the material terms of the Implementation Agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the Implementation Agreement, which is attached as Annex I to this proxy statement and is incorporated by reference into this proxy statement. We urge you to read the entire Implementation Agreement and each of the related agreements attached as Annexes to this proxy statement carefully.

Implementation Agreement

As we announced on September 12, 2011, we have reached an agreement with Charter under which our wholly-owned subsidiary, Bidco, will acquire the entire issued share capital of Charter for cash and newly-issued shares of our Common Stock. The terms of the Acquisition are set forth in the Implementation Agreement entered into by Colfax, Bidco and Charter on September 12, 2011.

Consideration for 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 our Common Stock in exchange for each share of Charter's ordinary stock. The Acquisition values Charter's fully diluted share capital at approximately £1,528 million (\$2,426 million), being 910 pence per Charter share on a fully diluted basis (based on the closing price of \$23.04 per share of our Common Stock on September 9, 2011, being the last business day before the Acquisition was announced and the foreign exchange rate of U.S.\$1.5881/£1 in effect on that date).

The exchange ratio of 0.1241 shares of Common Stock for each ordinary share of Charter will be subject to appropriate adjustment in the event of (a) the payment of any dividend or other distribution by us to our shareholders, (b) the reclassification, subdivision, consolidation or reorganization of our share capital, (c) any issuance of equity securities pursuant to a pre-emptive invitation to the existing shareholders as a class subject only to regulatory exclusions or (d) any transaction similar to the foregoing to the extent it would have a material disproportionate impact on those Charter shareholders who receive newly-issued Common Shares pursuant to the Acquisition as compared to our existing shareholders (taken as a class).

We will be providing a “mix and match facility” in connection with the Acquisition, under which Charter’s shareholders (other than certain residents or citizens in jurisdictions outside the U.S., U.K. or Jersey) may elect to vary the proportions in which they receive cash and Common Stock as a result of the Acquisition, subject to equal and opposite elections made by other Charter shareholders. However, the total number of shares of Common Stock to be issued and the maximum amount of cash to be paid in connection with the Acquisition will not be varied as a result of the elections under the mix and match facility.

We will also be providing a “loan note alternative” option whereby Charter shareholders (other than certain residents or citizens in jurisdictions outside the U.K. or Jersey, including U.S. persons or persons resident in the U.S.) may elect to receive unsecured floating rate loan notes of Bidco (the “Loan Notes”) instead of some or all of the cash consideration to which they would otherwise be entitled in exchange for their shares in Charter. Under this alternative, applicable Charter shareholders may elect to receive £1 nominal value of Loan Notes for every £1 in cash consideration to which they would otherwise be entitled. The Loan Notes will bear interest from the date of issue at a rate per annum of the higher of (i) zero and (ii) 0.50% below LIBOR, payable semi-annually and be redeemable at par (together with accrued interest less any tax required by law to be withheld or deducted therefrom) in whole or in part, for cash at the option of the note holders on the date falling six months and one day after the date of issue of the Loan Notes and semi-annually on June 30 and December 31 each year thereafter. In certain circumstances, Bidco will have the right to redeem all of the Loan Notes and, if not previously redeemed, the final redemption date will be the date falling five years after the Scheme becomes effective. No Loan Notes will be issued unless valid elections have been received in respect of at least £2 million in nominal value of Loan Notes.

Implementation of the Acquisition

Under the terms of the Implementation Agreement, we will acquire all of the issued and to be issued shares in Charter by way of a court-sanctioned Scheme under Article 125 of the Companies Act or, if Bidco elects, make a takeover offer under the Companies Act for all of the issued and to be issued shares in Charter. The purpose of the Scheme is to enable Bidco to acquire the whole of the issued and to be issued share capital of Charter. The Scheme, which will be subject to the conditions set out in the Implementation Agreement, will require the sanction of the Royal Court of Jersey.

Recommendation of Charter's Board of Directors

Charter agreed that its board of directors would unanimously recommend, without qualification, to Charter’s shareholders to vote in favor of the Acquisition at the general meeting of Charter shareholders to be convened to consider the Acquisition as well as at the meeting of Charter shareholders to be convened by the order of the Royal Court of Jersey for purposes of approving the Scheme. Should Bidco elect to implement the Acquisition by way of a takeover offer rather than a Scheme, Charter’s board of directors have agreed to unanimously recommend, without qualification, to Charter’s shareholders to accept the offer. The Charter directors have further agreed not to withdraw, qualify or adversely modify the recommendation of the Charter board of directors. However, the foregoing obligations shall not apply if the board of directors of Charter have determined, acting in their good faith discretion, after consultation with their legal and financial advisors, that their recommendation should not be given or should be withdrawn, qualified or adversely modified in order to comply with their legal duties.

Colfax Shareholders Meeting

We have agreed to hold the special meeting of stockholders to which this proxy statement relates in order to approve the capital raising transactions contemplated by the Purchase Agreements entered into with each of the BDT Investor, Mitchell P. Rales, Steven M. Rales and Markel to finance part of the Acquisition.

Conduct Pending Completion of the Acquisition

Charter has agreed, subject to the terms of the Implementation Agreement, to conduct its business in the ordinary and usual course consistent with past practice and not take certain corporate actions without our consent pending completion of the Acquisition.

Conditions to Closing Acquisition

The Implementation Agreement states that the parties undertake to use their reasonable endeavors to implement the Acquisition in accordance with, and subject to, certain conditions. Among other things, the Scheme is conditional upon (i) approval of the Acquisition and related matters by the stockholders of Charter at a general meeting and at a meeting of Charter stockholders to be convened by the order of the Royal Court of Jersey for purposes of approving the Scheme (such approvals were obtained at the general meeting of Charter's stockholders held on November 14, 2011 and at the meeting of Charter's stockholders convened by the order of the Royal Court of Jersey, also held on November 14, 2011) and (ii) sanctioning of the Scheme by the Royal Court of Jersey. The Acquisition is also conditioned upon approval of the capital raising transactions contemplated by the Purchase Agreements entered into with each of the BDT Investor, Mitchell P. Rales, Steven M. Rales and Markel.

Termination

The Implementation Agreement may be terminated:

- as agreed in writing by the parties;
- in the event the recommendation of the board of directors of Charter in favor of the Acquisition is no longer unanimous or is withdrawn, qualified or adversely modified at any time;
- if the Acquisition has not occurred by March 30, 2012;
- on the date on which the Scheme or takeover offer, as the case may be, lapses, terminates or is withdrawn or becomes effective in accordance with its terms;
- if the Scheme is not approved at the general meeting of Charter shareholders to be convened to consider the Acquisition or the meeting of Charter shareholders to be convened by the order of the Royal Court of Jersey for purposes of approving the Scheme;
 - if the Royal Court of Jersey fails to sanction the Scheme and approve related matters;
- if the capital raising transactions contemplated by the Purchase Agreements entered into with each of BDT, Mitchell P. Rales, Steven M. Rales and Markel to finance part of the Acquisition are not approved by the requisite majority at a meeting of our stockholders and we have not, within 10 business days, presented an adequate proposal for alternative funding for the Acquisition.

Inducement Fee

Charter has agreed to pay an inducement fee of £15,275,000 (\$24,258,228 assuming the foreign exchange rate described above) to Bidco, subject to the terms and conditions set out in the Implementation Agreement, in circumstances where a competing offer (or similar proposal) is announced before the Acquisition lapses or is withdrawn and such competing offer (or similar proposal) or another third party offer (or similar proposal) becomes wholly unconditional or effective or is otherwise consummated.

In addition, Charter has agreed to pay an inducement fee of £7,638,000 (\$12,129,908 assuming the foreign exchange rate described above) to Bidco in certain other circumstances, subject to the terms and conditions set out in the Implementation Agreement. These circumstances include where: (a) the board of directors of Charter recommends a competing offer (or similar proposal); (b) the board of directors of Charter withdraws, qualifies or adversely modifies its recommendation of the Acquisition or such recommendation ceases to be unanimous; and (c) where Charter takes any steps to implement a competing offer (or similar proposal) or if Charter makes certain changes in respect of the timing of the Acquisition and as a result the Scheme is reasonably expected not to become effective by March 30, 2012.

Related Agreements

The following is a summary of selected provisions of the Credit Agreement. While we believe this description covers the material terms of the Credit Agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the Credit Agreement which is attached to this proxy statement as Annex XII and is incorporated by reference in this proxy statement. We urge you to read the entire Credit Agreement carefully.

Credit Agreement

For purposes of providing partial funding for the Acquisition, on September 12, 2011, we entered into the Credit Agreement, attached as Annex XII to this proxy statement, with Bidco, certain other subsidiaries of Colfax, Deutsche Bank AG New York Branch, as administrative agent, collateral agent, swing line lender and L/C issuer, Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc., as joint lead arrangers and book managers, and the lenders identified therein.

The initial credit extensions under the Credit Agreement are subject to certain conditions precedent, and the proceeds of the term loans will be used to (i) satisfy a portion of the consideration required for the Acquisition, (ii) to fund any fees and expenses incurred in relation to the Acquisition and (iii) to fund any fees and expenses incurred in relation to the Acquisition. The Credit Agreement has three tranches of term loans: (i) a \$200.0 million term A-1 facility (the "Term A-1 Loans"), to be borrowed by Colfax, (ii) a \$700.0 million term A-2 facility (the "Term A-2 Loans", and together with the Term A-1 Loans, the "Term A Loans"), to be borrowed by Bidco, and (iii) a \$900.0 million term B facility, to be borrowed by Colfax (the "Term B Loans" and, together with the Term A Loans, the "Term Loans"). In addition, the Credit Agreement has two revolving credit facilities which total \$300.0 million in commitments (the "Revolver").

The Term Loans and the Revolver will bear interest, at the election of the Borrowers, at either the base rate (as defined in the Credit Agreement) or LIBOR, plus the applicable interest rate margin for the credit facility, provided that Euro borrowings will bear interest at EURIBOR plus the applicable interest rate margin. The Term A Loans and the Revolver will initially bear interest at either LIBOR (or EURIBOR) plus 3.00% or at the base rate plus 2.00%, and from the end of the first full fiscal quarter ending at least six months after the date of the Acquisition will be determined based on our consolidated leverage ratio (the interest rates ranging from 3.25% to 2.50%, in the case of the LIBOR (or EURIBOR) margin, and 2.25% to 1.50% in the case of the base rate margin). The Term B Loans will bear interest at either LIBOR plus 4.00% or at base rate plus 3.00%, with LIBOR subject to a 1.25% floor and base rate

subject to a 2.25% floor. Each swingline loan denominated in dollars will bear interest at the base rate plus the interest rate margin calculated for the credit facility and swingline loans denominated in any other currency available under the credit facility will bear interest at LIBOR (or in the case of Euros, EURIBOR) plus the interest rate margin calculated for the credit facility.

The Term Loans are repayable according to an amortization schedule which is set forth in the Credit Agreement but are required to be repaid in full by the date falling 5 years after the date of closing (as defined in the Credit Agreement) in the case of the Term A-1 Loans and the date falling 7 years after the closing date in the case of the Term B Loans. Amounts drawn under the Revolver are repayable in full on the date falling 5 years after the closing date.

As security for the obligations under the Credit Agreement, we have agreed to pledge substantially all of its and our domestic subsidiaries' assets to support both our obligations and those of Bidco under the Credit Agreement. In addition, we have agreed to have subsidiaries in certain foreign jurisdictions guarantee the Bidco's obligations and pledge substantially all of their assets to support the obligations of Bidco under the Credit Facility.

The Credit Agreement contains customary covenants limiting the ability of Colfax and its subsidiaries to, among other things, pay dividends, incur debt or liens, redeem or repurchase equity, 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 Colfax not to exceed certain leverage ratios and to maintain a minimum interest coverage ratio. 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 require the immediate payment of all amounts outstanding under the Term Loans and Revolver and foreclose on the collateral.

Voting Agreements between Messrs. Rales and Charter

On September 12, 2011, each of Mr. Mitchell P. Rales and Mr. Steven M. Rales entered into a voting agreement with Charter, attached as Annex XIII and XIV to this proxy statement, in their capacities as stockholders of Colfax, pursuant to which Messrs. Rales agreed to vote the Common Stock beneficially owned by them in favor of the issuance of securities necessary to complete the Acquisition.

As of _____, 2011, the record date, Mitchell P. Rales and Steven M. Rales are entitled to vote, in the aggregate, 18,291,220 shares of Common Stock, representing _____% of the outstanding shares of Common Stock entitled to vote at the special meeting.

The voting agreements terminate on the earliest of (i) termination or completion of the Acquisition, (ii) any change or withdrawal of Charter's Board of Directors' recommendation in respect of the Acquisition and (iii) the termination of the Implementation Agreement.

Other Agreements

For a description of the Purchase Agreements and other related agreements that we have entered into or will enter into in connection with the Acquisition and the financing of the Acquisition, see "Proposal No. 1—Issuance of Securities to the BDT Investor—The BDT Purchase Agreement and Related Agreements", "Proposal No. 2—Issuance of Securities to the Other Investors—The Other Purchase Agreements and Related Agreements" and "Proposal No. 4—Amendment and Restatement of Colfax's Certificate of Incorporation."

Interests of Our Executive Officers and Directors in the Transaction

When you consider our Board of Directors' recommendation to vote in favor of the Proposals, you should be aware that our executive officers and directors may have interests in the transactions contemplated by the Purchase Agreements and the Implementation Agreement that may be different from, or in addition to, the interests of our other stockholders. In particular, pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of the Colfax's Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), immediately after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation, our ability to replace Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF COLFAX

(in thousands, except per share information)

The following tables set forth selected historical consolidated financial data of Colfax. The selected consolidated financial data as of December 31, 2010 and 2009 and for the three years ended December 31, 2010, 2009 and 2008 is derived from our audited consolidated financial statements included elsewhere in this proxy statement. The unaudited selected consolidated financial data as of September 30, 2011 and October 1, 2010 and the nine months ended September 30, 2011 and October 1, 2010 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this proxy statement, and which, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited periods. Our audited and unaudited consolidated financial statements included elsewhere in this proxy statement have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

Historical results are not indicative of the results to be expected in the future and results of interim periods are not necessarily indicative of results for the entire year.

The data below is only a summary and should be read in conjunction with our consolidated financial statements and accompanying notes, as well as Colfax's management's discussion and analysis of financial condition and results of operations, all of which can be found elsewhere in this proxy statement or in publicly available documents as filed with the SEC.

	Nine Months Ended		Year ended December 31,				
	September 30, 2011	October 1, 2010	2010	2009	2008	2007	2006
Statement of Operations Data							
Net sales	\$ 515,601	\$ 375,336	\$ 541,987	\$ 525,024	\$ 604,854	\$ 506,305	\$ 393,604
Cost of sales	337,046	243,502	350,579	339,237	387,667	330,714	256,806
Gross profit	178,555	131,834	191,408	185,787	217,187	175,591	136,798
Selling, general and administrative expenses	116,920	87,829	119,426	112,503	124,105	97,426	78,964
Restructuring and other related charges	7,518	9,515	10,323	18,175	-	-	-
Initial public offering-related costs	-	-	-	-	57,017	-	-
Research and development expenses	4,540	4,731	6,205	5,930	5,856	4,162	3,336
Asbestos liability and defense costs (income)	7,644	4,179	7,876	(2,193)	(4,771)	(63,978)	21,783
Asbestos coverage litigation expenses	8,454	10,763	13,206	11,742	17,162	13,632	12,033
Operating income	33,479	14,817	34,372	39,630	17,818	124,349	20,682
Interest expense	4,507	5,075	6,684	7,212	11,822	19,246	14,186
Provision for income taxes	28,972	9,742	11,473	8,621	5,465	39,457	4,298

Income from continuing operations	8,337	2,177	16,215	23,797	531	65,646	2,198
Net income (1)	\$ 20,635	\$ 7,565	\$ 16,215	\$ 23,797	\$ 531	\$ 65,646	\$ 801
	\$ 20,635	\$ 7,565					
Net income (loss) per share from continuing operations – basic	\$ 0.47	\$ 0.17	\$ 0.37	\$ 0.55	\$ (0.08)	\$ 1.82	\$ 0.10
Net income (loss) per share from continuing operations — diluted	\$ 0.47	\$ 0.17	\$ 0.37	\$ 0.55	\$ (0.08)	\$ 1.82	\$ 0.10

	December 31,						
	September 30,	October 1,	2010	2009	2008	2007	2006
	2011	2010					
Balance Sheet Data							
Cash and cash equivalents	\$ 64,447	\$ 42,778	\$ 60,542	\$ 49,963	\$ 28,762	\$ 48,093	\$ 7,608
Goodwill and intangibles, net	184,119	173,112	200,636	175,370	175,210	181,517	150,395
Asbestos insurance asset, including current portion	353,585	385,020	374,351	389,449	304,015	305,228	297,106
Total assets	\$ 1,038,887	\$ 1,004,205	1,022,077	1,006,301	907,550	899,522	792,018
Asbestos liability, including current portion	413,335	438,637	429,651	443,769	357,258	376,233	388,920
Total debt, including current portion (2)	75,000	85,000	82,500	91,485	97,121	206,493	188,720

(1) Includes net loss from discontinued operations of \$1.4 million in the year ended December 31, 2006.

(2) See Note 12 to our Consolidated Financial Statements for information regarding the refinancing of our debt in conjunction with our initial public offering in May 2008.

We completed the acquisitions of Baric Group in 2010, PD-Technik in 2009 and Fairmount and LSC in 2007. See Note 4 to our Consolidated Financial Statements for further information.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF CHARTER

(in £ millions, except per share information)

The following tables set forth Charter's selected financial information. The selected consolidated financial data as of December 31, 2010 and 2009 and for the three years ended December 31, 2010, 2009 and 2008 is derived from Charter's audited consolidated financial statements included elsewhere in this proxy statement. The summary consolidated financial data as of September 30, 2011 and for the nine months ended September 30, 2010 and 2011 have been derived from Charter's unaudited condensed consolidated interim financial statements included elsewhere in this proxy statement. The audited and unaudited consolidated financial statements included elsewhere in this proxy statement have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. The financial data as of and for the year ended December 31, 2007 and 2006 and as of September 30, 2010 and December 31, 2008, 2007, and 2006, which has been prepared in accordance with IFRS, is derived from Charter's publicly available financial information and is not included in the audited and unaudited consolidated financial statements that are included elsewhere in this proxy statement.

	Nine months ended September 30,		Year ended December 31,					
	2011	2010	2010	2009	2008	2007	2006	
	(unaudited)	(unaudited)						
Statement of Operations Data								
Revenue	1,444.2	1,255.6	1,719.6	1,659.2	1,887.0	1,451.1	1,257.9	
Cost of sales	(1,034.7)	(874.2)	(1,188.5)	(1,206.5)	(1,353.2)	(1,014.5)	(870.6)	
Gross profit	409.5	381.4	531.1	452.7	533.8	436.6	387.3	
Selling and distribution costs	(178.4)	(152.3)	(206.3)	(191.6)	(182.7)	(138.7)	(125.0)	
Administrative expenses	(195.1)	(134.9)	(186.4)	(165.1)	(150.1)	(124.6)	(117.7)	
Operating profit	36.0	94.2	138.4	96.0	201.0	173.3	144.6	
Net financing credit (charge) / credit	(15.6)	(0.1)	1.9	(6.8)	(6.5)	1.6	(4.4)	
Share of post-tax profits of associates	3.2	2.8	3.8	3.5	3.2	3.2	5.8	
Profit before tax	23.6	96.9	144.1	92.7	197.7	178.1	146.0	
Taxation charge	(12.9)	(18.3)	(25.2)	(17.9)	(39.0)	(33.3)	(16.9)	
Profit for the period	10.7	78.6	118.9	74.8	158.7	144.8	129.1	
Earnings per share—basic	1.2 p	42.4 p	63.9 p	38.1 p	90.1 p	82.7 p	74.4 p	
Earnings per share — diluted	1.2 p	42.2 p	63.7 p	37.9 p	90.0 p	82.5 p	73.9 p	
	September 30, 2011	September 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006		
	(unaudited)							
Balance Sheet Data								
Cash and cash deposits	96.4	83.3	75.6	95.7	118.5	62.3		

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Intangible assets	219.6	149.2	139.1	133.4	80.2	48.7
Total assets	1,647.7	1,467.4	1,315.4	1,524.8	1,077.8	781.6
Current liabilities	597.9	511.1	486.3	655.7	461.6	337.9

	September 30, 2011	2010	December 31, 2010	2009	2008	2007	2006
Share capital							
Authorized: Number of ordinary shares of 2 pence each	300,000,000	300,000,000	300,000,000	300,000,000	230,000,000	230,000,000	230,000,000
Issued:							
Fully-paid shares	167,087,473	167,021,060	167,021,060	166,955,167	166,751,581	166,699,142	166,699,142
Dividends							
Dividends per share (pence)	8.0	p(2) 7.5	p(2) 23.0	p 21.5	p 21.0	p 12.0	p 0.0

(1) On October 22, 2008, Charter became the new ultimate holding company of Charter plc. The selected financial date of Charter prior to October 22, 2008 reflects the results and financial position of Charter plc.

(2) Reflects interim dividend for the six months ended June 30.

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following selected unaudited pro forma balance sheet data assumes that the Acquisition took place on September 30, 2011 and combines our September 30, 2011 Condensed Consolidated Balance Sheet with Charter's September 30, 2011 consolidated balance sheet. The selected unaudited pro forma financial data for the year ended December 31, 2010 and the nine months ended September 30, 2011 assumes that the Acquisition took place on January 1, 2010.

The information in the following table is based upon the historical financial statements of Colfax and Charter and on Charter's publicly available information and certain assumptions which we believe to be reasonable, which are described more fully in the section of this proxy statement entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information."

Charter's financial statements have historically been prepared in accordance with IFRS. The information presented below reflects certain adjustments to Charter's financial statements to align with our U.S. GAAP accounting policies. See the section of this proxy statement entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information" for further description of these adjustments.

The Unaudited Pro Forma Condensed Combined Financial Statements have been translated from pounds to U.S. dollars using the average historical exchange rate for the unaudited condensed combined statements of operations and the spot rate as of September 30, 2011 for the unaudited condensed combined balance sheet, as described in the section of this proxy statement entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information."

The following table should be read in connection with the section of this proxy statement entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information" and other information included in or incorporated by reference into this proxy statement.

The following pro forma financial information has been prepared for informational purposes only and is not necessarily indicative of what the Combined Group's financial position or results of operations actually would have been had the Acquisition been completed as of the dates indicated above. In addition, the information presented below does not purport to project the future financial position or operating results of the combined company. The following table should be relied on only for the limited purpose of presenting what the results of operations and financial position of the combined businesses of Colfax and Charter might have looked like had the Acquisition been consummated at an earlier date.

For the nine months For the year ended
ended September 30, 2011 December 31, 2010
Pro Forma Combined
(in millions, except percentages and share
data)

Statement of Operations Data		
Net sales	\$ 2,848	\$ 3,205
Cost of sales	1,971	2,193
Gross profit	877	1,012
Selling, general and administrative expenses	662	804
Research and development expenses	30	38
Restructuring and other related charges	48	26
Asbestos liability and defense costs	8	8
Asbestos coverage litigation expenses	8	13
Operating income	121	123
Interest expense	84	79
Provision for income taxes	11	9
Income from continuing operations	26	35
Net loss available to Colfax common shareholders(1)	\$ (3)	\$ (4)
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.04)

For the nine months
ended September 30, 2011
Pro Forma Combined
(in millions)

Balance Sheet Data	
Cash and cash equivalents	\$ 247
Goodwill and intangible assets, net	2,260
Asbestos insurance asset, including current portion	354
Total assets	5,418
Asbestos liability, including current portion	416
Total debt, including current portion	1,773

(1) Net loss available to Colfax common shareholders reflects \$14 million and \$19 million of net income attributable to noncontrolling interest and \$15 million and \$20 million of dividends on preferred stock for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively.

HISTORICAL AND PRO FORMA PER SHARE DATA

The table set forth below depicts the basic and diluted earnings per share, cash dividends declared per share and book value per share for (a) Colfax and Charter on a historical basis, (b) the combination of Colfax and Charter on a pro forma combined basis and (c) Charter's equivalent pro forma net income and book value per share attributable to 0.1241 of a share of Colfax Common Stock that would have been received for each Charter ordinary share exchanged in the Charter Acquisition, based on the average and ending exchange rates for the period. For a discussion regarding the basis of presentation, assumptions used and adjustments made in preparing the pro forma financial information presented in this proxy statement see the section entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information."

Charter's financial statements have historically been prepared in accordance with IFRS, which differs from U.S. GAAP. The pro forma financial information presented below reflects certain adjustments to Charter's financial statements to align with Colfax's U.S. GAAP accounting policies, see the section of this proxy statement entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information" for further description of these adjustments.

The following table should be read in connection with the section of this proxy statement entitled "Colfax Corporation Unaudited Pro Forma Condensed Combined Financial Information" and other information included in or incorporated by reference into this proxy statement. This information is unaudited and is presented for illustrative purposes only.

	As of and for the nine months ended September 30, 2011		As of and for the year ended December 31, 2010	
	Pro Forma Combined			
Colfax historical data:				
Earnings per share from continuing operations - basic and diluted	\$0.47		\$	0.37
Cash dividends declared per share	-			-
Book value per share	5.63			4.98
Charter historical data:				
Earnings per share from continuing operations:				
Basic	1.2	p	63.9	p
Diluted	1.2	p	63.7	p
Cash dividends declared per share	8.0	p	23.0	p
Book value per share	£3.20		£	3.81
Unaudited pro forma combined:				
Loss per share from continuing operations - basic and diluted	\$(0.03	)	\$	(0.04
Cash dividends declared per share	-			-
Book value per share	19.63			n/a
Equivalent basis unaudited combined:				
Loss per share from continuing operations - basic and diluted	(1.92	)p	(6.19	)p
Cash dividends declared per share	-			-
Book value per share	£12.56			n/a

ADDITIONAL INFORMATION ABOUT CHARTER

Description of Charter's Business

Charter is the ultimate owner (through a number of intermediate holding companies) of two international engineering businesses, ESAB, which is focused on welding, cutting and automation, and Howden, which is focused on air and gas handling.

Charter's global sales of £1,719.6 million for the year ended December 31, 2010 were split as follows: Europe (34%), North America (20%), Asia (18%), South America (16%) and the rest of the world (12%).

The Charter group of companies can trace its history back to 1889, when The British South Africa Company was formed and takes its name from the Royal Charter granted by Queen Victoria to the company in that year. In 1965, Charter Consolidated was established by the merger of three mining, finance and investment companies, The British South Africa Company, The Central Mining & Investment Corporation Limited and The Consolidated Mines Selection Company Limited. The merged companies' assets were initially comprised mainly of mining investments and its strategy was to develop as a mining finance house actively engaged in mineral exploration and the development of mines throughout the world. From 1979, Charter Consolidated placed increased emphasis on the development of its British based industrial operations, resulting in the disposal of investments in South Africa and other countries outside Europe, and the acquisition of investment interests in Europe, including a 28% interest in Johnson Matthey. Over the following years, Charter Consolidated made further acquisitions in the industrial field including in the mining equipment manufacture, open-cast coal mining and quarrying industries.

Charter plc was created in 1993 following a reconstruction of Charter Consolidated. On its creation, Charter plc held investments in a diverse range of companies spanning a variety of activities. A new strategy for Charter plc to focus on fewer but larger businesses was agreed by the then board. In 1994, Charter plc acquired ESAB, a world leader in welding and cutting, and subsequently, in 1997, Charter plc acquired Howden Group, an international applications engineering business.

Charter is listed on the London Stock Exchange.

On October 22, 2008, Charter, which is registered in Jersey and has its headquarters and tax residence in the Republic of Ireland, became the new ultimate holding company of Charter plc.

ESAB

ESAB is a leading international welding and cutting company. It formulates, develops, manufactures and supplies consumable products and equipment for use in the cutting and joining of steels, aluminum and metal alloys. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes. ESAB's welding and cutting equipment ranges from small retail uses to large bespoke equipment particularly in the energy and shipbuilding sectors.

ESAB's sales of £1,157.6 million for the year ended December 31, 2010 were split as follows: Europe (39%), South America (21%), North America (19%), Asia (15%), and the rest of the world (6%). In 2010, ESAB derived over 80% of its sales from welding consumables and equipment and the remainder from cutting and automation solutions.

ESAB's manufacturing facilities are located predominantly in low cost locations, in particular in Central and Eastern Europe, South America and Asia.

Howden

Howden is an international applications engineering business. Howden designs, manufactures, installs and maintains air and gas handling equipment for use in the power, oil and gas, petrochemical and other industries.

Howden's principal products are fans, heat exchangers and compressors. The fans and heat exchangers are used mainly in the generation of electricity by coal-fired power stations, both in combustion and the control of emissions, and other large scale industrial plant. Howden's compressors are mainly used in the oil, gas and petrochemical industries.

Howden's sales of £562.0 million for the year ended December 31, 2010 were split as follows: Asia (25%), Europe (23%), North America (22%), South America (7%), and the rest of the world (23%). In 2010 aftermarket accounted for over one third of revenue.

Markets

ESAB's products may be used wherever steel and other metals are being cut and joined together. Its principal end-user segments are:

- Energy
- Vehicles
- Construction
- General industrial

Howden's products are used to move air and gas through large scale industrial plant and, to a lesser extent, to provide ventilation. Its principal end-user segments are:

- Electricity generation (coal-fired)
- Oil, gas and petrochemical
- Mining
- Iron and steel
- Tunnel ventilation

Facilities

ESAB's principal manufacturing sites are located in:

- Asia: China, India, Indonesia and Singapore
- Europe: Bulgaria, Czech Republic, Germany, Hungary, Italy, Poland, Russia and Sweden
 - North America: Mexico and U.S.
 - South America: Argentina and Brazil

Additionally, ESAB currently has its global research and development center in Gothenburg, Sweden.

Howden's principal manufacturing and engineering sites are located in:

- Asia: China
- Europe: Denmark, France, Germany, The Netherlands, Northern Ireland, Scotland and Spain
 - North America: Mexico and U.S.
 - Other: Australia, Brazil and South Africa

Charter's ordinary stock is traded on the LSE under the symbol "CHTR".

Charter's principal executive offices are located at 27 Northwood House, Northwood Park, Santry, Dublin, Co. Dublin 9, Ireland, and Charter's telephone number is +353 1 842 7190. Charter's Internet address is www.charter.ie. The information contained on Charter's website is not part of this proxy statement.

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

The following discussion and analysis are based principally on the audited consolidated financial statements of Charter as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, and the unaudited consolidated financial statements of Charter as of September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010, which appear elsewhere in this proxy statement. The discussion and analysis should also be read in conjunction with the "Selected Unaudited Pro Forma Condensed Combined Financial Data", "Pro Forma Information", "Risk Factors" and the financial statements and related notes included in this proxy statement.

The following discussion includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause the actual results of Charter to differ materially from those expressed or implied by the forward-looking statements relating to Charter. For a discussion of important factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Cautionary Statement Concerning Forward-Looking Statements."

The audited consolidated financial statements of Charter as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, and Charter's unaudited consolidated financial statements as of September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The financial information and related discussion and analysis contained in this section are presented in pounds sterling except as otherwise specified. References contained in this section to "R\$" refer to the Brazilian real.

Overview of Charter

Charter International plc ("Charter") is the ultimate owner (through a number of intermediate holding companies) of two international engineering businesses, ESAB, which is focused on welding, cutting and automation, and Howden, which is focused on air and gas handling. On October 22, 2008, Charter, which is registered in Jersey and has its headquarters and tax residence in the Republic of Ireland, became the new ultimate holding company of Charter plc. Charter is listed on the London Stock Exchange.

Charter's global sales (£1,719.6 million in 2010) are split broadly equally between the developed economies of Western Europe and North America, and the higher growth economies of Central and Eastern Europe, Asia and South America. In 2010, Charter's sales represented by destination were as follows: Europe (34%), North America (20%), Asia (18%), South America (16%) and the rest of the world (12%).

The Charter group of companies can trace its history back to 1889, when The British South Africa Company was formed and takes its name from the Royal Charter granted by Queen Victoria to the company in that year. In 1965, Charter Consolidated was established by the merger of three mining, finance and investment companies, The British South Africa Company, The Central Mining & Investment Corporation Limited and The Consolidated Mines Selection Company Limited. Charter plc was created in 1993 following a reconstruction of Charter Consolidated. In 1994, Charter plc acquired ESAB, a world leader in welding and cutting, and subsequently, in 1997, Charter plc acquired Howden Group, an international applications engineer.

Key parts of Charter's strategy have been to build upon the strong market positions both ESAB and Howden have achieved, which are based on brand, technology and customer service. Geographical coverage has been expanded, particularly in high growth regions, including building upon Charter's presence in the BRIC economies.

Charter's strategy has included making acquisitions, especially when they bring a presence in a region or technology that would take time and expense to build organically and provided they generate sufficient risk-weighted return. In the period under review, capital expenditure has been maintained at levels in excess of depreciation and investment in research and development of its employees has taken place. Throughout the period under review, a strong balance sheet has helped to ensure that the necessary financial resources have been available in pursuit of these goals.

ESAB

ESAB is a leading international welding and cutting company. It formulates, develops, manufactures and supplies consumable products and equipment for use in the cutting and joining of steels, aluminum and metal alloys. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes. ESAB's welding equipment ranges from small retail uses to large equipment in the energy and shipbuilding sectors.

ESAB's manufacturing facilities are located predominantly in low cost locations, in particular in Central and Eastern Europe, South America and Asia. ESAB has invested in capacity in China to meet the needs of domestic customers as well as supplying other parts of the world. Charter expects further growth to come through ESAB increasing its sales of welding consumables, particularly in emerging economies.

Howden

Howden is an international applications engineering business. Howden designs, manufactures, installs and maintains air and gas handling equipment for use in the power, oil and gas, petrochemical and other industries.

Howden's core products include centrifugal and axial fans, heat exchangers and compressors. Howden's fans and heaters are integral parts of the coal-fired boiler and emission control systems used by the power industry. Howden also makes significant sales to the oil, gas and petrochemical industry, to which, following its acquisition in March 2011 of Thomassen Compression Systems BV, it is now a leading supplier of hydrogen compression solutions. Howden also makes significant sales to customers in the mining, iron and steel and other process industries.

As Howden has increasingly concentrated on the higher value-added parts of its activities, the manufacture of non-performance critical components has increasingly been outsourced to sub-contractors in low cost locations. Howden's strategy targets increased sales to the power and oil and gas industries, where Howden has an established presence and where Charter expects the long term dynamics to remain positive, and to other industries where Howden's applications engineering expertise offers significant opportunities. Charter expects aftermarket sales opportunities to increase as the installed base increases.

Results of Operations

Non-GAAP Measures

The Board of Directors of Charter believes that adjusted operating profit, as defined below, is a key performance measure, and is useful to investors as it excludes items which do not impact the day-to-day operations and which management in some cases does not directly control or influence, and therefore provides users with a better understanding of the underlying business performance. The Board of Directors of Charter uses adjusted operating profit to measure performance of revenue net of increases in the cost of employees, goods and other services, excluding the impact of items which are unusual or do not regularly occur. Adjusted operating profit is defined as operating profit before acquisition costs, amortization and impairment of acquired intangibles and goodwill, and exceptional items. The Board of Directors of Charter also analyzes adjusted operating margin, which is calculated as adjusted operating profit divided by revenue. Adjusted operating profit and adjusted operating margin are not defined terms under IFRS and therefore do not purport to be substitutes for profit, operating profit or operating profit margin as a measure of operating performance or for cash flows from operating activities as a measure of liquidity. Adjusted operating profit and adjusted operating margin may not be comparable to similarly titled measures used by other companies. Users of the financial statements should not consider these performance measures, in isolation from, or as substitute analyses for, Charter's results of operations, operating performance or liquidity. Reconciliations of adjusted operating profit to operating profit are shown in the tables below for the periods presented.

Items Affecting Comparability

Charter has made business acquisitions during the periods presented that impact the comparability of the audited consolidated financial statements and unaudited consolidated interim financial statements. In the nine months ended September 30, 2011, Charter made three business acquisitions:

- On March 3, 2011, ESAB acquired 100% of the issued share capital of LLC Sychevsky Electroodny Zavod (“Sychevsky”), a leading Russian electrode manufacturer based in the Smolensk region for a cash consideration of \$19.2 million (approximately £11.8 million). The acquisition costs of £0.2 million have been expensed. The revenue and profit after tax of Sychevsky for the nine months ended September 30, 2011 were £8.7 million and £1.3 million respectively of which £1.6 million and £0.2 million respectively were for the period prior to acquisition.
- On March 28, 2011, Howden acquired 100% of the issued share capital of Thomassen Compression Systems BV (“Thomassen”), a leading supplier of high-power engineered compressors to the oil and gas and petrochemical industries, for a cash consideration of €100 million (approximately £88.1 million). The acquisition costs of £0.8 million have been expensed. The revenue and profit after tax (including the amortisation of acquired intangibles) of Thomassen for the nine months ended September 30, 2011 were £73.0 million and £6.0 million respectively of which £28.3 million and £4.4 million respectively were for the period prior to acquisition.
- On July 1, 2011, ESAB acquired a 60% shareholding in Condor Equipamentos Industriais Ltda (“Condor”), a leading Brazilian manufacturer of gas apparatus used in welding applications, for cash consideration of R\$25.2 million (approximately £10.0 million). Approximately R\$7.5 million (approximately £3.0 million) was paid on completion with the remaining balance of approximately R\$17.7 million (approximately £7.0 million) being payable in January 2012. The acquisition costs of £0.4 million have been expensed. The revenue and profit after tax of Condor for the nine months ended September 30, 2011 were £6.4 million and £0.4 million respectively of which £4.1 million and £0.2 million respectively were for the period prior to acquisition.

Since the results of these acquisitions were included in Charter’s consolidated financial information subsequent to closing, the results of the consolidated group for these periods are less comparable to prior periods.

Nine months ended September 30, 2011 and September 30, 2010

The table below presents the results of Charter for the periods indicated.

	Nine Months Ended	
	September 30, 2011 (unaudited)	September 30, 2010
	(In millions except per share amounts)	
Revenue	£ 1,444.2	£ 1,255.6
Cost of sales	(1,034.7)	(874.2)
Gross profit	409.5	381.4
Selling and distribution costs	(178.4)	(152.3)
Administrative expenses	(195.1)	(134.9)
Operating profit	36.0	94.2
Analyzed as:		
Adjusted operating profit	110.0	99.5
Acquisition costs	(1.8)	(0.1)

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Amortization and impairment of acquired intangibles and goodwill	(23.8)	(4.5)		
Exceptional items				
- restructuring	(25.2)	(9.1)		
- post retirement benefits	6.2	8.4		
- disposal of business	0.5	-		
- advisor fees and associated costs and expenses relating to the Acquisition	(29.9)	-		
	36.0	94.2		
Net financing charge – retirement benefit obligations	(1.1)	(3.2)		
Other financing charge before exchange losses on retranslation of intercompany loan balances	(6.0)	(3.5)		
Other financing income before exchange gains on retranslation of intercompany loan balances	2.4	2.4		
Net exchange gains on retranslation of intercompany loan balances	(10.9)	4.2		
Net financing charge	(15.6)	(0.1)		
Share of post tax profits of associates	3.2	2.8		
Profit before tax	23.6	96.9		
Taxation charge	(12.9)	(18.3)		
Analyzed as:				
Taxation charge on profits	(18.6)	(18.2)		
Taxation on exceptional items and acquisition costs	3.3	(1.6)		
Taxation on amortization and impairment of acquired intangibles and goodwill	1.1	1.0		
Taxation on net finance charge – retirement benefit obligations	0.3	0.7		
Taxation on retranslation of intercompany loan balances	1.0	(0.2)		
	(12.9)	(18.3)		
Profit for the period	10.7	78.6		
Attributable to:				
Equity shareholders	2.0	70.7		
Non-controlling interests	8.7	7.9		
	10.7	78.6		
Earnings per share				
Basic	1.2	p	42.4	p
Adjusted	48.5	p	44.9	p
Dividend per share	8.0	p*	7.5	p*

* Interim dividend for the six months ended June 30.

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010

Charter's revenue for the first three quarters of 2011 increased by 15.0% to £1,444.2 million (2010: £1,255.6 million). The increase was due to higher revenue in both ESAB and Howden. ESAB saw improved revenue, as volumes of both welding consumables and standard equipment increased. ESAB's adjusted operating profit was slightly lower than the profit achieved in the first three quarters of 2010. For Howden, revenue, operating profit and operating margin were all ahead of the same period in 2010. Factors affecting the financial performance of ESAB and Howden are further discussed within the respective sections for ESAB and Howden set out below.

Charter's gross profit for the first three quarters of 2011 increased by 7.4% to £409.5 million (2010: £381.4 million). The increase was due to higher gross profit in both ESAB and Howden.

The operating profit for the first three quarters of 2011 was £36.0 million, a decrease of 61.8% over the first three quarters of 2010 (2010: £94.2 million), principally due to higher amortization and impairment of acquired intangibles and goodwill, restructuring costs (mainly attributable to ESAB) and advisor fees and associated costs and expenses relating to the Acquisition.

Adjusted operating profit was £110.0 million, an increase of 10.6% over the first three quarters of 2010 (2010: £99.5 million), due to an increased adjusted operating profit at Howden (adjusted operating profit at ESAB was below the same period last year).

The share of post tax profits of associates was slightly ahead at £3.2 million (2010: £2.8 million) due to higher profits in ESAB SeAH.

Profit before tax was £23.6 million, a decrease of 75.6% (2010: £96.9 million), due to a lower operating profit in ESAB, advisor fees and associated costs and expenses relating to the Acquisition and a higher net financing charge (principally due to losses on the re-translation of intercompany loan balances), partly offset by a higher operating profit in Howden.

The tax on profits was £18.6 million (2010: £18.2 million). The effective tax rate for the period was 54.7%, compared with a rate of 18.9% for the first nine months of 2010, as certain items charged against profit before tax in the first nine months of 2011 are not expected to be tax deductible.

The profit attributable to equity shareholders was £2.0 million (2010: £70.7 million), a decrease of 97.2%. The decrease was due to a fall in profit before tax, which was due to lower operating profit in ESAB, advisor fees and associated costs and expenses relating to the Acquisition and a higher net financing charge, partly offset by higher operating profit in Howden.

Three years ended December 31, 2010, 2009 and 2008

The table below presents the results of Charter for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
	(In millions, except per share amounts)		
Revenue	£ 1,719.6	£ 1,659.2	£ 1,887.0
Cost of sales	(1,188.5)	(1,206.5)	(1,353.2)
Gross Profit	531.1	452.7	533.8
Selling and distribution costs	(206.3)	(191.6)	(182.7)
Administrative expenses	(186.4)	(165.1)	(150.1)
Operating profit	138.4	96.0	201.0
Analyzed as:			
Adjusted operating profit	145.9	125.6	211.2
Acquisition costs	(0.2)	(0.3)	-
Amortization and impairment of acquired intangibles and goodwill	(5.8)	(2.5)	(1.9)
Exceptional items — restructuring	(9.9)	(26.3)	(6.2)
— loss on disposal of business	-	(0.5)	-
— post retirement benefits curtailment gain	8.4	-	-
— change in holding company	-	-	(2.1)
	138.4	96.0	201.0
Net financing charge – retirement benefit obligations	(4.1)	(7.7)	(0.7)
Other financing charge before losses on retranslation of intercompany loan balances	(5.0)	(7.6)	(6.8)
Other financing charge before gains on retranslation of intercompany loan balances	3.5	4.5	5.6
Net gains/(losses) on retranslation of intercompany loan balances	7.5	4.0	(4.6)
Net financing credit/(charge)	1.9	(6.8)	(6.5)
Share of post tax profits of associates and joint ventures	3.8	3.5	3.2
Profit before tax	144.1	92.7	197.7
Taxation charge	(25.2)	(17.9)	(39.0)
Analyzed as:			
Taxation charge on profits	(25.3)	(22.7)	(38.5)
Taxation on exceptional items and acquisition costs	(1.5)	4.2	1.5
Taxation on amortization and impairment of acquired intangibles and goodwill	1.2	0.7	0.4
Taxation on net financing charge – retirement benefit obligations	0.9	1.1	-
Taxation on retranslation of intercompany loan balances	(0.5)	(1.2)	(2.4)
	(25.2)	(17.9)	(39.0)
Profit for the year	118.9	74.8	158.7
Attributable to:			
Equity shareholders	106.6	63.5	150.2
Non-controlling interests	12.3	11.3	8.5
	118.9	74.8	158.7
Earnings per share			
Basic	63.9	p 38.1	p 90.1
Adjusted	66.1	p 55.0	p 99.2
Dividend per share	23.0	p 21.5	p 21.0

Twelve months ended December 31, 2010 compared to twelve months ended December 31, 2009

Charter's results for 2010 were an improvement over 2009, with revenue, adjusted operating profit and adjusted earnings per share all increasing. These results were achieved against an economic backdrop that was better than experienced in 2009 but which remained varied with some regions and end-user segments continuing to be weak.

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In 2010 Charter generated sales of £1,719.6 million (2009: £1,659.2 million), an increase of 3.6%. The increase was due to higher revenue in ESAB, partly offset by lower revenue in Howden from sales of new equipment. Factors affecting the financial performance of ESAB and Howden are further discussed within the respective sections for ESAB and Howden set out below.

Charter's gross profit for 2010 increased by 17.3% to £531.1 million (2009: £452.7 million). The increase was primarily due to higher gross profit in ESAB.

The operating profit was £138.4 million, an increase of 44.2% over 2009 (2009: £96.0 million). Adjusted operating profit was £145.9 million (2009: £125.6 million), an increase of 16.2%. Operating profit and adjusted operating profit increased, as ESAB recovered from the generally difficult trading conditions which it encountered in 2009, whilst Howden's operating profit fell slightly. Charter's operating profit was also impacted by restructuring costs in ESAB.

The net financing credit of £1.9 million (2009: net charge of £6.8 million) reflected net gains on the retranslation of intercompany loan balances, partly offset by other net financing charges.

The share of post tax profits of associates was £3.8 million (2009: £3.5 million). The increase was due to higher profit in ESAB SeAH.

Profit before tax was £144.1 million, an increase of 55.4% (2009: £92.7 million). The increase was due to ESAB recovering from the generally difficult trading conditions which it encountered in 2009, whilst Howden's profit fell slightly. Charter's profit before tax was also impacted by restructuring costs in ESAB reflecting the items discussed above.

The tax on profits was £25.3 million (2009: £22.7 million). The effective tax rate for the period was 17.5%, compared with a rate of 19.3% for 2009. The effective tax rate reflected that a significant part of total profit was generated in low tax areas.

The profit attributable to equity shareholders was £106.6 million (2009: £63.5 million), an increase of 67.9%. The increase was due to higher profit before tax.

Twelve months ended December 31, 2009 compared to twelve months ended December 31, 2008

In 2009, revenue was £1,659.2 million (2008: £1,887.0 million) and gross profit was £452.7 million (2008: £533.8 million), a decrease of 12.1% and 15.2%, respectively.

The operating profit was £96.0 million, a decrease of 52.2% from 2008 (2008: £201.0 million).

In 2009, as the engineering and manufacturing sectors contracted at steep rates in Western Europe and North America in particular, ESAB's revenue and operating profit decreased compared with 2008. In an uncertain economic climate, forward visibility was clouded but the overall result for the year was in line with the revised forecasts that were prepared by ESAB during the second quarter of the year.

During the year, Howden successfully executed the strong order book with which it started the year, booked new orders and continued to grow its aftermarket business. As a result, it achieved an operating profit which was broadly in line with the budget set by the Board of Directors of Charter at the start of the year.

Factors affecting the financial performance of ESAB and Howden are further discussed within the respective sections for ESAB and Howden set out below.

The net financing charge of £6.8 million (2008: net charge of £6.5 million) reflected increased financing charges due to retirement benefit obligations and other items, partly offset by net gains on retranslation of intercompany loan balances.

The share of post tax profits of associates increased slightly to £3.5 million (2008: £3.2 million) due to higher profits in ESAB SeAH.

Profit before tax was £92.7 million, a decrease of 53.1% (2008: £197.7 million). The decrease was due to lower operating profit in ESAB and restructuring costs which primarily were within ESAB.

The tax on profits was £22.7 million (2008: £38.5 million). The decrease was due to lower profit before tax.

The profit attributable to equity shareholders was £63.5 million (2008: £150.2 million), a decrease of 57.7%. The decrease was due to lower profit before tax.

ESAB

Nine months ended September 30, 2011 and September 30, 2010

The table below presents a summary of ESAB's performance for the periods indicated.

ESAB records revenue in two segments, being welding (comprising consumables and standard equipment) and cutting and automation.

	Nine Months Ended			
	September 30, 2011		September 30, 2010	
	(In millions)			
Welding	£	876.7	£	752.8
Cutting and automation		122.8		94.8
Revenue		999.5		847.6
Welding		66.2		72.3
Cutting and automation		(3.0)		(3.4)
Adjusted operating profit		63.2		68.9
Operating profit		17.3		64.7
Share of profits of associates (post tax)		3.3		2.8
Operating margin		1.7 %		7.6 %
Adjusted operating margin:				
Welding		7.6 %		9.6 %
Cutting and automation		(2.4)%		(3.6)%
Overall		6.3 %		8.1 %
ESAB: revenue by destination				
Europe		397.9		319.8
North America		190.0		162.4
South America		195.8		179.3
Asia		153.6		132.2
Rest of world		62.2		53.9
Total		999.5		847.6

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010

ESAB generated revenues of £999.5 million during the nine months ended September 30, 2011 (2010: £847.6 million), an increase of 17.9%. This increase was a result of higher volumes of welding consumables which was seen in all regions in which ESAB operates. The increases in volume were weighted toward welding wire products, reflecting the stronger recovery seen among sectors which use this product. The increase in revenue also reflected price rises of welding consumables as higher steel prices were passed on to customers. Revenue also increased due to

higher volumes of standard equipment as there was a continuing recovery among end-users and as customers responded well to ESAB's new product range.

Adjusted operating profit decreased by 8.3% to £63.2 million (2010: £68.9 million). This decrease was primarily a result of lower adjusted operating profit in the European welding business, which in part reflected additional costs incurred as ESAB adopted a new distribution network, and higher overheads. The loss generated by the cutting and automation remained similar to that incurred in 2010 as trading in the division generally remained subdued. Adjusted operating margin of 6.3% was below the margin of 8.1% achieved in the first three quarters of 2010. The lower adjusted operating margin particularly reflected conditions in Europe with adverse mix and weakening demand for higher margin products, and also higher overheads.

Within the cutting and automation division, the poor adjusted operating margin in the cutting business was primarily due to investment in a new range of machines and continuing price competition.

Years ended December 31, 2010, 2009 and 2008

The table below presents a summary of ESAB's performance for the periods indicated.

	Year Ended December 31,					
	2010		2009		2008	
	(In millions)					
Welding	£ 1,015.4		£ 846.7		£ 1,042.2	
Cutting and automation	142.2		184.7		217.6	
Revenue	1,157.6		1,031.4		1,259.8	
Welding	89.7		55.6		123.4	
Cutting and automation	(0.4)		10.4		26.6	
Adjusted operating profit	89.3		66.0		150.0	
Operating profit	84.8		39.7		142.4	
Share of profits of associates (post tax)	4.0		3.5		3.1	
Operating margin	7.3	%	3.8	%	11.3	%
Adjusted operating margin	7.7	%	6.4	%	11.9	%
Capital expenditure	44.4		45.3		54.0	
Depreciation	22.3		20.1		16.2	
Research and development expenditure	18.8		15.5		12.1	
Average number of employees	8,479		8,581		9,372	
ESAB: revenue by destination						
Europe	444.6		424.6		594.7	
North America	222.3		218.6		238.6	
South America	242.3		171.9		198.0	
Rest of world	248.4		216.3		228.5	
Total	1,157.6		1,031.4		1,259.8	

Twelve months ended December 31, 2010 compared to twelve months ended December 31, 2009

Overview of performance

In 2010, ESAB saw much improved revenue, adjusted operating profit and adjusted operating margin, although its overall performance was held back as the welding segment recorded lower margins in the second half of the year due to seasonal factors, adverse changes in mix (as the rate of volume increases in lower margin welding wire products exceeded those in higher margin electrodes) and, in certain instances (mainly in Europe), increases in steel prices were not fully recovered through higher selling prices. In addition, as anticipated, the cutting and automation segment made an operating loss for the year as a whole, reflecting much reduced demand for these types of equipment, and only returned to profit in the second half as the restructuring measures started to deliver cost savings and as aftermarket revenues increased.

In 2010, ESAB recorded sales of £1,157.6 million (2009: £1,031.4 million), an increase of 12.2%, and adjusted operating profit of £89.3 million (2009: £66.0 million), an increase of 35.3%. The operating margin improved to 7.3% (2009: 3.8%). ESAB's results were up on 2009, as the business benefited from an improved trading environment as the global economy recovered from recession (although the recovery was more evident in some regions and end-user segments than others), and as the business benefited from recently-implemented restructuring measures.

ESAB's adjusted operating margin for the year increased to 7.7% (2009: 6.4%), which reflected the benefit of higher volumes of welding consumables and standard equipment sold during the year. The increase in welding consumables volumes was driven by increased volumes of solid welding wire as ESAB increased its market share in the vehicle segment. Standard equipment volumes benefited generally from higher levels of steel consumption, and also from a new range of equipment introduced during the year. The improvement in adjusted operating margin in the first half of the year was not maintained in the second half, due to usual seasonal factors, adverse changes in mix and, in certain

instances mainly in Europe, increases in steel prices not being fully recovered through higher selling prices.

The total volumes of welding consumables sold during the year were 465k-tonnes (2009: 405k-tonnes), an increase of 15%. Within this, volumes of solid welding wire increased by 30% as ESAB increased its market share in the recovering vehicle segment.

By comparison, the volume of electrodes, which are a higher margin product, only grew by 7%. This was as a consequence of certain important users of electrodes, such as the general industrial and construction sectors, being less strong. In most European markets, electrode volumes were static or showed only modest growth. Those regions in which electrodes did show higher growth were generally emerging markets where selling prices and in some cases margins, are lower.

ESAB was able to deliver higher volumes of welding wire in 2010 by re-commissioning certain equipment capacity that had been taken out of service during the recession, and by making selective additions to capacity where necessary to alleviate potential shortages. ESAB also out-sourced the production of certain types of welding wire in 2010.

Revenue from sales of standard equipment increased by 28% in 2010 as volumes benefited from higher levels of steel consumption, and also from a new range of equipment introduced during the year. There was a particularly strong performance in South America, with other regions, including Europe and North America, starting to show improvement as the year progressed.

ESAB's overall profitability was also constrained by the cutting and automation segment, which suffered from low new equipment sales during the year, as traditional customers, such as shipbuilding, remained depressed and as the wind energy industry, which had been an important customer of the automation business in 2009, faced increased uncertainty. Having recorded a loss in the first half of the year the segment's financial performance improved during the second half, as the restructuring measures completed during the year delivered cost savings and as aftermarket revenues increased and, as anticipated, by the year-end the segment had returned to profitability.

Regional Markets

Europe

In 2010, ESAB's revenue in Europe was £444.6 million (2009: £424.6 million), an increase of 4.7% (an increase of 5.3% at constant foreign exchange).

Europe saw an improvement in consumables volumes, although this was weighted towards lower margin welding wires which reflected the recovery in the vehicle segment, with volumes of electrodes in most European markets being static or showing only modest growth. Volumes of standard equipment started to show improvement as 2010 progressed, reflecting the recovery in steel consumption. ESAB continued to expand its presence in Russia, where revenue increased to £72 million, with continued focus on the energy industry.

North America

In 2010, ESAB's revenue in North America was £222.3 million (2009: £218.6 million), an increase of 1.7% (a decrease of 1.5% at constant foreign exchange).

ESAB saw volume growth in consumables weighted towards welding wires and a pick-up in standard equipment volumes later in the year, in each case reflecting a recovery in general economic conditions.

South America

In 2010, ESAB's revenue in South America was £242.3 million (2009: £171.9 million), an increase of 40.9% (an increase of 30.3% at constant foreign exchange).

ESAB saw a strong performance in South America, driven by Brazil where ESAB believes it is well established as a market leader. Growth was strong across welding consumables, and also standard equipment, reflecting general strength in the Brazilian economy. The region's result also benefited from currency translation.

Rest of world

In 2010, ESAB's revenue in the rest of the world was £248.4 million (2009: £216.3 million), an increase of 14.8% (an increase of 10.8% at constant foreign exchange).

ESAB India saw a strong performance, with revenue up by 26%. ESAB made progress in the Middle East, where sales to the energy and construction industries are important. In China, ESAB continued to develop its presence

through locally manufactured and imported product.

Associated undertaking

ESAB owns 50% of ESAB SeAH Corporation, situated in South Korea. ESAB's share of the post-tax profits of that company increased to £4.0 million (2009: £3.5 million).

Twelve months ended December 31, 2009 compared to twelve months ended December 31, 2008

Overview of performance

In 2009, ESAB generated revenue of £1,031.4 million (2008: £1,259.8 million), a reduction of 18.1%. Of this reduction, 22.9% came from the welding business (consumables and standard equipment) and 4.8% from the cutting and automation businesses, whilst currency movements, in particular the weakening of sterling against the euro and the U.S. dollar, added 9.6%.

Operating profit was £39.7 million (2008: £142.4 million), a reduction of 72.1%. Adjusted operating profit was £66.0 million (2008: £150.0 million), a reduction of 56%. The operating margin and adjusted operating margin for the year were 3.8% and 6.4%, respectively (2008: 11.3% and 11.9%). The decreases were a result of the unprecedented declines in industrial production in the global economy which led to reductions in volumes sold of welding consumables and equipment, although the impact was offset by a series of measures undertaken to reduce costs.

Restructuring measures, which were progressively implemented from October 2008 onwards, reduced headcount by some 1,600 employees (equivalent to 17% of ESAB's workforce at October 2008) and saved in excess of £50 million and led to a restructuring charge for the year of £24 million.

Volumes of welding consumables for the year as a whole were down by around one-quarter compared with 2008. After a sharp reversal in the fourth quarter of 2008, volumes were generally stable in the first quarter of 2009. There were further general declines in volume during the second quarter, but thereafter volumes generally stabilized.

Whilst average net selling prices of consumables trended downwards during the year, generally reflecting the pass through of lower steel costs, ESAB's pro-active product and brand management enabled it to maintain premium pricing for its products in many markets in which it operates and on average for the year as a whole prices remained slightly ahead of 2008.

The strength of demand from different end-user segments varied with energy remaining reasonably strong throughout the year, automotive being very weak in the first half of the year but showing some signs of recovery in the second half, and shipbuilding, especially in Europe, declining markedly in the second half of the year. Volumes of standard equipment were generally weak throughout 2009, with revenues down by about 40% compared with 2008, in response to which manned capacity was cut by around one-half.

The cutting business had increased revenue in the first half of the year, albeit with lower margins, as a consequence of the order book with which it started the year. However, a significant deterioration in the market for cutting equipment led to sharply lower order intake and to a fall in revenue in the second half of 2009 which severely impacted profitability.

ESAB's overall margin performance slipped during the second quarter of 2009 as consumables volumes, especially in Europe, fell and there was some short-term weakness in pricing. In the second half of the year, margins recovered, led by the consumables business, but offset by the deterioration in the cutting business and, to a lesser extent, the extended Christmas shutdowns amongst customers in Europe and North America.

By the end of 2009, most regions in which ESAB operates appeared to have been through the bottom of the cycle, although the economies of some regions, such as Western and Southern Europe and the United States, continued to suffer varying degrees of weakness. Signs of recovery were patchy, with South America, India and Russia amongst the more positive regions.

Despite the steep declines in industrial production in the global economy, ESAB continued to invest in its business in 2009. Capital expenditure amounted to £45.3 million in 2009, slightly below the level seen in 2008 but still well ahead of depreciation; significant expenditure during the year took place in relation to selective re-equipping and additions to various factories, a new warehouse in the Middle East, land purchase and upgrades to IT systems. Research and development expenditure increased to £15.5 million (2008: £12.1 million), representing 1.5% of revenue.

Regional Markets

Revenue fell in all regions due to the impact of the global recession, although the full impact of these falls on ESAB's financial results was partly offset by exchange movements.

Europe

In 2009, ESAB's revenue in Europe was £424.6 million (2008: £594.7 million), a decrease of 28.6% (a decrease of 35.4% at constant foreign exchange).

Following sharp reductions in volumes in the fourth quarter of 2008, the first quarter of 2009 saw generally stable trading conditions albeit at levels appreciably below those of 2008. The second quarter saw further slippages in both the consumables and equipment businesses as industrial production in Europe continued to deteriorate, whilst ESAB's margins in 2009 were also impacted by short-term price discounting.

During the second half of 2009, overall trading conditions generally stabilized. Summer shutdowns were less severe than had been feared, and there were some tentative signs of recovery, for example in the automotive industry and in Russia, although generally these were patchy and the benefit of these was offset by certain industries, particularly shipbuilding, declining markedly. Year-end shutdowns amongst end-users were generally longer than usual.

Margins in the second half of 2009 showed some recovery, despite further deteriorations in the cutting business.

North America

In 2009, ESAB's revenue in North America was £218.6 million (2008: £238.6 million), a decrease of 8.4% (a decrease of 22.9% at constant foreign exchange).

The North American welding market moved into recession during 2008, ahead of Western Europe, and the further reductions in volumes of consumables and equipment seen during 2009 were less pronounced than in other regions. During this time, ESAB stayed profitable throughout the year, albeit at lower margins than in 2008. ESAB's performance benefited from its strong market positions in the energy and naval shipbuilding sectors, and the measures which it took to reduce headcount and other costs.

South America

In 2009, ESAB's revenue in South America was £171.9 million (2008: £198.0 million), a decrease of 13.2% (a decrease of 19.4% at constant foreign exchange).

After a relatively quiet start to 2009, trading performance improved in the second half of 2009, reflecting a recovery in the export sectors of the Brazilian economy in particular. Whilst volumes fell during the worldwide recession in 2009, overall percentage reductions were smaller than seen in Europe and North America.

Rest of world

In 2009, ESAB's revenue in the rest of the world was £216.3 million (2008: £228.5 million), a decrease of 5.3% (a decrease of 19.6% at constant foreign exchange).

During 2009, ESAB made progress towards its objective of increasing sales of welding consumables to domestic Chinese customers. Production was increased at the consumables factory in Weihai with the energy and shipbuilding

industries being targeted. Falling levels of demand in Europe and North America during the early part of the year meant that the amount of product exported by ESAB factories in China reduced considerably, although there were marked improvements later in the year.

During 2009, ESAB experienced mixed trading conditions in the Asia Pacific region, with a stronger performance in Indonesia, but less strong in Singapore, Malaysia and the Philippines.

ESAB India saw reduced revenues in 2009, as lower selling prices for its welding consumables more than offset modestly higher sales volumes. Margins were generally maintained.

There were mixed trading conditions in the Middle East during the year, reflecting continued investment in the energy industry but lower levels of activity in construction. ESAB's sales in Africa increased markedly, albeit from a low level, as increased management focus was given to this region.

Associated undertaking

ESAB owns 50% of ESAB SeAH Corporation, situated in South Korea. ESAB's share of the post-tax profits of that company increased to £3.5 million (2008: £3.1 million).

Howden

Nine months ended September 30, 2011 and September 30, 2010

The table below presents a summary of Howden's performance for the periods indicated.

Howden records revenue in two segments, being sales of new equipment and sales of aftermarket goods and services. Howden's order book represents confirmed orders which have yet to be fulfilled.

	Nine Months Ended			
	September 30, 2011	September 30, 2010		
	(In millions)			
New equipment	£267.5	£ 260.4		
Aftermarket	177.2	147.6		
Revenue	444.7	408.0		
Order book	604.2	437.9		
Operating profit	55.9	38.4		
Adjusted operating profit	54.8	39.5		
Share of post tax profits of associates	(0.1)	-		
Operating margin	12.6 %	9.4 %		
Adjusted operating margin	12.3 %	9.7 %		
Howden: revenue by destination				
Europe	106.1	100.7		
North America	83.4	95.5		
South America	30.1	24.4		
Asia	116.9	92.7		
Rest of world	108.2	94.7		
Total	444.7	408.0		

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010

Revenue, operating profit and operating margin in the first three quarters of 2011 were all ahead of the same period in 2010. The results in the first three quarters of 2011 included Thomassen Compression Systems which contributed revenue and profit after tax (including the amortization of acquired intangibles) of £44.7 million and £1.6 million respectively following its acquisition in March 2011.

For the nine months ended September 30, 2011, revenue was £444.7 million (2010: £408.0 million), an increase of 9.0%. Of this, new equipment revenue was £267.5 million (2010: £260.4 million), whilst aftermarket revenue increased to £177.2 million (2010: £147.6 million).

The increase in new equipment revenue was due to the acquisition of Thomassen. The increase in aftermarket revenue was in part due to the acquisition of Thomassen and in part due to increased revenue across the regions in which Howden operates, in particular the Southern Hemisphere and China.

Adjusted operating profit was £54.8 million (2010: £39.5 million), an increase of 38.7%. Howden's adjusted operating margin for the period was 12.3% compared to 9.7% for the same period in 2010, which principally reflected the higher share of aftermarket revenue, as a proportion of total revenue, and the benefits of continued strong contract execution.

As at September 30, 2011, Howden's order book amounted to £604.2 million, compared with £437.9 million at September 30, 2010 and with £423.8 million at December 31, 2010. This represents an increase of £180.4 million from January 1, 2011 (of which an immaterial amount was due to exchange movements), which reflected generally stronger order intake, as well as the acquisition of Thomassen.

Years ended December 31, 2010, 2009 and 2008

The table below presents a summary of Howden's performance for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
New equipment	£358.0	£438.6	£465.0
Aftermarket	204.0	189.2	162.2
Revenue	562.0	627.8	627.2
Order Book	423.8	441.1	499.3
Operating profit	64.8	68.5	73.1
Adjusted operating profit	67.8	71.5	73.6
Share of profits of associates (post tax)	(0.2)	-	0.1
Operating margin	11.5 %	10.9 %	11.7 %
Adjusted operating margin	12.1 %	11.4 %	11.7 %
Capital expenditure	18.0	18.7	14.2
Depreciation	6.6	5.9	4.6
Research and development expenditure	1.7	1.6	1.1
Average number of employees	3,783	3,819	3,856
Howden: revenue by destination			
Europe	130.4	171.1	165.3
North America	125.1	149.0	181.5
South America	39.3	31.7	30.3
Rest of world	267.2	276.0	250.1
Total	562.0	627.8	627.2

Twelve months ended December 31, 2010 compared to twelve months ended December 31, 2009

Overview of Performance

Howden achieved revenue and adjusted operating profit of £562.0 million and £67.8 million (2009: £627.8 million and £71.5 million), representing decreases of 10.5% and 5.2% respectively.

During 2010, the decline in Howden's revenue was due to lower sales of new equipment, which fell by 18% to £358 million, reflecting the lower order book at the start of the year. Aftermarket revenues increased by 8% to £204 million, and as such represented 36% of Howden's total revenue. There was a small impact on revenue from currency factors.

The adjusted operating margin was 12.1% (2009: 11.4%), an increase of 0.7 percentage points, which in part reflected the increased proportion of higher-margin aftermarket revenue.

Order book

As at December 31, 2010, the order book stood at £423.8 million (2009: £441.1 million), a decrease of 3.9% (6.4% at constant exchange rates) due to sales in the year exceeding net orders booked. As at December 31, 2010, customers in developed and emerging economies accounted for 40% and 60% respectively of the order book. The order book at December 31, 2010 included some £331 million for delivery in 2011 and £93 million for delivery in 2012 or beyond.

Net orders booked in the year were £533.6 million (2009: £502.6 million), an increase of 6.2% mainly reflecting the recovery in orders from customers in the power industry in China, and much higher levels of orders from India, reflecting Howden's enhanced market presence.

Regional markets

Europe

In 2010, Howden's revenue in Europe was £130.4 million (2009: £171.1 million), a decrease of 23.8% (a decrease of 21.5% at constant foreign exchange).

Revenue in Europe decreased as a consequence of lower sales of new equipment across most end-user segments. Aftermarket sales reflected the decision by certain electricity utilities to make less use of coal-fired power plants.

North America

In 2010, Howden's revenue in North America was £125.1 million (2009: £149.0 million), a decrease of 16.0% (a decrease of 16.2% at constant foreign exchange).

The decrease in revenue reflected continued uncertainty over government policy in the United States regarding the control of emissions from coal-fired electricity generation and other heavy industrial equipment and a generally weak industrial sector.

South America

In 2010, Howden's revenue in South America was £39.3 million (2009: £31.7 million), an increase of 24.0% (an increase of 14.6% at constant foreign exchange). The increase reflected Howden successfully building its presence in the region in terms of sales of fans and compressors.

Rest of world

In 2010, Howden's revenue in the rest of the world was £267.2 million (2009: £276.0 million), a decrease of 3.2% (a decrease of 9.5% at constant foreign exchange).

China remained one of Howden's most important markets. New equipment sales decreased, reflecting the relatively subdued order book at the start of the year but order intake improved as the year progressed. Aftermarket revenues continued to show strong growth, albeit from relatively low levels.

Howden enhanced its presence in India through a joint venture with Larsen & Toubro, which was established principally in order to supply fans for use in electricity generation.

In South Africa, where Howden Africa is a supplier to Eskom, the state-owned power utility, revenue showed further growth, assisted by sales to the mining industry.

Twelve months ended December 31, 2009 compared to twelve months ended December 31, 2008

Overview of Performance

Howden's revenue in 2009 was £627.8 million (2008: £627.2 million), representing a decrease of 12.9% at constant exchange rates. Operating profit was £68.5 million (2008: £73.1 million), a decrease of 6.3%. The operating margin was 10.9% (2008: 11.7%). The outstanding feature of the results was the growth in aftermarket revenues, which increased by 17% to £189.2 million, representing 30% of Howden's total revenues for the year. Revenue from new

equipment sales fell by 6%, with continued strength in the sales of Howden compressors partly offsetting weaker sales of fans to customers in the power, steel and cement industries.

Order book

The strength of Howden's order book at the start of the year meant that Howden's trading results in 2009 were comparatively unaffected by the difficult economic and financial conditions prevailing during the year. Total order cancellations during the year were £11 million, out of an order book of £499 million on January 1, 2009.

As at December 31, 2009, the order book stood at £441.1 million (2008: £499.3 million), a decrease of 11.7% (22.0% at constant exchange rates), spread broadly equally between Europe, China, North America and other emerging economies. The order book at December 31, 2009 included approximately £340 million for delivery in 2010 and £101 million for delivery in 2011 or beyond. Orders booked in 2009 were £513.6 million (2008: £659.0 million), a reduction of 23%.

Reduction in orders booked resulted from a marked weakening in the ordering of power generation and emission control equipment by customers in China and the United States due to economic and financial conditions and, specifically in the United States, uncertainty over energy policy and emission control legislation. Orders from customers in the metals and cement industries continued to be weak, reflecting the impact of the global recession on the steel and construction sectors. Orders for compressors from customers in the oil and gas industry remained strong.

Regional markets

Europe

In 2009, Howden's revenue in Europe was £171.1 million (2008: £165.3 million), an increase of 3.5% (a decrease of 4.2% at constant foreign exchange).

The increase in revenue in Europe reflected robust sales of Howden new equipment to customers in the power, oil and gas and other industrial sectors and also growth in revenues from aftermarket services. Howden continued to build a presence in the important Russian market with further orders being booked despite the difficult financial conditions in the Russian economy for much of the year.

North America

In 2009, Howden's revenue in North America was £149.0 million (2008: £181.5 million), a decrease of 17.9% (a decrease of 34.0% at constant foreign exchange). This reflected the strong order book with which Howden started the year, primarily for emission control equipment, but orders placed for shipment during the year were relatively weak. The aftermarket business made further progress.

South America

In 2009, Howden's revenue in South America was £31.7 million (2008: £30.3 million), an increase of 4.6% (a decrease of 1.0% at constant foreign exchange).

Following the acquisition in 2008 of Aeolus Indústria e Comércio Ltda, one of the region's designers and manufacturers of industrial fans, Howden took further steps to increase its presence in the South American market, including the construction of a new and much enhanced facility, completed in mid-2010, to enable an increased range of Howden products to be manufactured locally.

Revenue in 2009 also reflected the supply of new equipment to a major customer in the oil industry in Brazil.

Rest of world

In 2009, Howden's revenue in the rest of the world was £276.0 million (2008: £250.1 million), an increase of 10.4% (a decrease of 4.7% at constant foreign exchange).

Lower sales to customers in China primarily reflected reduced demand from the power industry as electricity usage contracted sharply towards the end of 2008 and in the early part of 2009. Howden's aftermarket revenues in China showed considerable growth, albeit from relatively modest levels, and the business remains on track to achieve its longer-term objectives.

Howden Africa achieved increased revenue driven by new equipment sales to the power and the mining sectors in South Africa. Aftermarket revenues also increased as Eskom accelerated programmes ahead of the 2010 FIFA World Cup.

Howden's sales of compressors in the Middle East benefited from continued high levels of investment in the oil and gas and petrochemical sectors. In recognition of its long-term potential of the region, Howden opened a sales office in Dubai.

Howden's presence in India continued to strengthen with a focus on the petrochemical and power industries.

In Australia, Howden performed well with the industries served generally avoiding the global economic downturn.

Liquidity and capital resources

Overview

Charter is predominantly financed by equity. Charter had net cash as at December 31, 2010 of £1.8 million and net debt at September 30, 2011 of £137.6 million. Net cash/(debt) represents cash at bank and in hand (including cash on deposit) less gross borrowings. The capital structure is kept under review to ensure that it is consistent with current and anticipated future funding needs.

Cash and Borrowings

The table below sets out the cash and cash equivalents and borrowing of Charter at September 30, 2011 and December 31, 2010, 2009 and 2008.

	September 30, 2011	2010	December 31, 2009	2008
	(In millions)			
Cash and cash equivalents				
Cash at bank and on hand	£90.2	£65.1	£65.5	£76.1
Short-term bank deposits	1.1	10.3	0.6	13.8
Bank deposits with original maturity of more than three months and balances held as cash collateral	5.1	7.9	9.5	5.8
Cash and cash equivalents in the balance sheet	96.4	83.3	75.6	95.7

	September 30, 2011	2010	December 31, 2009	2008
	(In millions)			
Borrowings				
Non-current				
Bank loans – secured	£3.5	£3.4	£4.2	£3.8
Bank loans – unsecured	203.8	29.0	-	2.3
Other loans – unsecured	-	0.2	0.4	0.4
Finance lease obligations	0.5	0.3	0.3	0.2
	207.8	32.9	4.9	6.7
Current				
Other bank loans – secured	0.1	-	0.9	-
Other bank loans – unsecured	7.1	33.4	5.0	8.2
Bank overdrafts – secured	-	0.2	0.2	1.0

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Bank overdrafts – unsecured	18.4	14.4	12.8	27.5
Finance lease obligations	0.6	0.6	0.9	0.5
	26.2	48.6	19.8	37.2
Total borrowings	234.0	81.5	24.7	43.9

Cash flows

The cash flow generated by Charter in the nine month periods ended September 30, 2011 and September 30, 2010 and for the years ended December 31, 2010, 2009 and 2008 are as follows:

	9 Months Ended		Year Ended December 31,		
	September 30, 2011	2010	2010	2009	2008
	(In millions)				
Cash flow					
Net cash flow from operating activities	£49.5	£3.9	£48.1	£125.0	£107.8
Net cash flow from investing activities	(144.4)	(46.7)	(58.6)	(63.7)	(107.0)
Net cash flow from financing activities	111.2	31.5	14.3	(63.9)	(32.2)
Currency variations on cash, cash equivalents and bank overdrafts	(4.3)	4.1	3.9	(5.7)	3.0
Net movements in cash, cash equivalents and bank overdrafts	12.0	(7.2)	7.7	(8.3)	(28.4)
Cash flow from debt and lease financing	(147.3)	(69.9)	(53.9)	4.4	(4.8)
(Decrease)/increase in cash on deposits	(3.5)	(2.6)	(2.3)	4.0	(0.8)
New finance leases	(0.5)	(0.1)	(0.4)	(1.3)	(0.4)
Movement in interest accrual	(0.2)	(0.1)	-	-	(0.1)
Currency variations on borrowings and cash deposits	0.1	-	(0.2)	0.3	(1.9)
Movement in net cash in the period	(139.4)	(79.9)	(49.1)	(0.9)	(36.4)

Net cash flow from operating activities

In the nine months ended September 30, 2011, Charter recorded a net cash inflow from operating activities of £49.5 million, compared to a net cash inflow of £3.9 million in the nine months ended September 30, 2010. This difference reflects the increase in operating profit and the net cash inflow from movements in working capital in 2011 compared to an outflow in 2010.

In the twelve months ended December 31, 2010, Charter recorded a net cash inflow from operating activities of £48.1 million, compared to a net cash inflow of £125.0 million in the twelve months ended December 31, 2009. This decrease principally reflects the absorption of cash into working capital (compared to a release of cash in 2009), partly offset by increased operating profit.

In the twelve months ended December 31, 2009, Charter recorded a net cash inflow from operating activities of £125.0 million, compared to a net cash inflow of £107.8 million in the twelve months ended December 31, 2008. This was due to a net release of cash from working capital in 2009 compared to an outflow in 2008, partly offset by a decrease in operating profit.

Net cash flow from investing activities

In the nine months ended September 30, 2011, Charter recorded a net cash outflow from investing activities of £144.4 million, compared to a net cash outflow of £46.7 million in the nine months ended September 30, 2010. The increase was mainly due to the acquisitions of Thomassen, Sychevsky and Condor (there were no material acquisitions in 2010).

In the twelve months ended December 31, 2010, Charter recorded a net cash outflow from investing activities of £58.6 million, compared to a net cash outflow of £63.7 million in the twelve months ended December 31, 2009. The decrease principally reflects lower capital expenditure.

In the twelve months ended December 31, 2009, Charter recorded a net cash outflow from investing activities of £63.7 million, compared to a net cash outflow of £107.0 million in the twelve months ended December 31, 2008. The decrease principally reflects lower cash outflows in respect of acquisitions.

Net cash flow from financing activities

In the nine months ended September 30, 2011, Charter recorded a net cash inflow from financing activities of £111.2 million, compared to a net cash inflow of £31.5 million in the nine months ended September 30, 2010. The increase primarily relates to the increase in long-term borrowings to fund the acquisitions of Thomassen, Sychevsky and Condor.

In the twelve months ended December 31, 2010, Charter recorded a net cash inflow from financing activities of £14.3 million, compared to a net cash outflow of £63.9 million in the twelve months ended December 31, 2009. This principally reflects the drawdown of additional cash under Charter's borrowing facilities, which took place because Charter's net cash flow from operating activities was insufficient to cover the net cash flow from investing activities, and the payment of dividends to Charter shareholders and minority interests.

In the twelve months ended December 31, 2009, Charter recorded a net cash outflow from financing activities of £63.9 million, compared to a net cash outflow of £32.2 million in the twelve months ended December 31, 2008. The increase principally reflects the drawdown of additional cash under Charter's borrowing facilities in 2008 (to fund a portion of the costs of acquisitions made in 2008) and the settlement of net investment hedges in 2009.

Movements in net cash

In the nine months ended September 30, 2011, Charter recorded a net cash outflow of £139.4 million compared to a net cash outflow of £79.9 million in the nine months ended September 30, 2010. This principally reflects the cash outflow of £97.0 million in respect of the acquisitions of Thomassen, Sychevsky and Condor (there were no material acquisitions in 2010), partly offset by increased net cash inflow from operating activities of £49.5 million (2010: £3.9 million).

In the twelve months ended December 31, 2010, Charter recorded a net cash outflow of £49.1 million compared to a net cash outflow of £0.9 million in the twelve months ended December 31, 2009. This primarily reflects a reduction in cash generated from operating activities as the recovery in ESAB's business led to absorption of cash into working capital.

In the twelve months ended December 31, 2009, Charter recorded a net cash outflow of £0.9 million compared to a net cash outflow of £36.4 million in the twelve months ended December 31, 2008. Cash generated from operations increased to £171.5 million (2008: £159.5 million) mainly due to a net working capital cash inflow of £50.7 million compared to an outflow of £55.7 million in 2008. Cash outflow in respect to acquisitions in 2009 was £2.6 million compared £39.4 million in 2008.

Contractual Obligations

Charter is party to various contracts and arrangements that obligate it to make cash payments in future years. These contracts include financing arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services.

The following table is a summary of Charter's contractual obligations as of December 31, 2010 (in £ millions):

	Total	Less than One Year	1-3 Years	3-5 Years	More than 5 Years
Long-Term Debt Obligations(1)	£84.2	£49.2	£33.1	£1.9	£-
Capital (Finance) Lease Obligations	0.9	0.6	0.3	-	-

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Operating Lease Obligations	46.3	14.3	15.7	6.0	10.3
Purchase Obligations(2)	24.8	12.3	12.5	-	-
Deferred Income Tax Liabilities(3)	38.4	7.4	-	-	31.0
Provisions for Other Liabilities and Charges(4)	60.6	41.4	-	-	19.2
Other Liabilities(5)	404.5	398.7	-	-	5.8
Total	659.7	523.9	61.6	7.9	66.3

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- (1) The figures related to Long-Term Debt Obligations include future interest payments assuming both fixed and variable interest rates effective as of December 31, 2010 and no prepayments such that the related debt obligation is held until the final maturity date.
 - (2) Purchase Obligations primarily relate to commitments to purchase property, plant and equipment. Amounts exclude open purchase orders for goods or services that are provided on demand, the timing of which is not certain.
 - (3) The timings of settlements of non-current Deferred Income Tax Liabilities are uncertain and have been assumed as being settled in more than five years unless the amounts can be reasonably estimated.
 - (4) Provisions for Other Liabilities and Charges primarily include expected losses on disposals, restructuring, warranty and product liabilities. Due to the nature of these provisions, it is not possible to predict precisely when these provisions will be utilized, though most are expected to be utilized over the short to medium term. These provisions are before taking into account insurance recoveries.
 - (5) Other Liabilities include amounts recognized on the balance sheet and primarily relate to trade and other payables, derivative instruments and amounts due under construction contracts, governments grants and other payables and accruals.
 - (6) This table excludes post retirement benefit obligations of £170.1 million, as the timing of associated payments is uncertain.

Off-Balance Sheet Arrangements

As is common in industries in which Charter participates, Charter has entered into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in Charter's balance sheets, in the normal course of business. It is not expected that the potential liability, if any, that may result from such arrangements will have a material adverse effect on its financial condition, results of operations or liquidity. Charter has not engaged in any off-balance sheet financing arrangements through special purpose entities.

Quantitative and Qualitative Disclosures About Market Risk

In addition to the risks inherent in Charter's operations, Charter is exposed to a variety of financial risks, such as market risk (comprising foreign currency exchange and interest rates), credit risk and liquidity risk. Further information can be found in Note 21 to Charter's audited consolidated financial statements. The following analysis provides a summary of Charter's exposure to the financial risks described above.

Market Risk

Foreign currency exchange risk

Given Charter's global operations lead to the recognition of revenue, costs, profit, assets and liabilities in a number of different currencies, particularly in Europe and America, results are impacted when these currencies fluctuate in relative value among themselves and against the British Pound, which is Charter's reporting currency. Subject to board approval, balance sheet translation exposures may be mitigated through the use of currency borrowings, forward foreign exchange contracts or other derivatives. Foreign currency transaction exposures result from sales or purchases by subsidiaries in a currency other than their functional currency. Forward foreign exchange contracts may be used to hedge the net cash flows resulting from these transactions to the extent these are certain or highly probable.

Interest rate risk

It is Charter's objective to minimize the cost of borrowings and maximize the value from cash resources, whilst retaining the flexibility of funding opportunities. If considered appropriate, Charter would use interest rate swaps, interest rate caps and collars and forward rate agreements to generate the desired interest profile and to manage Charter's exposure to interest rate fluctuations.

Credit Risk

The principal credit risks relate to the non-recoverability of trade and other receivables and the failure of the financial institutions with whom surplus funds are deposited in the short term. Charter's central treasury department monitors regularly the credit status of such counterparties and financial institutions, as well as the location of surplus cash worldwide with credit limits being set and subject to regular review. Charter's maximum exposure to credit risk in relation to financial assets is represented by the amount of cash and cash equivalents, trade and other receivables and derivative financial instruments. Details of the credit risk relating to financial assets are given in Note 14 and Note 15 of Charter's audited consolidated financial statements in relation to trade and other receivables and cash and cash equivalents respectively.

Liquidity risk

Charter's objective is to maintain committed facilities to ensure that, together with cash flows generated from operations, there are sufficient funds for current operations and their future requirements. At December 31, 2010, Charter's centrally held committed facilities totalled £170 million with maturity dates between 2011 and 2013.

Between January 1, 2011 and September 30, 2011, certain facilities with existing banks were increased, and two new facilities were executed such that the total of committed facilities increased to £285 million. On October 3, 2011, one facility was increased by £25 million for a period of one year and a different facility, also for £25 million, and due to expire in 2011, was cancelled on October 5, 2011. The total of committed facilities remains £285 million, with maturity dates that range between 2012 and 2015. These facilities are unsecured.

Whilst these facilities have certain financial and other covenants, the financial strength of Charter means that the covenants attached to these facilities have not been breached and are not expected to prevent the full utilization of the facilities if required in the future. Charter's central treasury department is responsible for monitoring current and future requirements. It reviews annual strategy plans, budgets and forecasts, as well as weekly cash balances held worldwide to ensure that optimal use is made of liquid funds within Charter and to avoid unnecessary borrowing.

Capital Management.

Charter aims to manage its capital structure in order to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders. Charter may maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets.

Capital is monitored primarily by reference to the ratio of net debt to underlying EBITDA, which also assists in ensuring Charter maintains the current strength of its consolidated balance sheet as represented by the level of net debt to equity shareholders' funds.

Critical Accounting Policies

The financial statements have been prepared in accordance with IFRS and the accounting policies set out in the notes to Charter's consolidated financial statements. Charter's principal accounting policies, including Charter's critical accounting estimates and judgments, are set out in Note 1 to Charter's audited consolidated financial statements which appear elsewhere in this proxy statement. New standards and interpretations not yet adopted are also disclosed in Note 1 to Charter's audited consolidated financial statements.

Applying accounting policies requires the use of certain judgments, assumptions and estimates that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, judgments and assumptions that have been identified as being the most significant and where there is most risk of material adjustment to the carrying value of Charter's assets and liabilities within the next financial year are summarized below:

Construction contracts

Revenue and profit on construction contracts are usually recognized according to the stage of completion of the contract calculated by reference to estimates of contract revenue and expected costs including provisions for warranty and product liability. At December 31, 2010, amounts receivable/payable under construction contracts were £42.5 million (2009: £41.9 million) and £57.7 million (2009: £45.5 million) respectively. Contract retentions held by customers at December 31, 2010 in respect of construction contracts amounted to £28.1 million (2009: £32.4 million). Warranty and product liability provisions at December 31, 2010 of £28.5 million (2009: £30.5 million) mainly relate to construction contracts.

Employee benefits

Provisions for defined benefit post-employment obligations are calculated by independent actuaries. The principal actuarial assumptions and estimates used are based on independent actuarial advice and include the discount rate and estimates of life expectancy. Other key assumptions for defined benefit post-employment obligations are based in part on market conditions at the balance sheet date. Further information is disclosed in Note 20 to Charter's audited consolidated financial statements. At December 31, 2010, the net retirement benefit obligation was £138.7 million (2009: £162.2 million).

Goodwill impairment testing

Capitalized goodwill is tested annually for impairment. Should the carrying value of the goodwill exceed its recoverable amount an impairment loss is recognized. The recoverable amounts are calculated based on the estimated value in use of cash-generating units. These calculations require estimates of cash flows, growth rates and discount rates based on Charter's weighted average cost of capital, adjusted for specific risks associated with particular cash-generating units. Further information regarding these assumptions is set out in Note 10 to Charter's audited consolidated financial statements. At December 31, 2010, the carrying amount of capitalized goodwill was £99.6 million (2009: £92.7 million).

Provisions

Provision is made for liabilities that are uncertain in timing or amount of settlement. These include provisions for legal and environmental claims. Calculations of these provisions are based on cash flows relating to these costs estimated by management supported by the use of external consultants, discounted at an appropriate rate where the impact of discounting is material. At December 31, 2010, these provisions amounted to £21.9 million (2009: £30.6 million).

Tax estimates

Charter's tax charge is based on the profit for the year and tax rates in effect. The determination of appropriate provisions for current and deferred income taxation requires Charter to take into account anticipated decisions of tax authorities and estimate Charter's ability to utilize tax benefits through future earnings, based on approved budgets and forecasts, and tax planning. These estimates and assumptions may differ from future events. At December 31, 2010, net income tax liabilities provided were £15.6 million (2009: £23.4 million) and net deferred income tax assets recognized amounted to £57.8 million (2009: £58.8 million).

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF COLFAX

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 “Selected Consolidated Historical Financial Data of Colfax”, “Selected Unaudited Pro Forma Condensed Combined Financial Data”, “Pro Forma Information”, “Risk Factors” and the financial statements and related notes included in this proxy statement. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see “Cautionary Statement Concerning Forward-Looking Statements”.

Overview

We are a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and controls, and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used.

Our products are marketed principally under the Allweiler, Baric, Fairmount Automation, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. We believe Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the markets in which we participate, with Allweiler dating back to 1860. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels.

We employ a disciplined strategic planning and execution methodology referred to as the Colfax Business System, or CBS. CBS is designed to achieve excellence and world-class financial performance in all aspects of our business by focusing on the Voice of the Customer and continuously improving quality, delivery and cost. Modeled on the Danaher Business System, CBS focuses on conducting root-cause analysis, developing process improvements and implementing sustainable systems. Our approach addresses the entire business, not just manufacturing operations.

We currently serve markets that have a need for highly engineered, critical fluid handling solutions and are global in scope. Our strategic markets include:

Strategic Markets	Applications
Commercial Marine	Fuel oil transfer; lubrication; water and wastewater handling; cargo handling
Oil and Gas	Crude oil gathering; pipeline services; unloading and loading; rotating equipment lubrication; lube oil purification
Power Generation	Fuel unloading, transfer, burner and injection; rotating equipment lubrication
Global Defense	Fuel oil transfer; oil transport; water and wastewater handling; firefighting; fluid control

General Industrial Machinery lubrication; hydraulic elevators; chemical processing; pulp and paper processing; food and beverage processing; distribution

We serve a global customer base across multiple markets through a combination of direct sales and marketing associates and third-party distribution channels. Our customer base is highly diversified and includes commercial, industrial and government customers such as Alfa Laval Group, General Dynamics Corporation, Siemens AG, the U.S. Navy and various other sovereign navies around the world. Our business is not dependent on any single customer or a few customers. In 2010, no single customer represented more than 6% of sales.

Recent developments

As we announced on September 12, 2011, we have reached an agreement with Charter under which our wholly-owned subsidiary Bidco will acquire by way of a court-sanctioned scheme of arrangement, or if Bidco elects, effect a takeover offer for, the entire issued share capital of Charter for cash and newly-issued shares of our Common Stock. The Acquisition is intended to be implemented by way of a court-sanctioned scheme of arrangement under Article 125 of the Companies Act.

Results of operations overview

Key performance measures

The discussion of our results of operations that follows focuses on some of the key financial measures that we use to evaluate our business. We evaluate our business using several measures, including net sales, orders and order backlog. Our net sales, orders and order backlog are affected by many factors, particularly the impact of acquisitions, the impact of fluctuating foreign exchange rates and change from our existing businesses, which may be driven by market conditions and other factors. To facilitate the comparison between reporting periods, we describe the impact of each of these three factors, to the extent they impact the periods presented, on our net sales, orders and order backlog in tabular format under the heading Sales, Orders and Backlog.

Orders and order backlog are highly indicative of our future revenue and thus are key measures of anticipated performance. Orders consist of contracts for products or services from our customers, net of cancellations. Order backlog consists of unfilled orders.

Items affecting comparability of reported results for all periods

Our financial performance and growth are driven by many factors, principally our ability to serve increasingly global markets, organic growth through strategic acquisitions, fluctuations in the relationship of foreign currencies to the U.S. dollar, the general economic conditions within our five strategic markets, the global economy and capital spending levels, the availability of capital, our estimates concerning the availability of insurance proceeds to cover asbestos litigation expenses and liabilities, the amounts of asbestos liabilities and litigation expenses, the impact of restructuring initiatives, our ability to pass through cost increases through pricing, the impact of sales mix, and our ability to continue to grow through acquisitions. These key factors have impacted our results of operations in the past and are likely to affect them in the future.

Global operations

Our products and services are available worldwide. The manner in which our products and services are sold differs by region. Most of our sales in non-U.S. markets are made by subsidiaries located outside the United States, though we also sell into non-U.S. markets through various representatives and distributors and directly from the U.S. In countries with low sales volumes, we generally sell through representatives and distributors. For the year ended December 31, 2010, approximately 75% of our sales were shipped to locations outside of the U.S. Accordingly, we are affected by levels of industrial activity and economic and political factors in countries throughout the world. Our

ability to grow and our financial performance will be affected by our ability to address a variety of challenges and opportunities that are a consequence of our global operations, including efficiently utilizing our global sales, manufacturing and distribution capabilities, the expansion of market opportunities in Asia, successfully completing global strategic acquisitions, and engineering innovative new product applications for end users in a variety of geographic markets. However, we believe that our geographic, end market and product diversification may limit the impact that any one country or economy could have on our consolidated results.

Strategic acquisitions

We complement our organic growth 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. We intend to continue to pursue acquisitions of complementary businesses that will broaden our product portfolio, expand our geographic footprint or enhance our position within our strategic markets.

During the third quarter and nine months ended September 30, 2011, we recognized increased costs related to advisory, legal, audit, valuation and other professional service fees incurred in connection with the Acquisition. Due to the relative scale of Charter's operations in comparison to ours, upon closing, the Acquisition will significantly transform our business and materially affect our operations, financial results, liquidity and employee headcount which may make period to period comparisons difficult.

On February 14, 2011, we completed the acquisition of Rosscor for \$22.3 million, net of cash acquired and subject to final adjustments under the purchase agreement. 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.

On August 19, 2010, we completed the acquisition of Baric, a supplier of highly engineered fluid-handling systems primarily for lubrication applications, with its primary operations based in Blyth, United Kingdom.

On August 31, 2009, we completed the acquisition of PD-Technik, a provider of marine aftermarket related products and services located in Hamburg, Germany. The acquisition of PD-Technik supports our marine aftermarket growth initiatives, broadening our served market as well as service capabilities.

Foreign currency fluctuations

A significant portion of our net sales, approximately 66% for the year ended December 31, 2010, and approximately 70% and 71%, respectively, for the three and nine months ended September 30, 2011, are derived from operations outside the U.S., with the majority of those sales denominated in currencies other than the U.S. dollar, especially the Euro. 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.

Economic conditions in strategic markets

Our organic growth and profitability strategy focuses on five strategic markets: commercial marine, oil and gas, power generation, global defense and general industrial. Demand for our products depends on the level of new capital investment and planned maintenance by our customers. The level of capital expenditures depends, in turn, on the general economic conditions within that market as well as access to capital at reasonable cost. While demand within each of these strategic markets can be cyclical, the diversity of these markets may limit the impact of a downturn in any one of these markets on our consolidated results.

Pricing

We believe our customers place a premium on quality, reliability, availability, design and application engineering support. Our highly engineered fluid handling products typically have higher margins than products with commodity-like qualities. However, we are sensitive to price movements in our raw materials supply base. Our largest material purchases are for components and raw materials consisting of steel, iron, copper and aluminum. Historically,

we have been generally successful in passing raw material price increases on to our customers. While we seek to take actions to manage this risk, including commodity hedging where appropriate, such increased costs may adversely impact earnings.

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Sales and cost mix

Our profit margins vary in relation to the relative mix of many factors, including the type of product, the geographic location in which the product is manufactured, the end market for which the product is designed, and the percentage of total revenue represented by aftermarket sales and services. Aftermarket business, including spare parts and other value added services, is generally a higher margin business and is a significant component of our profitability.

Results of operations — nine-months ended September 30, 2011 compared to nine-months ended October 1, 2010

Restructuring and other related charges

We incurred pre-tax expense and made payments during the periods presented as follows:

(Millions)	Nine Months Ended	
	September 30, 2011	October 1, 2010
Restructuring and other related charges	\$7.5	\$ 9.5
Cash payments	4.5	13.9

During the nine months ended September 30, 2011, we relocated of our Richmond, Virginia corporate headquarters to Fulton, Maryland in order to provide improved access to international travel and to our key advisors and eliminated an executive position in our German operations. In connection with the move, we have incurred \$0.6 million of employee termination benefit costs, reflected in restructuring and other related charges, and \$0.4 million of other relocation related costs in 2010, which are reflected in selling, general and administrative expenses.

Additionally, during the second quarter of 2011, we communicated initiatives to improve productivity and reduce structural costs by rationalizing and leveraging our existing assets and back office functions. These initiatives include the consolidation of our 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 we 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.

We expect to incur an additional \$2.0 million of employee termination benefit costs, operating lease exit costs and other relocation expenses related to our restructuring initiatives during the remainder of 2011. It is anticipated that net annual savings of approximately \$4.1 million pre-tax will be realized beginning in the first quarter of 2012 as a result of our restructuring initiatives.

Asbestos liability and defense costs

Asbestos liability and defense costs is comprised of projected indemnity cost, changes in the projected asbestos liability, changes in the probable insurance recovery of the projected asbestos-related liability, changes in the probable recovery of asbestos liability and defense costs paid in prior periods, and actual defense costs expensed in the period.

The table below presents asbestos liability and defense costs for the periods indicated:

(Millions)	Nine Months Ended	
	September 30, 2011	October 1, 2010
Asbestos liability and defense costs	\$7.6	\$ 4.2

Asbestos liability and defense costs increased by \$3.4 million during the nine months ended September 30, 2011 compared to the comparable 2010 period primarily due to a \$2.1 million provision related to a court judgment received for one of our subsidiaries' litigation against a number of its insurers and former parent. Additionally, lower levels of legal spending in 2010 and a higher level of projected insurance recovery driven by insurance policies triggered during the 2010 periods contributed to the fluctuation in comparison to the comparable 2010 periods.

Asbestos coverage litigation expense

Asbestos coverage litigation expenses include legal costs related to the actions against two of our subsidiaries, respective insurers and a former parent company of one of the subsidiaries.

The table below presents asbestos liability and defense costs for the periods indicated:

(Millions)	Nine Months Ended	
	September 30, 2011	October 1, 2010
Asbestos coverage litigation expense	\$8.5	\$ 10.8

Legal costs related to our subsidiaries' actions against their asbestos insurers decreased by \$2.3 million during the nine months ended September 30, 2011 compared to the comparable 2010 period primarily due to more trial days being conducted in 2010 than 2011. The trial phase of litigation against insurers concluded during the third quarter of 2011 for one of our subsidiaries and is expected to conclude during 2011 for the other subsidiary.

Sales, orders and backlog

Our sales, orders and backlog are affected by many factors including but not limited to acquisitions, fluctuating foreign exchange rates, and growth (decline) in our existing businesses which may be driven by market conditions and other factors. To facilitate the comparison between reporting periods, we disclose the impact of each of these three factors to the extent they impact the periods presented. The impact of foreign currency translation is the difference between sales from existing businesses valued at current year foreign exchange rates and the same sales valued at prior year foreign exchange rates. Growth due to acquisitions includes incremental sales due to an acquisition during the period or incremental sales due to reporting a full year's sales for an acquisition that occurred in the prior year. Sales growth (decline) from existing businesses excludes both the impact of foreign exchange rate fluctuations and acquisitions, thus providing a measure of growth (decline) due to factors such as price, mix and volume.

Orders and order backlog are highly indicative of our future revenue and thus are key measures of anticipated performance. Orders consist of contracts for products or services from our customers, net of cancellations, during a period. Order backlog consists of unfilled orders at the end of a period. The components of order and backlog growth (decline) are presented on the same basis as sales growth (decline).

The following tables present the components of our sales, order and backlog growth (decline), as measured in dollars and by the percent change between the periods indicated, as well as net sales by fluid-handling product for the periods indicated:

(Millions)	Net Sales			Orders(1)			Backlog at Period End	
As of and for the nine months ended October 1, 2010	\$375.3			\$399.2			\$351.2	
Components of Change:								
Existing businesses(2)	52.6	14.0	%	53.2	13.3	%	(17.3)	(4.9)%
Acquisitions(3)	65.7	17.5	%	55.2	13.8	%	40.6	11.5 %
Foreign currency translation(4)	22.0	5.9	%	21.9	5.5	%	(1.1)	(0.3)%
	140.3	37.4	%	130.2	32.6	%	22.2	6.3 %
As of and for the nine months ended September 30, 2011	515.6			529.4			373.4	

- (1) Represents contracts for products or services, net of cancellations for the period.
- (2) 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.
- (3) Represents the incremental sales, orders and order backlog as a result of acquisitions.
- (4) Represents the difference between sales from existing businesses valued at current year foreign exchange rates and sales from existing businesses at prior year foreign exchange rates.

(Millions)	Nine Months Ended	
	September 30, 2011	October 1, 2010
Net Sales by Product:		
Pumps, including aftermarket parts and services	\$387.4	\$ 313.4
Systems, including installation services	112.4	48.8
Valves	11.2	10.3
Other	4.6	2.8
Net sales	515.6	375.3

As detailed above, net sales increased by \$140.3 million, or 37.4%, during the nine months ended September 30, 2011 compared to the comparable 2010 period. The increase in net sales from existing businesses for the period was attributable to an increase in demand in all end markets, except power generation. Net sales were positively impacted by the changes in foreign exchange rates during 2011 in comparison to 2010.

Orders, net of cancellations, from existing businesses increased during the nine months ended September 30, 2011 in comparison to the nine months ended October 1, 2010 due to increased demand in the oil and gas, commercial marine, general industrial and power generation end markets. Additionally, we experienced a decline in commercial marine order cancellations from \$10.1 million during the nine months ended October 1, 2010 to \$5.0 million in the nine months ended September 30, 2011 primarily due to the impact of improved economic conditions. The \$22.2 million increase in order backlog from October 1, 2010 to September 30, 2011 was primarily due to the Rosscor acquisition, which resulted in a \$40.6 million increase, partially offset by a decrease of \$17.3 million in backlog related to existing businesses.

Gross profit

The following table presents our gross profit and gross profit margin figures for the periods indicated:

	Nine Months Ended			
	September 30, 2011		October 1, 2010	
Gross profit	\$178.6		\$131.8	
	million		million	
Gross profit margin	34.6	%	35.1	%

The \$46.8 million increase in gross profit during the nine months ended September 30, 2011 in comparison to the nine months ended October 1, 2010 was attributable to increases of \$21.7 million from existing businesses and \$16.1 million due to the acquisitions of Rosscor and Baric. Additionally, changes in foreign exchange rates had a \$9.0 million positive impact on gross profit for the nine months ended September 30, 2011 in comparison to the nine months ended October 1, 2010.

Gross profit margin for the nine months ended September 30, 2011 decreased compared to the nine months ended October 1, 2011 primarily due to the lower gross profit margin associated with the foremarket sales of Rosscor and Baric during the period, partially offset by positive leverage of fixed costs given substantially higher sales volume in 2011.

Selling, general and administrative expenses

The following table present our selling, general and administrative (SG&A) expenses for the periods indicated:

	Nine Months Ended			
	September 30, 2011		October 1, 2010	
Selling, general and administrative expense	\$116.9 million		\$87.8 million	
Selling, general and administrative expense as a percentage of net sales	22.7	%	23.4	%

Selling, general and administrative expense increased \$29.1 million during the nine months ended September 30, 2011 in comparison to the comparable 2010 period, \$12.9 million of which resulted from the acquisitions of Rosscor and Baric. Selling, general and administrative expense from existing businesses increased \$11.2 million in the nine months ended September 30, 2011 primarily due to higher selling and commission costs, higher corporate overhead including the operation of two offices during the transition of our corporate headquarters to Maryland and \$5.7 million of advisory, legal, audit, valuation and other professional service fees incurred in connection with the Acquisition. Additionally, changes in foreign exchange rates resulted in an increase to selling, general and administrative expense of \$5.0 million in the nine months ended September 30, 2011 in comparison to the comparable 2010 period. The decrease in selling, general and administrative expense as a percentage of net sales during the nine months ended September 30, 2011 in comparison to the nine months ended October 1, 2010 resulted primarily from higher sales volumes, partially offset by the increased costs associated with the Acquisition.

Operating income

The table below presents operating income data for the periods indicated:

	Nine Months Ended			
	September 30, 2011		October 1, 2010	
Operating income	\$33.5 million		\$14.8 million	
Operating margin	6.5	%	3.9	%

Operating income increased by \$18.7 million in the nine months ended September 30, 2011 in comparison to the nine months ended October 1, 2010. This increase was primarily attributable to the \$46.8 million increase in gross profit, the \$2.3 million decrease in asbestos coverage litigation expense and the \$2.0 million decrease in restructuring and other related charges, partially offset by the \$29.1 million increase in selling, general and administrative expense, which includes \$5.7 million of costs related to the Acquisition, and the \$3.4 million increase in asbestos liability and defense cost.

For the nine months ended September 30, 2011, the components of operating income were negatively impacted by a total of \$5.8 million in increased acquisition-related amortization expense as a result of our Baric and Rosscor acquisitions.

Provision for income taxes

The effective income tax rate for the nine months ended September 30, 2011 was 28.8% as compared to an effective tax rate of 22.3% for the nine months ended October 1, 2010. Our effective tax rate for the nine months ended September 30, 2011 was lower than the U.S. federal statutory rate primarily due to foreign earnings where international tax rates are lower than the U.S. tax rate and the impact of the change in the estimate annual tax rate. During the nine months ended October 1, 2010, the effective tax rate was lower than the U.S. federal statutory rate due to a net decrease in our 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.

Results of operations — year ended December 31, 2010 compared to year ended December 31, 2009

Items affecting comparability of results for year ended December 31, 2010 compared to year ended December 31, 2009

Restructuring and other related charges

We initiated a series of restructuring actions beginning in 2009 in response to then current and expected future economic conditions. As a result, for the years ended December 31, 2010 and 2009, we recorded pre-tax restructuring and other related costs of \$10.3 million and \$18.2 million, respectively. The costs incurred in the year ended December 31, 2010 include \$2.2 million of termination benefits, including \$0.6 million of non-cash stock-based compensation expense, related to the departure of our former President and Chief Executive Officer in January of 2010. Additionally, the costs incurred in the year ended December 31, 2010 include \$1.3 million of termination benefits related to the October 2010 departures of our former Chief Financial Officer and General Counsel. The costs incurred in the year ended December 31, 2009 include a \$0.6 million non-cash asset impairment charge related to closure of a repair facility.

As of December 31, 2010, excluding additions from businesses acquired in 2009 and 2010, we have reduced our company-wide workforce by 237 employees from December 31, 2008. Additionally, through the second quarter of 2010, we participated in a German government-sponsored furlough program in which the government paid the wage-related costs for participating associates. We realized savings of approximately \$25 million in 2010 from the restructuring initiatives implemented in 2009 and 2010, primarily reflecting lower employee costs.

Asbestos liability and defense costs

Asbestos liability and defense costs is comprised of projected indemnity cost, changes in the projected asbestos liability, changes in the probable insurance recovery of the projected asbestos-related liability, changes in the probable recovery of asbestos liability and defense costs paid in prior periods, and actual defense costs expensed in the period.

The table below presents asbestos liability and defense costs for the periods indicated:

(Millions)	Year ended December 31,	
	2010	2009
Asbestos liability and defense costs	\$7.9	\$(2.2)

Asbestos liability and defense costs were \$7.9 million for the year ended December 31, 2010 compared to income of \$2.2 million for the year ended December 31, 2009. The increase in asbestos liability and defense costs was primarily attributable to a net pre-tax gain of \$7.8 million recorded in 2009, comprised of a \$19.4 million gain to increase the insurance asset as a result of favorable court rulings in October and December of 2009 concerning allocation methodology, partially offset by an \$11.6 million charge to increase asbestos-related liabilities by \$111.3 million, offset by an increase to expected insurance recoveries of \$99.7 million arising from a revision to our 15-year estimate of asbestos-related liabilities. Additionally, we recorded charges totaling \$4.0 million in the third and fourth quarters of 2010 as a result of developments in the litigation, which was partially offset by a \$0.7 million gain resulting from a settlement received from an insolvent carrier.

Asbestos coverage litigation expense

Asbestos coverage litigation expenses include legal costs related to the actions against two of our subsidiaries, respective insurers and a former parent company of one of the subsidiaries.

The table below present asbestos coverage litigation expenses for the periods indicated:

(Millions)	Year ended December 31,	
	2010	2009
Asbestos coverage litigation liability and defense costs	\$13.2	\$11.7

Legal costs related to the subsidiaries' action against their asbestos insurers were \$13.2 million for the year ended December 31, 2010, \$1.5 million higher than the year ended December 31, 2009, due to costs related to the trial by one of our subsidiaries against a number of its insurers and former parent that began in January 2010 and is expected to conclude in 2011.

Sales, orders and backlog

The following tables present the components of our sales, order and backlog growth (decline), as measured in dollars and by the percent change between the periods indicated, as well as net sales by fluid-handling product for the periods indicated:

(Millions)	Net Sales			Orders			Backlog at Period End		
Year ended December 31, 2009	\$525.0			\$462.4			\$290.9		
Components of Change:									
Existing businesses	16.1	3.1	%	71.1	15.4	%	(6.6)	(2.3)	%
Acquisitions	10.0	1.9	%	6.1	1.3	%	38.7	13.3	%
Foreign currency translation	(9.1)	(1.7)	%	(6.8)	(1.5)	%	(9.5)	(3.3)	%
Total	17.0	3.2	%	70.4	15.2	%	22.6	7.8	%
Year ended December 31, 2010	542.0			532.8			313.5		

(Millions)	Year ended December 31,	
	2010	2009
Net Sales by Product:		
Pumps, including aftermarket parts and service	\$444.9	\$443.1
Systems, including installation service	78.6	69.3
Valves	14.6	10.1
Other	3.9	2.5
Total net sales	542.0	525.0

As detailed above, sales from existing businesses increased 3.1% for the year ended December 31, 2010 over the year ended December 31, 2009. This increase was primarily attributable to higher demand in all end markets except the oil and gas market. Foreign currency translation negatively impacted sales by 1.7%, primarily due to a stronger average U.S. dollar against the Euro for year ended December 31, 2010 compared to the same period in 2009.

Orders, net of cancellations, from existing businesses increased 15.4% for the year ended December 31, 2010 over the year ended December 31, 2009, primarily due to increased demand in the general industrial, commercial marine and oil and gas end markets, partially offset by lower demand in the defense end market. We experienced commercial marine order cancellations of approximately \$16.4 million during the year ended December 31, 2010, compared to \$21.9 million during the year ended December 31, 2009. Backlog as of December 31, 2010, of \$313.5 million decreased \$6.6 million, or 2.3% from December 31, 2009, excluding the impact of foreign currency translation and acquisitions. The Baric acquisition added \$38.7 million to backlog in 2010.

Gross profit

The following tables present our gross profit and gross profit margin figures for the periods indicated:

	Year ended December 31,			
	2010	2009		
Gross profit	\$191.4	\$185.8		
	million	million		
Gross profit margin	35.3	% 35.4	%	%

Gross profit increased \$5.6 million for the year ended December 31, 2010 compared to the same period in 2009. Gross profit from existing businesses increased \$6.5 million, with an additional increase of \$1.8 million due to the acquisitions of Baric and PD-Technik. Foreign currency translation negatively impacted gross profit by \$2.7 million. Gross profit margin for the year ended December 31, 2010 was flat compared to the year ended December 31, 2009, as margin declines driven by lower pricing and an unfavorable product mix shift were partially offset by restructuring program cost savings and higher productivity.

Selling, general and administrative expense

The following table presents our selling, general and administrative (SG&A) expenses for the periods indicated:

	Year ended December 31,			
	2010	2009		
SG&A expenses	\$119.4	\$112.5		
	million	million		
SG&A expenses as a percentage of sales	22.0	% 21.4	%	%

Selling, general and administrative expenses increased \$6.9 million to \$119.4 million for the year ended December 31, 2010. Excluding a \$2.2 million net increase related to acquisitions and foreign exchange rates, SG&A increased \$4.7 million from 2009, primarily due to higher selling and commission costs and higher incentive compensation. There was also a \$2.9 million increase in pension costs due to our assumption of the pension obligation for a group of former employees of a divested subsidiary as a result of an agreement reached in the fourth quarter of 2010. However, this was substantially offset by the reversal of an accrual established in prior years for this matter.

Operating income

The table below presents operating income data for the periods indicated:

	Year ended December 31,			
	2010	2009		
Operating income	\$34.4	\$39.6		
	million	million		
Operating margin	6.3	% 7.5	%	%

Operating income for the year ended December 31, 2010 decreased \$5.3 million from the year ended December 31, 2009. Excluding a \$2.9 million net unfavorable impact of foreign currency exchange rates and acquisitions, operating income decreased by \$2.3 million. Increased asbestos claims and litigation expenses and unfavorable pricing and product mix shift were partially offset by lower restructuring costs, higher sales volumes and manufacturing cost reductions, including restructuring program cost savings.

Interest expense

Interest expense of \$6.7 million for the year ended December 31, 2010 declined \$0.5 million from the prior year. A decrease in the notional value of our interest rate swap from \$75 million to \$50 million on June 30, 2010 caused our overall weighted-average effective interest rate to decline, from 5.6% in 2009 to 5.4% in 2010. For a description of our outstanding indebtedness, please refer to the section headed Liquidity and Capital Resources.

Provision for income taxes

The effective income tax rate for the year ended December 31, 2010 was 41.4% as compared to an effective tax rate of 26.6% for the year ended December 31, 2009. The effective tax rate for the year ended December 31, 2010 was higher than the U.S. federal statutory rate primarily due to a net increase in our valuation allowance, offset in part by international tax rates which are lower than the U.S. tax rate, and a net decrease to our unrecognized tax benefit liability. The 41.4% effective tax rate for the year ended December 31, 2010 was higher than the 26.6% effective tax rate for the year ended December 31, 2009 primarily due a \$4.2 million increase in our valuation allowance in 2010.

Results of operations — year ended December 31, 2009 compared to year ended December 31, 2008

Items affecting comparability of results for year ended December 31, 2009 compared to year ended December 31, 2008

IPO-related costs

Results for the year ended December 31, 2008 include \$57.0 million of nonrecurring costs associated with our IPO during the second quarter. This amount includes \$10.0 million of share-based compensation and \$27.8 million of special cash bonuses paid under previously adopted executive compensation plans as well as \$2.8 million of employer payroll taxes and other related costs. It also includes \$11.8 million to reimburse the selling stockholders for the underwriting discount on the shares sold by them as well as the write-off of \$4.6 million of deferred loan costs associated with the early termination of a credit facility.

Legacy legal adjustment

Selling, general and administrative expenses for the year ended December 31, 2008 include a \$4.1 million increase to legal reserves related to a non-asbestos legal matter that arose from the sale and subsequent repair of a product by a division of a subsidiary that was divested prior to our acquisition of the subsidiary. This legacy legal case was settled during the third quarter of 2008.

Asbestos liability and defense costs

Asbestos liability and defense costs is comprised of projected indemnity cost, changes in the projected asbestos liability, changes in the probable insurance recovery of the projected asbestos-related liability, changes in the probable recovery of asbestos liability and defense costs paid in prior periods, and actual defense costs expensed in the period.

The table below presents asbestos liability and defense costs for the periods indicated:

(Millions)	Year ended December 31,	
	2009	2008
Asbestos liability and defense costs (income)	\$(2.2)	\$(4.8)

Asbestos liability and defense income was \$2.2 million for the year ended December 31, 2009 compared to \$4.8 million for the year ended December 31, 2008. The decrease in asbestos liability and defense income relates primarily to the favorable effect of one-time items in 2008 exceeding the favorable net effect of one-time items in 2009. One-time items in 2008 included a \$7.0 million gain resulting from resolution of a coverage dispute with a primary insurer concerning certain pre-1966 insurance policies, as well as a \$2.3 million gain from a change in estimate of our future asset recovery percentage for one subsidiary. One-time adjustments in 2009 include a \$19.4 million gain to increase the insurance asset as a result of favorable court rulings in October and December 2009 concerning allocation methodology offset by an \$11.6 million charge to increase asbestos-related liabilities by \$111.3 million, offset by an increase to expected insurance recoveries of \$99.7 million, as a result of an analysis of claims data.

Asbestos coverage litigation expense

Asbestos coverage litigation expenses include legal costs related to the actions against two of our subsidiaries, respective insurers and a former parent company of one of the subsidiaries.

The table below present asbestos coverage litigation expenses for the periods indicated:

(Millions)	Year ended December 31,	
	2009	2008
Asbestos coverage litigation expenses	\$11.7	\$17.2

Legal costs for the year ended December 31, 2008 were higher than 2009 primarily due to trial preparation in the fourth quarter of 2008. The trial had been expected to commence in the first half of 2009, but did not begin until January 19, 2010.

Sales, orders and backlog

The following tables present the components of our sales, order and backlog growth (decline), as measured in dollars and by the percent change between the periods indicated, as well as net sales by fluid-handling product for the periods indicated:

(Millions)	Net Sales			Orders			Backlog at Period End		
Year ended December 31, 2008	\$604.9			\$682.1			\$349.0		
Components of Change:									
Existing businesses	(48.8)	(8.1 )	)%	(198.0)	(29.0 )	)%	(66.8)	(19.1))%
Acquisitions	1.0	0.2	%	1.4	0.2	%	0.7	0.2	%
Foreign Currency Translation	(32.1)	(5.3 )	)%	(23.1)	(3.4 )	)%	8.0	2.3	%
Total	(79.9)	(13.2 )	)%	(219.7)	(32.2 )	)%	(58.1)	(16.6))%
Year ended December 31, 2009	525.0			462.4			290.9		

(Millions)	Year ended December 31,	
	2009	2008
Net Sales by Product:		
Pumps, including aftermarket parts and service	\$443.1	\$529.3
Systems, including installation service	69.3	58.2

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Valves	10.1	10.1
Other	2.5	7.3
Total net sales	525.0	604.9

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Sales from existing businesses declined 8.1% for the year ended December 31, 2009 over the year ended December 31, 2008. This decrease was primarily due to a significant decline in sales volume in the general industrial end market resulting from the global economic downturn, partially offset by a sales volume increase in the global defense end market. Foreign currency translation negatively impacted sales and orders for the year ended December 31, 2009, primarily due to a stronger average U.S. dollar against the Euro for 2009 compared to 2008.

Orders, net of cancellations, from existing businesses for the year ended December 31, 2009 were down 29.0% from the prior year, primarily due to a significant decline in demand in the commercial marine, oil and gas, general industrial and power generation end markets. We experienced commercial marine order cancellations of approximately \$21.9 million during the year ended December 31, 2009, as a result of the economic downturn. Backlog as of December 31, 2009, of \$290.9 million decreased \$58.1 million, or 16.6%, reflecting the decline in orders during the year.

Gross profit

The following tables present our gross profit and gross profit margin figures for the periods indicated:

	Year ended December 31,			
	2009	2008		
Gross profit	\$185.8	\$217.2		
	million	million		
Gross profit margin	35.4	%	35.9	%

Gross profit decreased \$31.4 million for the year ended December 31, 2009 compared to the same period in 2008. Gross profit from existing businesses decreased \$19.8 million, with an additional \$11.7 million negative impact of foreign exchange rates. Gross profit margin declined a modest 50 basis points in 2009 despite a substantial decrease in production volume which caused lower absorption of fixed manufacturing costs. Significant restructuring program cost savings as well as favorable pricing and product mix in the commercial marine and general industrial end markets for the most part successfully mitigated the negative effect of volume on our gross margin.

Selling, general and administrative expense

Selling, general and administrative expenses decreased \$11.6 million to \$112.5 million for the year ended December 31, 2009. Excluding the \$6.1 million favorable impact of foreign exchange rates, SG&A declined \$5.5 million from 2008, primarily due to reductions in selling and commission expenses of \$2.2 million and restructuring savings of \$2.5 million. An additional \$2.0 million of professional fees and other costs associated with becoming a public company and \$2.6 million of pension and other postretirement benefit costs were incurred in 2009, but were offset by lower legacy legal expenses and favorable changes in the fair value of commodity and foreign currency derivatives.

Operating income

The table below presents operating income data for the periods indicated:

	Year ended December 31,			
	2009	2008		
Operating income	\$39.6			
	million	\$17.8 million		
Operating margin	7.5	%	2.9	%

Operating income for the year ended December 31, 2009 increased \$21.8 million from the prior year. The increase was primarily due to the absence of \$57.0 million of IPO-related costs incurred in 2008, partially offset by \$18.2 million of restructuring costs incurred in 2009 as well as a \$5.5 million negative impact of foreign exchange rates. Excluding these impacts, operating income was \$11.5 million lower than the prior year, primarily due to lower sales volume from existing businesses, partially offset by lower asbestos-related expenses and selling, general and administrative expenses.

Interest expense

Interest expense of \$7.2 million for the year ended December 31, 2009 declined \$4.6 million from the prior year, primarily due to lower debt levels during 2009 compared to 2008 as a result of debt repayments of \$105.4 million from a portion of the IPO proceeds in the second quarter of 2008. A decrease in the weighted-average effective interest rate on our variable rate borrowings that are not hedged, from 6.3% in 2008 to 5.6% in 2009 contributed approximately \$0.7 million to the reduction in interest expense.

Provision for income taxes

The effective income tax rate for the year ended December 31, 2009 was 26.6% as compared to an effective tax rate of 91.1% for the year ended December 31, 2008. Our effective tax rate for the year ended December 31, 2009 was lower than the U.S. federal statutory rate primarily due to international tax rates which are lower than the U.S. tax rate, including the impact of the reduction in 2009 of the Swedish tax rate from 28% to 26.3% offset in part by a net increase to our valuation allowance and unrecognized tax benefit liability. The 26.6% effective tax rate for the year ended December 31, 2009 was lower than the 91.1% effective tax rate for the year ended December 31, 2008 primarily due to an \$11.8 million payment to reimburse certain selling shareholders for underwriters discounts that are not deductible for tax purposes and a \$3.4 million increase in valuation allowance in 2008.

Liquidity and capital resources

Overview

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

Borrowing arrangements

On May 13, 2008, coinciding with the closing of the IPO, we terminated our existing credit facility. There were no material early termination penalties incurred as a result of the termination. Deferred loan costs of \$4.6 million were written off in connection with this termination. On the same day, we entered into a new credit agreement (the "2008 Credit Agreement"). The 2008 Credit Agreement, led by Banc of America Securities LLC and administered by Bank of America, is a senior secured structure with a \$150.0 million revolving credit facility and a \$100.0 million term credit facility. During the first quarter of 2011, the 2008 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 facilities total capacity from \$150.0 million to \$144.0 million.

The term credit facility bears interest at LIBOR plus a margin ranging from 2.25% to 2.75% determined by the total leverage ratio calculated at quarter end. As of September 30, 2011 and December 31, 2010, the term credit facility bore interest of 2.47% and 2.76%, respectively, which included a margin of 2.25% and 2.50%, respectively. There was \$75.0 million and \$82.5 million outstanding under the term credit facility as of September 30, 2011 and December 31, 2010, respectively. The term credit facility, as entered into on May 13, 2008, has \$2.5 million due on a quarterly basis on the last day of each March, June, September and December beginning June 30, 2010 and ending March 31, 2013, and one installment of \$60.0 million payable on May 13, 2013.

The \$150.0 million revolver contains a \$50.0 million letter of credit sub-facility, a \$25.0 million swing line loan sub-facility and a €100.0 million sub-facility. At December 31, 2010, the annual commitment fee on the revolver was 0.5%. There were no amounts outstanding on the revolving credit facility as of both September 30, 2011 and December 31, 2010. As of September 30, 2011 and December 31, 2010, there was \$14.5 million and \$14.1 million, respectively, outstanding on the letter of credit sub-facility, resulting in available capacity of \$129.5 million and \$129.9 million, respectively. We are 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.

On June 24, 2008, we entered into an interest rate swap with an aggregate notional value of \$75.0 million whereby we exchanged our LIBOR-based variable rate interest for a fixed rate of 4.1375%. The notional value decreased to \$50.0 million on June 30, 2010 and decreased to \$25.0 million on June 30, 2011, and expires on June 29, 2012. The fair value of the swap agreement, based on third-party quotes, was a liability of \$1.8 million at December 31, 2010. The swap agreement has been designated as a cash flow hedge, and therefore changes in its fair value are recorded as an adjustment to other comprehensive income.

Substantially all assets and stock of our domestic subsidiaries and 65% of the shares of certain European subsidiaries are pledged as collateral against borrowings under the 2008 Credit Agreement. Certain European assets are pledged against borrowings directly made to our European subsidiary. The 2008 Credit Agreement contains customary covenants limiting our ability to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase our stock, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. In addition, the 2008 Credit Agreement contains financial covenants requiring us 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 we do not comply with the various covenants under the 2008 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. We were in compliance with all such covenants as of December 31, 2010 and as of September 30, 2011, respectively, and expect to be in compliance for the next 12 months.

As of December 31, 2010, we had approximately \$129.9 million available on our \$150 million revolving credit line. Present drawings under the credit line are letters of credit securing various obligations related to our business. The revolving credit line is provided by a consortium of financial institutions with varying commitment levels as shown below (in millions):

(Millions)	Amount
Bank of America	\$32.4
RBS Citizens	14.4
TD BankNorth	14.4
Wells Fargo	14.4
SunTrust Bank	14.4
Landesbank Baden-Wuerttemberg	10.5
DnB Nor Bank	10.5
HSBC	10.5
KeyBank	10.5
Carolina First Corp	6.0
UBS	6.0
Lehman Brothers(1)	6.0
Total	150.0

(1) The bankruptcy of Lehman Brothers resulted in their default under the terms of the revolver and we will not be able to draw on Lehman Brothers' commitment of \$6.0 million. The 2008 Credit Agreement was amended on February 14, 2011 to eliminate Lehman Brothers' commitment, thereby reducing the total amount of the revolving credit line to \$144.0 million.

Financing of the Acquisition

The Acquisition will be funded from a combination of proceeds of the Investments, new debt facilities under the Credit Agreement, our existing cash resources and the issuance of the Acquisition Shares.

Debt financing

The debt financing available to Bidco under certain loan facilities has been arranged by Deutsche Bank AG, New York Branch and HSBC Bank USA, N.A. Approximately \$2 billion will be available under the Credit Agreement in order to fund part of the Acquisition.

Further details of the terms of the debt financing of the Acquisition can be found at "Information on the Charter Acquisition—Implementation Agreement and Related Agreements—Credit Agreement".

The Investments

The BDT Investor has agreed to purchase, six business days after our Acquisition of Charter becomes wholly unconditional or effective in accordance with the terms of the Implementation Agreement, 13,877,552 shares of Series A Preferred Stock, which are convertible into Common Stock, and 14,756,944 shares of Common Stock for \$680 million in the aggregate. In addition, Mitchell P. Rales, Steven M. Rales and Markel (an entity in which Tom Gayner, a member of our Board of Directors is an officer) have agreed to purchase, six business days after our Acquisition of Charter becomes wholly unconditional or effective in accordance with the terms of the Implementation Agreement, the Other Shares for \$125 million in the aggregate. The net proceeds of these issuances of Series A Preferred Stock and Common Stock will be used by us to fund a portion of the Acquisition. All these subscriptions for shares of Common Stock are being made at \$23.04 per share, which is the closing price of our Common Stock on September 9, 2011, being the last business day before the Acquisition was announced. The exchange ratio in the Acquisition has also been determined on this basis and so the 0.1241 Common Stock which Charter shareholders will receive for each Charter ordinary share held are valued at 180 pence accordingly.

Further details of the terms of the Investments can be found in "Proposal No.1—Issuance of Securities to the BDT Investor" and "Proposal No. 2—Issuance of Securities to the Other Investors".

Cash flows

As of September 30, 2011, we had \$64.4 million of cash and cash equivalents, an increase of \$3.9 million from \$60.5 million as of December 31, 2010. The following tables summarize the change in cash and cash equivalents during the periods indicated:

(Millions)	Year ended December 31,		
	2010	2009	2008
Net cash provided by (used in) operating activities	\$62.0	\$38.7	\$(33.0)
Purchases of fixed assets	(12.5)	(11.0)	(18.6)
Net cash paid for acquisitions	(28.0)	(1.7)	(0.4)
Other sources, net	0.1	0.2	(0.1)
Net cash used in investing activities	(40.4)	(12.5)	(19.1)
Proceeds and repayments of borrowings, net	(8.8)	(5.0)	(110.3)
Net proceeds from the issuance of common stock	-	-	193.0
Dividends paid to preferred shareholders	-	-	(38.5)
Repurchases of common stock	-	-	(5.7)
Payments made for loan costs	-	-	(3.3)
Other sources (uses), net	0.8	(0.4)	(0.4)
Net cash (used in) provided by financing activities	(8.0)	(5.4)	34.8

Cash flows from operating activities can fluctuate significantly from period to period as working capital needs, the timing of payments for items such as asbestos-related cash flows, pension funding decisions and other items may impact cash flows differently.

Net cash provided by (used in) operating activities was \$62.0 million, \$38.7 million and \$(33.0) million for the years ended December 31, 2010, 2009 and 2008, respectively. The two most significant items causing the variability in these reported amounts were asbestos-related cash flows (including the disposition of claims, defense costs, insurer reimbursements and settlements and legal expenses related to litigation against our insurers) and IPO-related costs in 2008. For the years ended December 31, 2010, 2009 and 2008, net cash paid for asbestos liabilities, net of insurance settlements received, including the disposition of claims, defense costs and legal expenses related to litigation against our insurers, was \$11.4 million, \$19.7 million and \$21.8 million, respectively. During the nine months ended September 30, 2011, we had net cash inflows of \$1.7 million for asbestos-related costs paid, net of insurance settlements received compared to net cash outflows of \$7.6 million during the nine months ended October 1, 2010. For the year ended December 31, 2008, cash paid for IPO-related costs were \$42.4 million. Additionally, in the year ended December 31, 2008, cash paid for legacy legal settlements were \$11.7 million. Excluding the effect of asbestos-related cash flows, IPO-related costs, and legacy legal settlements, net cash provided by operating activities would have been \$73.4 million, \$58.4 million and \$42.9 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Other changes in significant operating cash flow items are discussed below.

- Funding requirements of our defined benefit plans, including both pensions and other post-employment benefits, can vary significantly among periods due to changes in the fair value of plan assets and actuarial assumptions. For the years ended December 31, 2010, 2009 and 2008, cash contributions for defined benefit plans were \$12.1 million, \$8.3 million, and \$6.4 million, respectively. For the nine months ended September 30, 2011 and October 1, 2010, cash contributions for defined benefit plans were \$6.3 million and \$10.7 million, respectively.
- For the years ended December 31, 2010 and 2009, cash payments of \$16.3 million and \$7.9 million, respectively, were made related to our restructuring initiatives.
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Changes in working capital also affected the operating cash flows for the years presented. We define working capital as trade receivables plus inventories less accounts payable. Working capital, excluding the effects of acquisitions and foreign currency translation, decreased \$18.7 million from December 31, 2009 to December 31, 2010 and decreased \$10.3 million from December 31, 2008 to December 31, 2009. During the nine months ended September 30, 2011, net working capital increased, primarily due to an increase in inventory levels, which reduced our cash flows from operating activities. A decrease in net working capital as a result of a decrease in inventory positively impacted cash flows from operating activities during the nine months ended October 1, 2010. These changes were primarily due to decreases in inventory levels as a result of inventory reduction programs.

Cash flows from investing activities consist primarily of cash flows related to acquisitions and the purchase of fixed assets. On August 19, 2010, we completed the acquisition of Baric, a supplier of highly engineered fluid handling systems primarily for lubrication applications, with its primary operations based in Blyth, United Kingdom, for \$27.2 million, net of cash acquired in the transaction. We paid \$0.7 million in 2010 and \$0.4 million in both 2009 and 2008 for contingent purchase price adjustments related to our 2007 acquisition of Fairmount Automation, Inc. On August 31, 2009, we completed the acquisition of PD-Technik, a provider of marine aftermarket related products and services located in Hamburg, Germany, for \$1.3 million, net of cash acquired in the transaction. During the nine months ended September 30, 2011, we used \$3.3 million less cash in our investing activities in comparison to the nine months ended October 1, 2010. The decrease in cash flows related to acquisitions was partially offset by a \$1.4 million increase in capital expenditures during the nine months ended September 30, 2011 in comparison to the nine months ended October 1, 2010. In all periods presented, capital expenditures were invested in new and replacement machinery, equipment and information technology. We generally target capital expenditures at approximately 2.0% to 2.5% of annual revenues.

Cash flows from financing activities generally consist of the borrowing and repayment of our long-term indebtedness, payments of dividends to shareholders and redemptions of stock. During 2010, we repaid \$8.8 million of long-term borrowings. In the fourth quarter of 2008, we purchased 795,000 shares of our common stock for approximately \$5.7 million. We did not purchase any shares in 2009 or 2010. Our IPO proceeds in May 2008 were \$193.0 million after deducting estimated accounting, legal and other expenses of \$5.9 million. We used these proceeds to: (i) repay approximately \$105.4 million of indebtedness outstanding under our credit facility, (ii) pay dividends to existing preferred stockholders of record immediately prior to the consummation of the IPO in the amount of \$38.5 million, (iii) pay \$11.8 million to the selling stockholders in the IPO as reimbursement for the underwriting discount incurred on the shares sold by them, and (iv) pay special bonuses of approximately \$27.8 million to certain of our executives under previously adopted executive compensation plans. The remainder of the net proceeds was applied to working capital. We paid approximately \$3.3 million in deferred loan costs related to our new credit facility entered into May 13, 2008. During the nine months ended September 30, 2011, we had net repayments of \$7.5 million in comparison to \$6.3 million during the nine months ended October 1, 2010. See the section headed Borrowing Arrangements above for additional information regarding our outstanding indebtedness as of September 30, 2011.

Contractual obligations

We are party to numerous contracts and arrangements that obligate us to make cash payments in future years. These contracts include financing arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services.

The following table is a summary of our contractual obligations as of December 31, 2010 (in millions):

(Millions)	Total	Less than One Year	1-3 Years	3-5 Years	More than 5 Years
Debts & Leases					
Term Loan A	\$82.5	\$10.0	\$72.5	\$-	\$-
Interest Payments on Long-Term Debt (1)	6.6	3.7	2.9	-	-
Operating Leases	12.7	3.8	5.1	3.1	0.7
Purchase Obligations (2)	50.9	47.7	3.2	-	-
Total	152.7	65.2	83.7	3.1	0.7

(1) Includes estimated interest rate swap payments. Variable interest payments are estimated using a static rate of 3.2%.

(2) Amounts exclude open purchase orders for goods or services that are provided on demand, the timing of which is not certain.

We have cash funding requirements associated with our pension and other post-retirement benefit plans, which are estimated to be approximately \$6.7 million for the year ending December 31, 2011. Other long-term liabilities, such as those for asbestos and other legal claims, employee benefit plan obligations, and deferred income taxes, are excluded from the above table since they are not contractually fixed as to timing and amount.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that provide liquidity, capital resources, market or credit risk support that expose us to any liability that is not reflected in our consolidated financial statements other than outstanding letters of credit of \$14.1 million and \$16.4 million of bank guarantees at December 31, 2010 and future operating lease payments of \$12.7 million.

For additional information regarding the outstanding letters of credit, see Note 15 and Note 18 to our 2010 audited consolidated financial statements. For additional information regarding the bank guarantees and operating lease payments, please see Note 18 to our 2010 audited consolidated financial statements.

Colfax and its subsidiaries have in the past divested certain of its businesses and assets. In connection with these divestitures, certain representations, warranties and indemnities were made to purchasers to cover various risks or unknown liabilities. We cannot estimate the potential liability, if any, that may result from such representations, warranties and indemnities because they relate to unknown and unexpected contingencies; however, we do not believe that any such liabilities will have a material adverse effect on our financial condition, results of operations or liquidity.

Capitalization and indebtedness

The following table shows the capitalization and indebtedness of Colfax at September 30, 2011. The financial information has been extracted from our unaudited consolidated financial statements for the nine months ended September 30, 2011.

Capitalization and indebtedness

(Thousands)(1)

Total Current debt	\$ 10,000
- Guaranteed	-
- Secured	10,000
- Unguaranteed / Unsecured	-
Total Non-Current debt (excluding portion of long-term debt)	\$ 65,000
- Guaranteed	-
- Secured	65,000
- Unguaranteed / Unsecured	-
Shareholders' equity:	
a Share capital	44
b Legal Reserve	413,013 (2)
c Other Reserves	-
Total	\$ 413,057

(1) These amounts do not include the equity and debt to be issued upon completion of the Acquisition.

(2) Accumulated profit and loss accounts not included within.

The following table shows the net indebtedness of Colfax at September 30, 2011.

Net Indebtedness

(Thousands)(1)

Cash	\$ 52,071
Cash equivalent	12,376
Trading securities	-
Liquidity	\$ 64,447
Current financial receivable	-
Current bank debt	-
Current portion of non current debt	10,000
Other current financial debt	-
Current financial debt	\$ 10,000
Net current financial indebtedness	(54,447)
Non current bank loans	65,000
Bonds issued	-
Other non current loans	-
Non current financial indebtedness	\$ 65,000
Net financial indebtedness	\$ 10,553 (2)

(1) These amounts do not include debt to be issued upon completion of the Acquisition.

(2) Colfax has indirect and contingent indebtedness of \$48.8 million related to letters of credit, performance bonds and bank guarantees not included above.

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.

We believe the following accounting policies are the most critical in that they are important to the financial statements and they require the most difficult, subjective or complex judgments in the preparation of the financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 2 to our 2010 audited consolidated financial statements.

Asbestos liabilities and insurance assets

Two of our 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 our 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 management 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. Management 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.

Claims activity related to asbestos is as follows (1):

	Year ended December 31,		
	2010	2009	2008
Claims unresolved at the beginning of the period	25,295	35,357	37,554
Claims filed (2)	3,692	3,323	4,729
Claims resolved (3)	(4,223)	(13,385)	(6,926)
Claims unresolved at the end of the period	24,764	25,295	35,357
Average cost of resolved claims (4)	12,037	11,106	5,378

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- (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 asbestos claims that have been settled or dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.
- (4) Average cost of settlement to resolve claims in whole dollars. These amounts exclude claims settled in Mississippi for which the majority of claims have historically been resolved for no payment. These amounts exclude insurance recoveries. The increase in average cost of resolved claims from 2008 to 2009 is driven primarily by a shift in the mix of settled claims from dismissals with no dollar value to mesothelioma settlements.

We have 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. This methodology is based upon risk equations, exposed population estimates, mortality rates, and other demographic statistics. In applying the Nicholson methodology for each subsidiary we performed: (1) an analysis of the estimated population likely to have been exposed or claim to have been exposed to products manufactured by the subsidiaries based upon national studies undertaken of the population of workers believed to have been exposed to asbestos; (2) the use of epidemiological and demographic studies to estimate the number of potentially exposed people that would be likely to develop asbestos-related diseases in each year; (3) an analysis of the subsidiaries' recent claims history to estimate likely filing rates for these diseases; and (4) an analysis of the historical asbestos liability costs to develop average values, which vary by disease type, jurisdiction and the nature of claim, to determine an estimate of costs likely to be associated with currently pending and projected asbestos claims. Our projections, based upon the Nicholson methodology, estimate both claims and the estimated cash outflows related to the resolution of such claims for periods up to and including the endpoint of asbestos studies referred to in item (2) above. It is our policy to record a liability for asbestos-related liability costs for the longest period of time that we can reasonably estimate.

Projecting future asbestos-related liability costs is subject to numerous variables that are difficult to predict, including, among others, the number of claims that might be received, the type and severity of the disease alleged by each claimant, the latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in the claims, funds available in post-bankruptcy trusts, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, including fluctuations in the timing of court actions and rulings, and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any projections with respect to these variables are subject to even greater uncertainty as the projection period lengthens. These trend factors have both positive and negative effects on the dynamics of asbestos litigation in the tort system and the related best estimate of our asbestos liability, and these effects do not move in linear fashion but rather change over multiple year periods. Accordingly, we monitor

these trend factors over time and periodically assesses whether an alternative forecast period is appropriate. Taking these factors into account and the inherent uncertainties, we believe that we can reasonably estimate the asbestos-related liability for pending and future claims that will be resolved in the next 15 years and have recorded that liability as our best estimate. While it is reasonably possible that the subsidiaries will incur costs after this period, we do 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.

We assessed the subsidiaries' existing insurance arrangements and agreements, estimated the applicability of insurance coverage for existing and expected future claims, analyzed publicly available information bearing on the current creditworthiness and solvency of the various insurers, and employed such insurance allocation methodologies as we believed appropriate to ascertain the probable insurance recoveries for asbestos liabilities. The analysis took into account self-insurance retentions, policy exclusions, pending litigation, liability caps and gaps in coverage, existing and potential insolvencies of insurers as well as how legal and defense costs will be covered under the insurance policies.

During the third quarter of 2009, an analysis of claims data including filing and dismissal rates, alleged disease mix, filing jurisdiction, as well as settlement values resulted in the determination that Colfax should revise its rolling 15-year estimate of asbestos-related liability for pending and future claims. The analysis reflected that a statistically significant increase in mesothelioma filings had occurred and was expected to continue for both subsidiaries. As a result, we recorded an \$11.6 million pretax charge in the third quarter of 2009, which was comprised of an increase to its asbestos-related liabilities of \$111.3 million offset by expected insurance recoveries of \$99.7 million.

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

In November 2008, one of the subsidiaries entered into a settlement agreement with the primary and umbrella carrier governing all aspects of the carrier's past and future handling of the asbestos related bodily injury claims against the subsidiary. As a result of this agreement, during the third quarter of 2008, we increased our insurance asset by \$7.0 million attributable to resolution of a dispute concerning certain pre-1966 insurance policies and recorded a corresponding pretax gain. We reimbursed the primary insurer for \$7.6 million in deductibles and retrospective premiums in the fourth quarter of 2008 and have no further liability to the insurer under these provisions of the primary policies.

For this subsidiary, 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, Colfax, as of October 2, 2009, increased its future expected recovery percentage from 67% to 90% of asbestos-related costs following the exhaustion of its primary and umbrella layers of insurance and recorded a pretax gain of \$17.3 million. The subsidiary expects to be responsible for approximately 10% of its future asbestos-related costs.

During the third quarter of 2010, an insolvent carrier that had written approximately \$1.4 million in limits for which this 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 during the third quarter of 2010 by the primary and umbrella carrier who had been fully defending and indemnifying the subsidiary for twenty 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 are 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 the fourth quarter of 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 we expect to be reimbursed for asbestos-related costs incurred in future periods. As a result, in the fourth quarter of 2009, we increased our receivable for past costs by \$11.9 million and decreased our insurance asset for future costs by \$9.8 million and recorded a pretax gain of \$2.1 million.

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 the fourth quarter of 2010, the court-appointed special allocation master made its recommendation which has been modified and accepted by the court. Based upon the recommendation, we reduced the current asbestos receivable by \$2.3 million, increased the long-term asbestos asset by \$0.4 million and recorded a net charge to asbestos liability and defense costs of \$1.9 million in the third quarter of 2010. As a result of the current status of this litigation, we decreased the amount currently due from insurers by \$0.5 million and decreased the insurance asset for future periods by \$1.6 million and recorded a pretax loss of \$2.1 million in the fourth quarter of 2010. We currently anticipate that the trial phase in this litigation will be complete in 2011. We cannot predict the outcome of this litigation with certainty, or whether the outcome will be more or less favorable than our best estimate included in the consolidated financial statements. Given the uncertainty inherent in litigation, we would estimate the range of possible results from positive \$30 million to negative \$30 million relative to our reported insurance assets on our consolidated balance sheets. The timing of any cash inflows or outflows related to these matters cannot be estimated. The subsidiary expects to be responsible for approximately 15% of all future asbestos-related costs.

We have established reserves of \$429.7 million and \$443.8 million as of December 31, 2010 and December 31, 2009, respectively, for the probable and reasonably estimable asbestos-related liability cost we believe the subsidiaries will pay through the next 15 years. We have also established recoverables of \$374.4 million and \$389.4 million as of December 31, 2010 and December 31, 2009, 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 \$55.3 million and \$54.3 million as of December 31, 2010 and December 31, 2009, respectively. In addition, we have recorded a receivable for liability and defense costs previously paid in the amount of \$51.8 million and \$52.8 million as of December 31, 2010 and December 31, 2009, respectively, for which insurance recovery is deemed probable. We have recorded the reserves for the asbestos liabilities as "Accrued asbestos liability" and "Long-term asbestos liability" and the related insurance recoveries as "Asbestos insurance asset" and "Long-term asbestos insurance asset". The receivable for previously paid liability and defense costs is recorded in "Asbestos insurance receivable" and "Long-term asbestos insurance receivable". We have also reflected in other accrued liabilities \$23.3 million and \$15.8 million as of December 31, 2010 and December 31, 2009, respectively, for overpayments by certain insurers and unpaid legal costs related to defending ourselves against asbestos-related liability claims and legal action against our insurers.

The expense (income) related to these liabilities and legal defense was \$7.9 million, net of estimated insurance recoveries, for the year ended December 31, 2010 compared to (\$2.2) million and (\$4.8) million for the years ended December 31, 2009 and 2008, respectively. Legal costs related to the subsidiaries' action against their asbestos insurers were \$13.2 million for the year ended December 31, 2010 compared to \$11.7 million and \$17.2 million for the years ended December 31, 2009 and 2008, 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 our financial condition, results of operations or cash flow.

Retirement benefits

Pension obligations and other post-retirement benefits are actuarially determined and are affected by several assumptions, including the discount rate, assumed annual rates of return on plan assets, and per capita cost of covered health care benefits. Changes in discount rate and differences from actual results for each assumption will affect the amounts of pension expense and other post-retirement expense recognized in future periods. These assumptions may also have an effect on the amount and timing of future cash contributions. See Note 11 to our 2010 audited consolidated financial statements for further information.

Impairment of goodwill and indefinite-lived intangible assets

Goodwill represents the costs in excess of the fair value of net assets acquired associated with our acquisitions.

We evaluate the recoverability of goodwill and indefinite-lived intangible assets annually or more frequently if an event occurs or circumstances change in the interim that would more likely than not reduce the fair value of the asset below its carrying amount. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value.

During the year ended December 31, 2010, we changed the date of our annual goodwill and indefinite-lived intangible assets impairment testing from the last day of the fourth quarter to the first day of the fourth quarter. We adopted this change in timing in order to provide additional time to quantify the fair value of our reporting units and, if necessary, to determine the implied fair value of goodwill. This change in timing will also reduce the likelihood that the annual impairment analysis would not be completed by the required filing date of our annual financial statements. The revised date also better aligns with our strategic planning and budgeting process, which is an integral component of the impairment testing. In accordance with U.S. GAAP, we will also perform interim impairment testing should circumstances requiring it arise. We believe this accounting change is preferable and does not result in the delay, acceleration, or avoidance of an impairment charge.

In the evaluation of goodwill for impairment, we first compare the fair value of the reporting unit to its carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and step two of the impairment analysis is performed. In step two of the analysis, an impairment loss is recorded equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

We measure fair value of reporting units based on a present value of future discounted cash flows or a market valuation approach. The discounted cash flows model indicates the fair value of the reporting units based on the present value of the cash flows that the reporting units are expected to generate in the future. Significant estimates in the discounted cash flows model include: the weighted average cost of capital; long-term rate of growth and profitability of our business; and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison of Colfax against certain market information. Significant estimates in the market approach model include identifying appropriate market multiples and assessing earnings before interest, income taxes,

depreciation and amortization (EBITDA) in estimating the fair value of the reporting units.

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The analysis performed as of October 2, 2010 and December 31, 2009 and 2008 indicated no impairment to be present. However, actual results could differ from our estimates and projections, which would affect the assessment of impairment. As of December 31, 2010, we have goodwill of \$172.3 million that is subject to at least annual review of impairment. See Note 10 to our 2010 audited consolidated financial statements for further information.

Income taxes

We account for income taxes under the asset and liability method, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors, including the expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in the evaluation of our valuation allowance, we record a change in valuation allowance through income tax expense in the period such determination is made.

During the year ending December 31, 2010, the valuation allowance increased from \$45.1 million to \$52.9 million with \$4.2 million and \$3.6 million of the increase recognized in income tax expense and in other comprehensive income, respectively. The \$7.8 million net increase in 2010 was primarily attributable to U.S. deferred tax assets we believe may not be realized. Consideration was given to U.S. tax planning strategies and future U.S. taxable income as to how much of the total U.S. deferred tax asset could be realized on a more likely than not basis.

The determination of our provision for income tax requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves when, despite the belief that the tax return positions are fully supportable, we believe that certain positions may be successfully challenged. When facts and circumstances change, the reserves are adjusted through the provision for income taxes. Tax benefits are not recognized until minimum recognition thresholds are met as prescribed by applicable accounting standards.

Revenue recognition

We recognize revenues and costs from product sales when all of the following criteria are met: persuasive evidence of an arrangement exists, the price is fixed or determinable, product delivery has occurred or services have been rendered, there are no further obligations to customers, and collectibility is probable. Product delivery occurs when title and risk of loss transfer to the customer. Our shipping terms vary based on the contract. If any significant obligations to the customer with respect to such sale remain to be fulfilled following shipment, typically involving obligations relating to installation and acceptance by the buyer, revenue recognition is deferred until such obligations have been fulfilled. Any customer allowances and discounts are recorded as a reduction in reported revenues at the time of sale because these allowances reflect a reduction in the purchase price for the products purchased. These allowances and discounts are estimated based on historical experience and known trends. Revenue related to service agreements is recognized as revenue over the term of the agreement.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. These allowances are based on recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire pool of customers. The allowance for doubtful accounts was \$2.6 million and \$2.8 million as of December 31, 2010 and 2009, respectively. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The foregoing criteria are used for all classes of customers including original equipment manufacturers, distributors, government contractors and other end users.

Stock-based compensation

Pursuant to our 2008 omnibus incentive plan, our Board of Directors may make awards in the form of shares of restricted stock, stock options and restricted stock units and other stock-based awards. We measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, with limited exceptions. That cost is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period or vesting period. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. We have equity incentive plans to encourage employees and non-employee directors to remain with us and to more closely align their interests with those of our shareholders.

For purposes of calculating stock-based compensation, the fair value of restricted stock or restricted stock units granted is equal to the market value of a share of common stock on the date of the grant. For grants that were awarded on May 7, 2008 in conjunction with our initial public offering, we used the initial public offering price as the fair value of the restricted stock and restricted stock units granted. For stock options, we estimate the fair value on the date of grant using the Black-Scholes option-pricing model. The determination of fair value using the Black-Scholes model requires a number of complex and subjective variables. One key input into the model is the fair value of our common stock on the date of grant, the initial public offering price in the case of stock options issued on May 7, 2008. Other key variables in the Black-Scholes option-pricing model include the expected volatility of our common stock price, the expected term of the award and the risk-free interest rate. In addition, we are required to estimate forfeitures of unvested awards when recognizing compensation expense. Significant assumptions used to calculate stock-based compensation during the years ended December 31, 2010 and 2009 were a stock price volatility of 52.2% and 32.5%, respectively, an expected option life of 4.5 years, a risk-free interest rate based on the 5-year treasury note yield on the date of grant ranging from 1.1% to 2.6% in 2010 and 1.9% to 2.5% in 2009 and a 0% expected dividend yield.

Stock-based compensation expense recognized for the years ended December 31, 2010, 2009 and 2008 was \$3.1 million, \$2.6 million and \$11.3 million, respectively. We cannot predict with certainty the impact of stock-compensation expense to be recognized in the future because the actual amount of stock-based compensation expense we record in any fiscal period will be dependent on a number of factors, including the number of shares subject to the stock awards issued, the fair value of our common stock at the time of issuance and the expected volatility of our stock price over time. However, based on awards we currently expect to make in 2011, stock-based compensation for the year ended December 31, 2011 is projected to be approximately \$3.5 million.

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.

Interest rate risk

We are subject to exposure from changes in short-term interest rates related to interest payments on our borrowing arrangements. Under our credit facility, all of our borrowings as of September 30, 2011 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 nine months ended September 30, 2011 would have increased interest expense on the unhedged portion of our borrowings by approximately \$0.4 million.

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 nine months ended September 30, 2011, approximately 71% of our sales were derived from operations outside the U.S., with approximately 58% generated from our European operations. In particular, we have more sales in European currencies than we have expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. To assist with the matching of revenues and expenses and assets and liabilities in foreign currencies, we may periodically enter into derivative instruments such as cross currency swaps or forward contracts.

On September 12, 2011 and in conjunction with the Acquisition, we 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 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. To illustrate the potential impact of changes in foreign currency exchange rates, assuming a 10% increase in average foreign exchange rates compared to the U.S. dollar, Income before income taxes would have increased by \$4.1 million during the nine months ended September 30, 2011.

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 30, 2011, we had no open commodity futures contracts.

PROPOSAL NO. 1—ISSUANCE OF SECURITIES TO THE BDT INVESTOR

Proposal

We are asking stockholders to approve (i) the issuance to the BDT Investor of 14,756,945 shares of Common Stock and 13,877,552 shares of Series A Preferred Stock, in accordance with the terms of the BDT Purchase Agreement in order to raise a portion of the funds required to complete the Acquisition and (ii) the issuance of shares of our Common Stock upon conversion of such Series A Preferred Stock. The aggregate purchase price for the shares of Common Stock and Series A Preferred Stock under the BDT Purchase Agreement is \$680 million (representing \$23.04 per share of Common Stock and \$24.50 per share of Series A Preferred Stock, with an initial conversion price of \$27.93 per share, subject to adjustment).

Required Stockholder Approval

The affirmative vote of the majority of shares of Common Stock present or represented by proxy at the special meeting and entitled to vote is necessary under our Bylaws and Rule 312.03 of the NYSE Rules to approve the issuance of the BDT Shares to the BDT Investor in accordance with the terms of the BDT Purchase Agreement and the issuance of shares of our Common Stock upon conversion of the Series A Preferred Stock to be issued in the BDT Investment.

In addition, approval of the Amended and Restated Certificate of Incorporation is a condition to the issuance of the BDT Shares to the BDT Investor. The affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the special meeting is necessary to approve the issuance of the Amended and Restated Certificate of Incorporation. See “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation.”

Amount, Title & Description of Securities to be Issued

Pursuant to the BDT Purchase Agreement, we propose to issue the following securities:

- 13,877,552 shares of a newly created series of perpetual convertible preferred stock, designated as the Series A Preferred Stock, of Colfax; and
- 14,756,945 shares of Common Stock.

Immediately after the issuance of the Securities in the Investments and the Acquisition, the shares of the Common Stock and Series A Preferred Stock owned by the BDT Investor will represent approximately 27.8% of the voting power in Colfax, assuming we acquire Charter’s entire fully-diluted share capital in the Acquisition.

The BDT Shares to be issued pursuant to the BDT Purchase Agreement will be issued pursuant to the exemption provided by Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder.

Series A Preferred Stock and the Certificate of Designations

In connection with the transactions contemplated by the BDT Purchase Agreement, our Board of Directors will create a new class of preferred stock, pursuant to the authority conferred upon the Board of Directors in accordance with our Certificate of Incorporation and Bylaws, designated as the Series A Perpetual Convertible Preferred Stock, par value \$0.001; all 13,877,552 shares of which will be issued to the BDT Investor. The terms of the Series A Preferred Stock are set forth in the form of Certificate of Designations of Series A Perpetual Convertible Preferred Stock (the

“Certificate of Designations”) attached to this proxy statement as Annex VII, which we will file with the Secretary of the State of Delaware immediately before the closing of the transactions contemplated by the Purchase Agreements and Implementation Agreement.

In addition, so long as the BDT Investor and certain permitted transferees beneficially own at least 50% of the Series A Preferred Stock issued pursuant to the BDT Purchase Agreement, the BDT Investor will have consent rights in respect of a number corporate actions, including mergers, consolidations or similar transactions exceeding specified thresholds, under the Amended and Restated Certificate of Incorporation attached to this proxy statement as Annex VI, which we will file with the Secretary of the State of Delaware immediately before the closing of the transactions contemplated by the Purchase Agreements and Implementation Agreement. For a detailed description of the rights of the BDT Investor with respect to their ownership of the BDT Shares under the Amended and Restated Certificate of Incorporation, see “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation—Changes in respect of Colfax’s Board of Directors & Nomination Rights of the BDT Investor” and “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation—Voting and Consent Rights of the BDT Investor.”

The following is a summary of selected provisions of the Certificate of Designations, which has been included in this proxy statement to provide you with information regarding the terms of the Series A Preferred Stock. While we believe this description covers the material terms of the Certificate of Designations, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the Certificate of Designations, which is attached as Annex VII to this proxy statement and is incorporated by reference into this proxy statement. We urge you to read the entire Certificate of Designations carefully.

Voting Rights

Each share of Series A Preferred Stock entitles its holder to vote on all matters submitted to the holders of the Common Stock, voting together as a single class. Each share of Series A Preferred Stock entitles its holder to cast the number of votes equal to the number of votes which could be cast by a holder of the shares of Common Stock into which such holder’s share of Series A Preferred Stock is convertible as of the record date of the relevant vote. In addition, the affirmative vote or consent of more than 50% of the shares of Series A Preferred Stock, voting separately as a class, is required to approve any (i) amendment of the Amended and Restated Certificate of Incorporation, the Certificate of Designations or any document amendatory or supplemental thereto that would adversely affect the rights of the Series A Preferred Stock or (ii) other action for which a vote of the Series A Preferred Stock, voting separately as a class, is required by law.

Conversion; Redemption

Pursuant to the Certificate of Designations, the Series A Preferred Stock is convertible, in whole or in part, at the option of the holders thereof at any time after the date the shares of Series A Preferred Stock are issued into fully paid and nonassessable shares of Common Stock at a conversion rate determined by dividing the Liquidation Preference by a number equal to 114% of the Liquidation Preference, subject to adjustment as set forth in the form of Certificate of Designations (the “Conversion Rate”). 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 of Series A Preferred Stock into shares of Common Stock at the Conversion Rate if, among other things:

- for the preceding thirty trading days, the closing price of our Common Stock on the NYSE exceeds 133% of the applicable conversion price, calculated by dividing the Liquidation Preference by the then-applicable Conversion Rate; and
- we have declared and paid or set apart for payment all accrued but unpaid dividends on the Series A Preferred Stock.

In the event of conversion of only part of the outstanding shares of the Series A Preferred Stock, the shares to be redeemed shall be selected pro rata. We are required to reserve a sufficient number of shares of our authorized Common Stock for the purpose of effecting the conversion of all outstanding Series A Preferred Stock.

In addition, we have the option to redeem all (but not less than all) of the outstanding Series A Preferred Stock under certain circumstances in return for a cash payment equal, on a per share basis, to the greater of (i) the Liquidation Preference and (ii) the U.S. dollar amount equal to the Liquidation Preference divided by the Conversion Rate.

Preferred Dividend and Liquidation Rights; Ranking

Under the terms of the Series A Preferred Stock set forth on the form of Certificate of Designations, holders are entitled to receive cumulative cash dividends, payable quarterly, at a per annum rate of 6% of the Liquidation Preference, provided that the dividend rate shall be increased to a per annum rate of 8% if we fail to pay the full amount of any dividend required to be paid on such shares until the date that full payment is made. Neither we nor our subsidiaries shall declare or pay any dividends or other distributions in respect of the Common Stock or any other class of Colfax stock ranking lower than the Series A Preferred Stock with respect to dividends and distributions (“Junior Stock”), unless all accrued but unpaid dividends have been declared and paid (or sums have been set apart for payment) on the Series A Preferred Stock. If any dividend or distribution in respect of Common Stock or other class of Junior Stock is made, the Series A Preferred Stock will share proportionately in such dividends (i) if such Junior Stock is Common Stock or convertible into Common Stock, in accordance with the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock calculated as of the record date for such dividend or distribution or (ii) if such Junior Stock is not Common Stock or convertible into Common Stock, as otherwise determined in good faith by our Board of Directors to be equitable under the circumstances.

Holders are also entitled, upon liquidation, dissolution or winding-up of Colfax, to receive payment out of the assets of the company legally available equal to the greater of (i) the Liquidation Preference or (ii) the amount such holder would have received had each share of Series A Preferred Stock been converted into Common Stock immediately prior to the liquidation, dissolution or winding-up before any distribution is made to the holders of Common Stock or other capital stock of Colfax that ranking junior or subordinated to the Series A Preferred Stock with respect to the payment of dividends or distributions. Prior to the conversion or redemption or retirement and cancellation of all shares of the Series A Preferred Stock, we may not issue any capital stock ranking equal or senior to the Series A Preferred Stock with respect to the payment of dividends or distributions, or authorize any additional shares of Series A Preferred Stock.

Pre-emptive Rights

For a period of 24 months following the issuance of the Series A Preferred Stock, holders of such stock are entitled to pre-emptive rights to subscribe for additional shares of Common Stock in the event we wish to issue any shares of capital stock or securities convertible into or exchangeable for our capital stock at a price less than the Liquidation Preference to any person (a “Dilutive Issuance”). If a Dilutive Issuance occurs on or prior to the date that is 270 days after the issuance of the Series A Preferred Stock, then holders of such stock are entitled to subscribe for a number of new shares of Common Stock equal to the proportion of outstanding Common Stock beneficially owned by the holder and certain permitted transferees (on a fully-diluted basis) at the same price and on the same terms and conditions as the Dilutive Issuance. If a Dilutive Issuance occurs after such date, but within the 24 month period following the issuance of the Series A Preferred Stock, then holders of such stock are entitled to subscribe for a number of new shares of Common Stock that is double the proportion of outstanding Common Stock beneficially owned by the holder and certain permitted transferees (on a fully-diluted basis) at the same price and on the same terms and conditions as the Dilutive Issuance.

The foregoing pre-emption rights do not apply to (i) issuances pursuant to any employee, director or consultant benefit plan, (ii) the issuance of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date of issuance of the Series A Preferred Stock, (iii) a sub-division of the outstanding shares of Common Stock into a larger number of shares of Common Stock and (iv) the issuance of capital stock as consideration for a merger, acquisition, joint venture, strategic alliance, or similar non-financing transaction.

Common Stock

Subject to the rights of the holders of any series of preferred stock (including the Series A Preferred Stock), the holders of shares of Common Stock are entitled to one vote per share held on all matters submitted to a vote at a meeting of stockholders. Each stockholder may exercise its vote either in person or by proxy. Subject to any preferences to which holders of shares of preferred stock (including the Series A Preferred Stock) may be entitled, the holders of outstanding shares of Common Stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefore. In the event that we liquidate, dissolve or wind up, the holders of outstanding shares of Common Stock are entitled to share ratably in all of our assets which are legally available for distribution to stockholders, subject to the prior rights on liquidation of creditors and to preferences to which holders of shares of preferred stock (including the Series A Preferred Stock) may be entitled. The holders of outstanding shares of Common Stock do not have any preemptive, subscription, redemption or sinking fund rights. The outstanding shares of Common Stock are, and the shares to be issued in the Investments and the Acquisition will be, duly authorized, validly issued, fully paid and nonassessable.

In addition, the Amended and Restated Certificate of Incorporation provides the BDT Investor certain rights, including a consent right in respect of certain corporation actions, including mergers, consolidations or similar transactions exceeding specified thresholds, and the right to exclusively nominate up to two members of our Board of Directors depending on its beneficial ownership of Colfax securities from time to time. For a detailed description of the rights of the BDT Investor with respect to their ownership of the BDT Shares under the Amended and Restated Certificate of Incorporation, see “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation—Changes in respect of Colfax’s Board of Directors & Nomination Rights of the BDT Investor” and “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation—Voting and Consent Rights of the BDT Investor.”

Our Common Stock is listed on the New York Stock Exchange under the trading symbol “CFX.” On _____, 2011, the last practicable day before the printing of this proxy statement, the closing sale price of our Common Stock was \$ _____ per share.

Use of Proceeds

We will use the proceeds from the sale of the BDT Shares to fund a portion of the Acquisition of Charter pursuant to the Implementation Agreement.

The BDT Purchase Agreement and Related Agreements

The BDT Purchase Agreement

The following is a summary of selected provisions of the BDT Purchase Agreement. While we believe this description covers the material terms of the BDT Purchase Agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the BDT Purchase Agreement which is attached to this proxy statement as Annex II and is incorporated by reference in this proxy statement. We urge you to read the entire BDT Purchase Agreement carefully.

In connection with the financing of the proposed Acquisition of Charter, on September 12, 2011, we entered into the BDT Purchase Agreement with the BDT Investor, as well as BDT Capital Partners Fund I, L.P. and BDT Capital Partners Fund I-A, L.P. (together, the “BDT Fund”), and Mitchell P. Rales, Chairman of Colfax’s board, and his brother, Steven M. Rales, for the limited purposes as described below.

The BDT Investor is a newly formed entity controlled by BDT Capital Partners. BDT Capital Partners, which is based in Chicago, Illinois, provides entrepreneur and family owned companies with long-term capital, solutions-based advice and access to an extensive network of world-class family businesses. BDT Capital Partners is a merchant bank structured to provide advice and capital that address the unique needs of closely held businesses. The firm has an investment fund as well as an investor base with the ability to co-invest additional capital. The investment fund’s portfolio includes investments in Pilot Flying J, City Beverage, Tudor, Pickering, Holt & Co. and Weber-Stephen Products Co.

The Securities Purchase

Under the terms of the BDT Purchase Agreement, at the closing, we will issue and sell to the BDT Investor (i) 14,756,945 newly-issued shares of Common Stock, and (ii) 13,877,552 shares of newly created 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).

Closing

Subject to the conditions to closing set forth in the BDT Purchase Agreement, the closing of the issuance and sale of the BDT Shares will occur on the date falling six business days after our Acquisition of Charter becomes wholly unconditional or effective in accordance with the terms of the Implementation Agreement. See “Proposal No. 1—Issuance of Securities to the BDT Investor—The BDT Purchase Agreement—Conditions to Closing” below.

Representations and Warranties

The BDT Purchase Agreement contains representations made by Colfax to the BDT Investor relating to a number of matters, including the following:

- our organization and good standing, corporate authority to enter into the BDT Purchase Agreement and the documents related thereto and absence of conflicts between the BDT Purchase Agreement and our organizational documents, material agreements and applicable law;
 - authorized and outstanding shares of our capital stock and other securities;
- absence of pre-emptive rights, rights of first offer, or similar rights with respect to the BDT Shares (except as set forth in the Certificate of Designations or Amended and Restated Certificate of Incorporation);
- absence of consents required by governmental authorities in connection with the BDT Purchase Agreement or the transactions contemplated by the BDT Purchase Agreement;

- tax matters;
- compliance with legal requirements, including the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC with respect to the reports filed by us with the SEC;
- the accuracy and conformity to generally accepted accounting principles of our financial statements filed with the SEC;
- absence of undisclosed liabilities;
- availability of exemption from the registration requirements of the Securities Act for the issuance of the BDT Shares;
- brokers and finders;
- absence of registration rights granted or agreed to be granted, other than under the Registration Rights Agreements to be entered into with the BDT Investor and each of the Other Investors;
- absence of restrictions on our ability to pay cash dividends; and
- execution and effectiveness of the Credit Agreement.

The BDT Purchase Agreement contains representations made by the BDT Investor to us relating to a number of matters, including the following:

- organization and good standing of the BDT Investor, authority to enter into the BDT Purchase Agreement and the documents related thereto and absence of conflicts between the BDT Purchase Agreement and the BDT Investor's organizational documents, material agreements and applicable law;
- purchase of the BDT Shares for investment purposes, status of the BDT Investor as an "accredited investor" and its experience as an investor and an acknowledgment that the BDT Shares will be restricted securities;
- brokers and finders;
- accuracy of the equity commitment letters between BDT Investor and third parties provided to us; and
- ownership interest of the BDT Investor in Charter.

Stockholder Meeting and Board Recommendation

The BDT Purchase Agreement requires us to present and recommend at a special meeting of our stockholders a proposal to approve the issuance of the BDT Shares to the BDT Investor and the Amended and Restated Certificate of Incorporation, which will provide the BDT Investor with a consent right in respect of certain corporate actions for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own at least 50% of the Series A Preferred Stock to be issued under the BDT Purchase Agreement. The Amended and Restated Certificate of Incorporation will also provide the BDT Investor the right to exclusively nominate up to two members of our Board of Directors depending on its beneficial ownership in our Common Stock on a converted and fully-diluted basis from time to time.

Other Covenants and Agreements

Standstill

Without our prior approval, the BDT Investor has agreed to not, directly or indirectly, or in concert with any person or as participants in a “group” as defined in Section 13 of the Exchange Act:

- make any public announcement or submit to us or our affiliates any proposal for the acquisition of any of our voting stock or with respect to any merger, consolidation, business combination or purchase of any substantial portion of our assets;
- call or seek to call a special meeting of our stockholders or our subsidiaries’ stockholders, (ii) make or participate in any “solicitation” of “proxies” as defined or used in Regulation 14A under the Exchange Act to vote any of our voting stock or (iii) become a “participant” in any “election contest” as such terms are defined or used in Rule 14a-11 under the Exchange Act with respect to any of our voting stock, except in each case for actions taken by Colfax directors affiliated with the BDT Investor in their capacities as directors and actions taken for the purpose of electing the BDT Investor’s nominees to our Board of Directors in accordance with the Amended and Restated Certificate of Incorporation; or
- effect or seek any recapitalization, reclassification, liquidation or dissolution or other extraordinary transaction that would have the effect of any of the matters described above.

The BDT Investor’s foregoing obligations shall terminate on the first date that the BDT Investor either has beneficial ownership (as defined in Rule 13d-3 promulgated under the Exchange Act) of less than 5% of our outstanding Common Stock (including securities convertible into Common Stock) or no longer has the right to nominate for election at least one member of our Board of Directors under the Amended and Restated Certificate of Incorporation.

Credit Agreement

Pursuant to the BDT Purchase Agreement, we have agreed that we will not and will cause our subsidiaries not to amend or waive any material term or condition of the Credit Agreement without the prior written consent of the BDT Investor. Furthermore, we have agreed to use our best efforts to cause all conditions precedent to the effectiveness of the Credit Agreement to be satisfied on or before closing. See “Information on the Charter Acquisition—Implementation Agreement and Related Agreements—Credit Agreement”.

Transfer Restrictions; Tag-along Rights

The BDT Investor has agreed not to sell or transfer any of the Common Shares issued pursuant to the BDT Purchase Agreement for the first 180 days from closing and no more than 50% of such Common Shares thereafter until the first anniversary of the closing of the BDT Purchase Agreement. The BDT Investor has also agreed not to sell or transfer any of the Common Shares issued upon conversion of the Series A Preferred Stock for the first 180 days following conversion and no more than 50% of such Common Shares thereafter until the first anniversary of the conversion of such shares into Common Stock. In addition, the BDT Purchase Agreement provides the BDT Investor with tag-along sale rights in the event of certain sales of Colfax shares by either or both of Mitchell P. Rales or Steven M. Rales, both of which are signatories to the BDT Purchase Agreement solely for purposes of such provisions.

Additional Covenants

Colfax and the BDT Investor have agreed to other covenants relating to, among others, publicity, certain tax matters, access to information, and the making of certain filings with governmental authorities. The BDT Purchase Agreement also includes a number of covenants from us in connection with the Acquisition of Charter.

Conditions to Closing

Consummation of the transactions contemplated by the BDT Purchase Agreement is conditional upon, among other things, (i) approval by our stockholders of the transactions contemplated by the BDT Purchase Agreement and the Amended and Restated Certificate of Incorporation, (ii) filing of the Amended and Restated Certificate of Incorporation and the Certificate of Designations with the Secretary of the State of Delaware, (iii) sanctioning of the Scheme for the Acquisition of Charter by the Royal Court of Jersey (or in the case of a takeover offer, such offer becoming unconditional) and (iv) the Credit Agreement being in full force and effect.

Termination

Prior to the closing, the BDT Purchase Agreement may be terminated:

- by the BDT Investor, if our offer for Charter is withdrawn, lapses or terminates;
- by the BDT Investor or Colfax, if the issuance of the BDT Shares has not been completed before the Termination Date (provided that the right to so terminate the BDT Purchase Agreement shall not be available to any party if such party's action or inaction was a principal cause of or resulted in the failure to complete the issuance of the BDT Shares and constitutes a breach of the BDT Purchase Agreement);
- by the BDT Investor or Colfax, if any applicable governmental authority has issued a non-appealable final order, decree or ruling or taken any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the consummation of the issuance of the BDT Shares and other transactions contemplated by the BDT Purchase Agreement;
- by the BDT Investor at any time prior to completion of the issuance of the BDT Shares, if Colfax (i) has breached certain material representations or undertakings under the BDT Purchase Agreement and failed to cure such breach by the earlier of the Termination Date and 20 days from written notice of such breach and (ii) such breach, if not cured, would give rise to the failure to meet a condition to closing;

- by Colfax at any time prior to completion of the issuance of the BDT Shares, if the BDT Investor has (i) breached their representations, warranties and covenants under the BDT Purchase Agreement and failed to cure such breach by the earlier of the Termination Date and 20 days from written notice of such breach and (ii) such breach, if not cured, would give rise to the failure to meet a condition to closing; and
 - by mutual written agreement of the BDT Investor and Colfax.

Assignment

The BDT Purchase Agreement may not be assigned or transferred without the prior written consent of the other parties, except in certain circumstances by the BDT Investor to partners or members of the BDT Investor or BDT Fund, certain co-investors or any affiliate of the foregoing (in each case other than competitors of Colfax).

Certain Agreements and Documents Related to the BDT Investment

BDT Registration Rights Agreement

We have also agreed to enter into a registration rights agreement with the BDT Investor at closing, in the form attached as Annex VIII to this proxy statement, pursuant to which we will file a registration statement covering the resale of Common Stock issued at closing to the BDT Investor or upon conversion of the Series A Preferred Stock and the BDT Investor will have demand registration rights and piggyback registration rights under certain circumstances.

Shelf Registration and Demand Registration

We have agreed to provide the BDT Investor with shelf registration rights. No later than three months after the closing under the BDT Purchase Agreement, we must file a registration statement covering the resale of the shares of Common Stock and the shares of Common Stock issuable upon conversion of the Series A Preferred Stock ("Registerable Securities"). We must use our reasonable best efforts to cause such shelf registration statement to be declared effective under the Securities Act no later than the date that is six months after the closing under the BDT Purchase Agreement. If we are unable to file, cause to be effective or maintain the effectiveness of a shelf registration statement, the BDT Investor may require us to register the number of Registrable Securities beneficially owned by the BDT Investor or any permitted transferee of Registrable Securities under the Securities Act; provided, that the sale of the securities to be registered is reasonably expected to result in aggregate gross cash proceeds in excess of \$70,000,000 (without regard to any underwriting discount or commission), subject to certain customary cut-backs.

Piggyback Registration

If at any time we have determined to register any of our equity securities, with certain exceptions, we have agreed to give the BDT Investor notice of such registration and include in such registration all securities held by the BDT Investor or any permitted transferee of Registrable Securities, included by such persons in a written request, subject to certain customary cut-backs.

Expenses

We have agreed to pay all fees and expenses in connection with the registration rights set forth above, including the reasonable fees or disbursements of one counsel for the BDT Investor or its permitted transferees, as selling holders of the Registrable Securities, but excluding any other expenses of the selling holders or underwriting commissions.

Indemnification

Subject to certain qualifications and limitations, we will indemnify the BDT Investor and any permitted transferee of Registrable Securities and their officers, directors, employees and each underwriter and certain related parties for losses they incur as a result of acts or omissions by us or our subsidiaries in connection with any such registration.

Voting Agreements between the BDT Investor and Messrs. Rales

On September 12, 2011, the BDT Investor entered into voting agreements with each of Mitchell P. Rales and Steven M. Rales, attached as Annex XV and Annex XVI to this proxy statement, in their capacities as stockholders of Colfax, pursuant to which Messrs. Rales agreed to vote the Common Stock held by them in favor of the issuance of the BDT Shares to the BDT Investor, the Amended and Restated Certificate of Incorporation and the other transactions contemplated by the BDT Purchase Agreement.

The voting agreements terminate on the earlier to occur of the date the BDT Purchase Agreement is validly terminated in accordance with its terms or the closing date under the BDT Purchase Agreement.

As of _____, 2011, the record date, Mitchell P. Rales and Steven M. Rales are entitled to vote, in the aggregate, 18,291,220 shares of the Common Stock, representing _____% of the outstanding Common Stock entitled to vote at the special meeting.

Other

In addition, immediately prior to the closing of the transactions contemplated by the BDT Purchase Agreement, we will file the Amended and Restated Certificate of Incorporation and Certificate of Designations with the Secretary of State of the State of Delaware. See "Proposal No. 1—Issuance of Securities to the BDT Investor—Amount, Title and Description of Securities to be Issued."

Directors of Colfax Following the Transaction

Our Board of Directors is currently comprised of nine directors, each serving a one-year term. If the transactions contemplated by the Purchase Agreements are completed, effective as of the closing of the issuance of the BDT Shares to the BDT Investor, the number of authorized directors will be increased from 9 to 11 and the BDT Investor will have the right to exclusively nominate for election 2 of the 11 directors to serve as members of our Board of Directors and certain of its committees (subject to applicable law and NYSE Rules) pursuant to the Amended and Restated Certificate of Incorporation. Our Board of Directors has the ability to elect persons to fill the two newly created directorships without stockholder approval, until a successor is elected and qualified at our next annual meeting of stockholders. Any such appointment will be made by our Board of Directors in compliance with applicable law and the NYSE Rules.

The Amended and Restated Certificate of Incorporation sets forth the rights under which the BDT Investor may elect members to our Board of Directors. See “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation”.

Interests of Colfax’s Executive Officers and Directors in the Transaction

When you consider our Board of Directors’ recommendation to vote in favor of the Proposals, you should be aware that our executive officers and directors may have interests in the transactions contemplated by the Purchase Agreements and the Implementation Agreement that may be different from, or in addition to, the interests of other Colfax stockholders. In particular, pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of our Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own 11,315,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter’s entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation to be filed with the Secretary of State of Delaware immediately prior to closing of the Investments, the replacement of Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter’s entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel.

Regulatory Approval

Under the HSR Act and the related rules and regulations that have been issued by the FTC, certain acquisition transactions may not be consummated until Premerger Notification and Report Forms have been furnished to the FTC and the Antitrust Division of the Department of Justice and certain waiting period requirements have been satisfied. These requirements of the HSR Act apply to the proposed BDT Investment.

Under the HSR Act, the BDT Investment may not be completed until the expiration of a 30-day waiting period following our and the BDT Investor's separate filing of a Premerger Notification and Report Form concerning the proposed BDT Investment with the FTC and the Antitrust Division, unless the waiting period is earlier terminated by the FTC and the Antitrust Division. We and the BDT Investor filed the Premerger Notification and Report Forms on October 3, 2011 with the FTC and the Antitrust Division in connection with the BDT Investment and the required waiting period has expired.

At any time before or after the completion of the BDT Investment, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the BDT Investment or seeking the divestiture of BDT Shares or the divestiture of substantial assets of Colfax or its subsidiaries.

In addition, the BDT Investment may be reviewed by the attorneys general in the various states in which we and the BDT Investor operate. These authorities may claim that there is authority, under the applicable state and federal antitrust laws and regulations, to investigate and/or disapprove of the BDT Investment under the circumstances and based upon the review set forth in applicable state laws and regulations. We cannot assure you that one or more state attorneys general will not attempt to file an antitrust action to challenge the BDT Investment. Private parties also may seek to take legal action under the antitrust laws in some circumstances.

In addition, the BDT Investment may require antitrust filings or approvals in other jurisdictions outside the United States. The BDT Investor is expected to submit the relevant notifications and seek approvals in the relevant jurisdictions in cooperation with Colfax and Charter. We believe that completion of the BDT Investment will be approved without conditions in all such countries where approval is required. However, we cannot rule out the possibility that any foreign antitrust authority might seek to require remedial undertakings as a condition to its approval.

PROPOSAL NO. 2—ISSUANCE OF SECURITIES TO THE OTHER INVESTORS

Proposal

We are asking stockholders to approve the issuance of 2,170,139 shares of Common Stock to Mitchell P. Rales, 2,170,139 shares of Common Stock to Steven M. Rales and 1,085,070 shares of Common Stock to Markel in accordance with the terms of the Other Purchase Agreements with Mitchell P. Rales, Steven M. Rales and Markel, in order to raise a portion of the funds required to complete the Acquisition. The purchase price of each share of Common Stock under each of the Other Purchase Agreements is \$23.04 per share of Common Stock (based on the closing price of our Common Stock on the last business day before the announcement of the Acquisition of Charter).

Required Stockholder Approval

The affirmative vote of the majority of shares of Common Stock present or represented by proxy at the special meeting and entitled to vote is necessary under our Bylaws and Rule 312.03 of the NYSE Rules to approve the issuance of the Other Shares to the Other Investors in accordance with the terms of the Other Purchase Agreements. In addition, the approval of the Amended and Restated Certificate of Incorporation is a condition to the issuance of the Other Shares to each of the Other Investors. The affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the special meeting is necessary to approve the Amended and Restated Certificate of Incorporation. See “Proposal No. 4—Amendment and Restatement of Colfax’s Certificate of Incorporation.”

Amount, Title & Description of Securities to be Issued

Pursuant to the MPR Purchase Agreement, we propose to issue 2,170,139 shares of Common Stock to Mitchell P. Rales.

Pursuant to the SMR Purchase Agreement, we propose to issue 2,170,139 shares of Common Stock to Steven M. Rales.

Pursuant to the Markel Purchase Agreement, we propose to issue 1,085,070 shares of Common Stock to Markel.

The Other Shares to be issued pursuant to the Other Purchase Agreements will be issued pursuant to the exemption provided by Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder.

For a detailed description of our Common Stock, see “Proposal No. 1—Issuance of Securities to the BDT Investor—Amount, Title & Description of Securities to be Issued .”

Use of Proceeds

We will use the proceeds from the sale of the Other Shares to fund in part the Acquisition of Charter pursuant to the Implementation Agreement.

The Other Purchase Agreements and Related Agreements

The MPR Purchase Agreement

The following is a summary of selected provisions of the MPR Purchase Agreement. While we believe this description covers the material terms of the MPR Purchase Agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the MPR Purchase Agreement which is attached to this proxy statement as Annex III and is incorporated by reference in this proxy statement. We urge you to read the entire MPR Purchase Agreement carefully.

In connection with the financing of the proposed Acquisition of Charter, on September 12, 2011, we entered into the MPR Purchase Agreement with Mitchell P. Rales.

Mr. Mitchell P. Rales is a co-founder of Colfax and has served as a director of Colfax since its founding in 1995. He is the Chairman of our Board of Directors and a current beneficial owner of 21.0% of our Common Stock. Mr. Mitchell P. Rales served as a member of the Board of Directors of Danaher Corporation since 1983 and as Chairman of Danaher Corporation’s Executive Committee since 1984. Mr. Rales has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded companies for over 25 years. He was instrumental in the founding of Colfax and has played a key leadership role on our Board of Directors since that time. Mr. Rales helped create the Danaher Business System, on which the Colfax Business System is modeled, and he has provided critical strategic guidance in our growth.

The Securities Purchase

Under the terms of the BDT Purchase Agreement, at the closing, we will issue and sell to Mitchell P. Rales 2,170,139 newly-issued shares of Common Stock for an aggregate payment of \$50 million, representing a purchase price of \$23.04 per share of Common Stock.

Closing

Subject to the conditions to closing set forth in the MPR Purchase Agreement, the closing of the issuance and sale of the MPR Shares will occur on the date falling six business days after the Acquisition of Charter becomes wholly unconditional or effective in accordance with the terms of the Implementation Agreement. See “Proposal No. 2—Issuance of Securities to the Other Investors—The MPR Purchase Agreement—Conditions to Closing” below.

The parties have also agreed to enter into the MPR Registration Rights Agreement at closing, pursuant to which we will file a registration statement covering the resale of the MPR Shares issued to Mitchell P. Rales under the MPR Purchase Agreement and Mitchell P. Rales will have demand registration rights and piggyback registration rights under certain circumstances.

Representations, Warranties and Covenants

The MPR Purchase Agreement contains representations made by Colfax to Mitchell P. Rales relating to a number of matters, including the following:

- our organization and good standing, corporate authority to enter into the MPR Purchase Agreement and absence of conflicts between the MPR Purchase Agreement and our organizational documents, material agreements and applicable law;
 - authorized and outstanding shares of our capital stock and other securities;
- absence of pre-emptive rights, rights of first offer or similar rights with respect to the MPR Shares (except as set forth in the Certificate of Designations or Amended and Restated Certificate of Incorporation);
- absence of consents required by governmental authorities in connection with the MPR Purchase Agreement or the transactions contemplated by the MPR Purchase Agreement;
 - tax matters;
- compliance with legal requirements, including the rules and regulations of the SEC with respect to the reports filed by us with the SEC;
- the accuracy and conformity to generally accepted accounting principles of our financial statements filed with the SEC;
 - absence of undisclosed liabilities;
- availability of exemption from the registration requirements of the Securities Act for the issuance of the BDT Shares;
 - brokers and finders
- absence of registration rights granted or agreed to be granted, other than under the registration rights agreements to be entered into with the BDT Investor and the Other Investors;
 - absence of restrictions on our ability to pay cash dividends; and
 - execution and effectiveness of the Credit Agreement;

The MPR Purchase Agreement contains representations made by Mitchell P. Rales to Colfax relating to a number of matters, including the following:

- authority to enter into the MPR Purchase Agreement and enforceability of the MPR Purchase Agreement against Mitchell P. Rales;
- the purchase of the MPR Shares for investment purposes, status of Mitchell P. Rales as an “accredited investor” and his experience as an investor and an acknowledgment that the MPR Shares will not be registered under the Securities Act.

In addition, the MPR Purchase Agreement requires each of the parties to use reasonable best efforts to take or cause to be taken all actions that are necessary, proper or advisable to consummate and make effective the transactions contemplated there.

Conditions to Closing

Consummation of the transactions contemplated by the MPR Purchase Agreement is conditional upon, among other things, (i) approval by our stockholders of the issuance of the MPR Shares and the Amended and Restated Certificate of Incorporation and (ii) filing of the Amended and Restated Certificate of Incorporation and the Certificate of Designations with the Secretary of the State of Delaware.

Termination

Prior to the closing, the MPR Purchase Agreement may be terminated:

- by the Mitchell P. Rales, if our offer for Charter is withdrawn, lapses or terminates;
- by either party, if the issuance of the MPR Shares has not been completed before the Termination Date (provided that the right to so terminate the MPR Purchase Agreement shall not be available to any party if such party’s action or inaction was a principal cause of or resulted in the failure to complete the issuance of the MPR Shares and constitutes a breach of the MPR Purchase Agreement);
 - by Mitchell P. Rales at any time prior to completion of the issuance of the MPR Shares, if we (i) have breached certain material representations under the MPR Purchase Agreement and failed to cure such breach by the earlier of the Termination Date and 20 days from written notice of such breach and (ii) such breach, if not cured, would give rise to the failure to meet a condition to closing; and
 - by mutual written agreement of the parties.

MPR Registration Rights Agreement

We have also agreed to enter into a registration rights agreement with Mitchell P. Rales at closing, in the form attached as Annex IX to this proxy statement, pursuant to which we will file a registration statement covering the resale of the MPR Shares issued at closing to Mitchell P. Rales and Mitchell P. Rales will have demand registration rights and piggyback registration rights under certain circumstances.

Shelf Registration and Demand Registration

We have agreed to provide Mitchell P. Rales with shelf registration rights. No later than three months after the closing under the MPR Purchase Agreement, we must file a registration statement covering the resale of the shares of Common Stock issued to Mitchell P. Rales under the MPR Purchase Agreement (“Registerable Securities”). We must use our reasonable best efforts to cause such shelf registration statement to be declared effective under the Securities Act no later than the date that is six months after the closing under the MPR Purchase Agreement. If we are unable to file, cause to be effective or maintain the effectiveness of a shelf registration statement, Mitchell P. Rales may require us to register the number of Registrable Securities beneficially owned by Mitchell P. Rales or any permitted transferee of Registrable Securities under the Securities Act; provided, that if the sale of such securities to be registered is in respect of less than all of the Registrable Securities beneficially owned by Mitchell P. Rales or his permitted transferees, then the sale of the Registrable Securities requested to be registered must be reasonably expected to result in aggregate gross cash proceeds in excess of \$50,000,000 (without regard to any underwriting discount or commission), subject to certain customary cut-backs.

Piggyback Registration

If at any time we have determined to register any of our equity securities, with certain exceptions, we have agreed to give Mitchell P. Rales notice of such registration and include in such registration all Registrable Securities held by Mitchell P. Rales or any permitted transferee of Registrable Securities, included by such persons in a written request, subject to certain customary cut-backs.

Expenses

We have agreed to pay all fees and expenses in connection with the registration rights set forth above, including the reasonable fees or disbursements of one counsel for Mitchell P. Rales or his permitted transferees, as selling holders of the Registrable Securities, but excluding any other expenses of the selling holders or underwriting commissions.

Indemnification

Subject to certain qualifications and limitations, we will indemnify Mitchell P. Rales and any permitted transferee of Registrable Securities and their officers, directors, employees and each underwriter and certain related parties for losses they incur as a result of acts or omissions by us or our subsidiaries in connection with any such registration.

The SMR Purchase Agreement

In connection with the financing of the proposed Acquisition of Charter, on September 12, 2011, we entered into the SMR Purchase Agreement with Steven M. Rales, which is attached to this proxy statement as Annex IV. Under the terms of the SMR Purchase Agreement, at the closing, we will issue and sell to Steven M. Rales 2,170,139 newly-issued shares of Common Stock for an aggregate payment of \$50 million, representing a purchase price of \$23.04 per share of Common Stock. The SMR Purchase Agreement contains the same terms, conditions, representations, warranties and covenants as the MPR Purchase Agreement described above. See “Proposal No. 2—Issuance of Securities to the Other Investors—The Other Purchase Agreements and Related Agreements—The MPR Purchase Agreement”.

Mr. Steven M. Rales is a co-founder of Danaher Corporation and has served on its Board of Directors since 1983, serving as Chairman of the Board since 1984. He was also CEO of the Danaher Corporation from 1984 to 1990. In addition, for more than the past five years he has been a principal in private business entities in the areas of manufacturing and film production. Mr. Rales is a brother of Mitchell P. Rales.

SMR Registration Rights Agreement

We have also agreed to enter into a registration rights agreement with Steven M. Rales at closing, in the form attached as Annex X to this proxy statement, pursuant to which we will file a registration statement covering the resale of the SMR Shares issued at closing to Steven M. Rales and Steven M. Rales will have demand registration rights and piggyback registration rights under certain circumstances. The SMR Registration Rights Agreement contains the same terms, conditions, representations, warranties and covenants as the MPR Registration Rights Agreement described above. See “Proposal No. 2—Issuance of Securities to the Other Investors—The Other Purchase Agreements and Related Agreements—MPR Registration Rights Agreement”.

The Markel Purchase Agreement

In connection with the financing of the proposed Acquisition of Charter, on September 12, 2011, we entered into the Markel Purchase Agreement with Markel, which is attached to this proxy statement as Annex V. Under the terms of the Markel Purchase Agreement, at the closing, we will issue and sell to Markel 1,085,070 newly-issued shares of Common Stock for an aggregate payment of \$25 million, representing a purchase price of \$23.04 per share of Common Stock. The Markel Purchase Agreement contains the same terms, conditions, representations, warranties and covenants as the MPR Purchase Agreement described above. See “Proposal No. 2—Issuance of Securities to the Other Investors—The Other Purchase Agreements and Related Agreements”.

Markel Corporation (NYSE: MKL) markets and underwrites specialty insurance products and programs. Markel operates in three segments: the Excess and Surplus lines, the Specialty Admitted and the London Insurance Markets. It also owns interests in various businesses that operate outside of the specialty insurance marketplace. Markel’s Excess and Surplus Lines segment writes property and casualty insurance outside of the standard market for hard-to-place risks, including catastrophe-exposed property, professional liability, products liability, general liability, commercial umbrella and other coverages tailored for exposures. Its Specialty Admitted segment writes risks that must remain with an admitted insurance company for marketing and regulatory reasons. Markel’s London Insurance Market segment writes specialty property, casualty, professional liability, equine and marine insurance and reinsurance. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel.

Markel Registration Rights Agreement

We have also agreed to enter into a registration rights agreement with Markel at closing, in the form attached as Annex XI to this proxy statement, pursuant to which we will file a registration statement covering the resale of the Markel Shares issued at closing to Markel and Markel will have demand registration rights and piggyback registration rights under certain circumstances. The Markel Registration Rights Agreement contains the same terms, conditions, representations, warranties and covenants as the MPR Registration Rights Agreement described above, provided, that Markel’s right to demand registration in respect of a sale of less than all of the Registrable Securities beneficially owned by Markel or its permitted transferees in the event that we are unable to file, cause to be effective or maintain the effectiveness of a shelf registration statement, is limited to sales reasonably expected to result in aggregate gross cash proceeds in excess of \$25,000,000 (without regard to any underwriting discount or commission), subject to certain customary cut-backs. See “Proposal No. 2—Issuance of Securities to the Other Investors—The Other Purchase Agreements and Related Agreements—MPR Registration Rights Agreement”.

Interests of Colfax's Executive Officers and Directors in the Transactions

When you consider our Board of Directors' recommendation to vote in favor of the Proposals, you should be aware that our executive officers and directors may have interests in the transactions contemplated by the Purchase Agreements and the Implementation Agreement that may be different from, or in addition to, the interests of other Colfax stockholders. In particular, pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of our Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own 11,315,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation to be filed with the Secretary of State of Delaware immediately prior to closing of the Investments, the replacement of Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel. See "Proposal No. 1—Issuance of Securities to the BDT Investor—Interests of Colfax's Executive Officers and Directors in the Transaction."

PROPOSAL NO. 3—ISSUANCE OF SECURITIES IN THE ACQUISITION OF CHARTER

Proposal

We are asking stockholders to approve the issuance of up to 20,832,469 shares of Common Stock to security holders of Charter in connection with the Acquisition of Charter in accordance with the terms of the Implementation Agreement.

Under the terms of the Acquisition, Charter shareholders will be entitled to receive 730 pence in cash and 0.1241 newly-issued shares of our Common Stock for each share of Charter's ordinary stock. The Acquisition values Charter's fully diluted share capital at approximately £1,528 million (\$2,426 million), being 910 pence per Charter share on a fully diluted basis (based on the closing price of \$23.04 per share of our Common Stock on September 9, 2011, being the last business day before the Acquisition was announced and assuming a foreign exchange rate of U.S.\$1.5881/£1 in effect on that date).

We intend to cause the Acquisition Shares to be authorized for listing on the NYSE, subject to notice of issuance.

Required Stockholder Approval

The affirmative vote of the majority of shares of Common Stock present or represented by proxy at the special meeting and entitled to vote is necessary under our Bylaws and Rule 312.03 of the NYSE Rules to approve the issuance of the Acquisition Shares in connection with the Acquisition in accordance with the terms of the Implementation Agreement.

The approval of Proposal No. 3 is a condition to the issuance of the Acquisition Shares. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used to fund in part the Acquisition, the approval of Proposals No. 1, No. 2, No. 3 and No. 4 are conditions to the Acquisition described in this proxy statement.

Amount, Title & Description of Securities to be Issued

Pursuant to Implementation Agreement, we propose to issue up to 20,832,469 shares of our Common Stock in connection with the Acquisition.

For a detailed description of our Common Stock, see "Proposal No. 1—Issuance of Securities to the BDT Investor—Amount, Title & Description of Securities to be Issued."

The Common Stock to be issued pursuant to the Acquisition implemented by way of the Scheme will not be registered under the Securities Act, and will be issued pursuant to the exemption provided by Section 3(a)(10) under the Securities Act. If Bidco exercises its right to implement the Acquisition by way of a takeover offer, such offer will be made in compliance with applicable U.S. laws and regulations.

Use of Proceeds

We will issue the Acquisition Shares as part consideration for the Acquisition of Charter pursuant to the Implementation Agreement.

Implementation Agreement and Related Agreements

For a detailed description of the Acquisition, the Implementation Agreement and certain related agreements, see “Information on the Charter Acquisition.”

Interests of Colfax’s Executive Officers and Directors in the Transactions

When you consider our Board of Directors’ recommendation to vote in favor of the Proposals, you should be aware that our executive officers and directors may have interests in the transactions contemplated by the Purchase Agreements and the Implementation Agreement that may be different from, or in addition to, the interests of other Colfax stockholders. In particular, pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of our Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own 11,315,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter’s entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation to be filed with the Secretary of State of Delaware immediately prior to closing of the Investments, the replacement of Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter’s entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel. See “Proposal No. 1—Issuance of Securities to the BDT Investor—Interests of Colfax’s Executive Officers and Directors in the Transaction” and “Proposal No. 2—Issuance of the Securities to the Other Investors—Interests of Colfax’s Executive Officers and Directors in the Transactions.”

PROPOSAL NO. 4—AMENDMENT AND RESTATEMENT OF COLFAX'S CERTIFICATE OF INCORPORATION

Proposal

Our stockholders are also being asked to approve an Amended and Restated Certificate of Incorporation to increase our authorized share capital, as needed for us to issue the Series A Preferred Stock to the BDT Investor and to provide for additional authorized shares of our Common Stock to issue for various business purposes in the future, and to grant certain rights to the BDT Investor in connection with the BDT Investment. The description of the Amended and Restated Certificate of Incorporation in this proxy statement has been included to provide you with information regarding its terms. We urge you to read the entire Amended and Restated Certificate of Incorporation carefully, which is attached as Annex VI to this proxy statement.

The Amended and Restated Certificate of Incorporation, which we will file with the Secretary of the State of Delaware immediately before the closing of the transactions contemplated by the Purchase Agreements and the Implementation Agreement, will amend and restate in its entirety our Certificate of Incorporation.

Increase in Authorized Share Capital

Once filed with the Secretary of State of Delaware, the Amended and Restated Certificate of Incorporation will amend Article 4.1 of our Certificate of Incorporation in order to increase the total shares authorized to 420,000,000 shares, of which 400,000,000 of such shares shall be Common Stock, par value \$0.001 per share, and 20,000,000 of such shares shall be preferred stock, par value \$0.001 per share. The Certificate of Incorporation currently authorizes 210,000,000 shares, consisting of 200,000,000 shares of Common Stock, par value \$0.001 per share, and 10,000,000 shares of undesignated preferred stock, par value \$0.001 per share.

We do not currently have sufficient authorized shares of preferred stock to complete the issuance of the Series A Preferred Stock to the BDT Investor as described in Proposal No. 1. To issue the Series A Preferred Stock to the BDT Investor, we need to increase the number of shares of our preferred stock authorized for issuance under our Certificate of Incorporation. It is a condition to the completion of the transactions contemplated by the Purchase Agreements and Implementation Agreement that our stockholders approve Proposal No 4. We have proposed increasing the authorized number of shares of preferred stock from 10,000,000 to 20,000,000 shares to permit completion of the issuance of the Series A Preferred Stock to the BDT Investor pursuant to the BDT Purchase Agreement. In addition, we have proposed increasing the number of shares of our Common Stock from 200,000,000 to 400,000,000 shares to provide for additional authorized shares of Common Stock to issue in the future. The additional shares may be issued for various purposes without further stockholder approval, except to the extent required by applicable NYSE Rules. The purposes may include raising capital, providing equity incentives to employees, officers, directors or consultants, establishing strategic relationships with other companies, expanding our business or product lines through the acquisition of other businesses or products and other corporate purposes.

If the issuance of Securities to the Investors and as part consideration in the Acquisition is completed, 14,756,945 shares of our Common Stock would be issued to the BDT Investor, excluding shares issued upon conversion of the Series A Preferred Stock, 2,170,139 shares of our Common Stock would be issued to Mitchell P. Rales, 2,170,139 shares of our Common Stock would be issued to Steven M. Rales and 1,085,070 shares of our Common Stock would be issued to Markel. In addition, up to 20,832,469 shares of our Common Stock would be issued to Charter's existing shareholders as part consideration in the Acquisition. Accordingly, after the proposed increase in the number of authorized shares of our Common Stock to 400,000,000 and the issuance of the Securities, shares of our Common Stock would be authorized, but unissued and not reserved for issuance.

Changes in respect of Colfax's Board of Directors & Nomination Rights of the BDT Investor

Once filed with the Secretary of State of Delaware, the Amended and Restated Certificate of Incorporation will also amend Article 5.1 of our Certificate of Incorporation in order to provide the BDT Investor with the right to exclusively nominate for election up to 2 members to our Board of Directors and certain committees thereof (subject to applicable law and the NYSE Rules) depending on the percentage of Common Stock the BDT Investor and certain permitted transferees under the BDT Purchase Agreement ("Permitted Transferees") beneficially own from time to time, calculated on a fully-diluted basis, assuming conversion or exercise of all outstanding convertible securities (including the Series A Preferred Stock) and existing warrants at the then-existing conversion or exercise price, but excluding any convertible securities outstanding as of closing of the BDT Investment or any options, restricted stock units or similar awards issued to officers, employees, consultants or directors of us or our subsidiaries, in each case, in the form of Common Stock or entitling the holder thereof to receive shares of Common Stock upon exercise or conversion. Specifically, the Amended and Restated Certificate of Incorporation provides that:

- where the BDT Investor and its Permitted Transferees beneficially own, in the aggregate, more than 20% of the outstanding Common Stock (as calculated above), (i) our Board of Directors will consist of 11 directors, (ii) the BDT Investor will have the exclusive right to nominate 2 members of the Board of Directors and (iii) the BDT Investor will be entitled to select one of its nominees, once elected, to serve on the audit committee of the Board of Directors and one of its nominees, once elected, to serve on the compensation committee of the Board of Directors, subject to applicable law and the NYSE Rules; and
- where the BDT Investor and its Permitted Transferees beneficially own, in the aggregate, equal to or less than 20% but more than 10% of the outstanding Common Stock (as calculated above), (i) our Board of Directors will consist of 10 directors, (ii) the BDT Investor will have the exclusive right to nominate 1 member of the Board of Directors and (iii) the BDT Investor will be entitled to select its nominee, once elected, to serve on the audit committee and compensation committee of the Board of Directors, subject to applicable law and the NYSE Rules.

Voting and Consent Rights of the BDT Investor

Once filed with the Secretary of State of Delaware, the Amended and Restated Certificate of Incorporation will further amend the Certificate of Incorporation by adding new Article 4.4, which provides that so long as the BDT Investor and its Permitted Transferees beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement, the BDT Investor's written consent will be required in order for us to take certain corporate actions, including:

- the incurrence of certain indebtedness (excluding certain permitted indebtedness) if the ratio of such indebtedness to EBITDA (as defined in the Credit Agreement as in effect as of September 12, 2011) exceeds certain specified ratios, measured by reference to the last twelve-month period for which financial information is reported by us (pro forma for acquisitions during such period);
 - the issuance of any shares of preferred stock;
- any change to our dividend policy or the declaration or payment of any dividend or distribution on any of our stock ranking subordinate or junior to the Series A Preferred Stock with respect to the payment of dividends and distributions (including the Common Stock) under certain circumstances;
 - any voluntary liquidation, dissolution or winding up of Colfax;

- any change in our independent auditor;
- the election of anyone other than Mr. Mitchell P. Rales as Chairman of the Board of Directors;
- any acquisition of another entity or assets for a purchase price exceeding 30% of our equity market capitalization;
- any merger, consolidation, reclassification, joint venture or strategic partnership or similar transaction, or any disposition of any assets (excluding sale/leaseback transactions and other financing transactions in the ordinary course of business) of Colfax if the value of the resulting entity, level of investment by Colfax or value of the assets disposed, as applicable, exceeds 30% of Colfax's equity market capitalization;
- any amendments to our organizational or governing documents, including the Amended and Restated Certificate of Incorporation and our Bylaws; and
- any change in the size of our Board of Directors.

The Amended and Restated Certificate of Incorporation will also amend Article 7 of our Certificate of Incorporation such that, so long as the BDT Investor and its Permitted Transferees beneficially own at least 10% of our outstanding Common Stock (on a fully-diluted basis as described above), the written consent of the BDT Investor is required to alter, amend or repeal the provisions of Article 5.1 of the Amended and Restated Certificate of Incorporation, which, as described above, sets forth the authorized number of members of the Board of Directors and the BDT Investor's nomination rights in respect of members of the Board of Directors.

Additional Amendments

Once filed with the Secretary of State of Delaware, the Amended and Restated Certificate of Incorporation will also amend our existing Certificate of Incorporation in order to confirm that the Common Stock shall be subject to all of the rights, privileges, preferences, priorities and restrictions set forth in the Certificate of Designations and any certificate of designations relating to any series of preferred stock that may be designated and issued from time to time.

Required Stockholder Approval

The affirmative vote of the holders of a majority of the outstanding shares of our Common Stock entitled to vote thereon is required to approve and adopt the Amended and Restated Certificate of Incorporation.

The approval of Proposals No. 1, No. 2, No. 3 and No. 4 is required for the issuance of the Securities described in this proxy statement. Since the issuance of the Acquisition Shares and proceeds from the issuance of the Investor Securities will be used to fund in part the Acquisition of Charter, the approval of each of Proposal No. 1, No. 2, No. 3 and No. 4 is also a condition to the Acquisition described in this proxy statement.

Reasons for the Increase in Authorized Stock and Recommendation of our Board of Directors

We do not currently have sufficient authorized shares of preferred stock to complete the issuance of the Series A Preferred Stock to the BDT Investor as described in Proposal No. 1. To issue the Series A Preferred Stock to the BDT Investor, we need to increase the number of shares of our preferred stock authorized for issuance under our Certificate of Incorporation. It is a condition to the completion of the transactions contemplated by the Purchase Agreements and Implementation Agreement that our stockholders approve Proposal No. 4. In addition, we have proposed increasing the number of shares of our Common Stock to provide for additional authorized shares of Common Stock to issue in the future for various purposes, including raising capital, providing equity incentives to employees, officers, directors or consultants, establishing strategic relationships with other companies, expanding our business or product lines through the acquisition of other businesses or products and other corporate purposes.

Our Board of Directors has unanimously approved the Amended and Restated Certificate of Incorporation, has concluded that it is advisable, fair to and in the best interest of Colfax and its stockholders and unanimously recommends that you vote "FOR" the approval of the Amended and Restated Certificate of Incorporation.

Principal Effects on Outstanding Capital Stock

We are seeking to amend our Certificate of Incorporation to increase the number of authorized shares of our Common Stock from 200,000,000 to 400,000,000 shares, and as a result, the interests of the holders of our Common Stock could be diluted substantially. Any future issuance of additional authorized shares of our Common Stock could dilute future earnings per share, book value per share and voting power of existing stockholders. If our stockholders approve the issuance of the Securities, the Common Stock issued will represent up to approximately 48.47% of the outstanding shares of Common Stock immediately following the issuance of the Securities, and together with the Series A Preferred Stock issued to the BDT Investor, will represent approximately 54.95% of the voting power of Colfax. As a result, the voting interests of our current stockholders will be significantly diluted. For example, a holder of 1,000,000 shares of Common Stock on September 30, 2011 would have owned approximately 2.3% of the voting power of Colfax. Immediately after the issuance of the Securities (excluding any conversion of the Series A Preferred Stock), such holder would own approximately 1.0% of the total voting power of Colfax. In addition, the increase to the authorized stock will allow us to issue additional shares in the future, which will further dilute the voting interests of our stockholders.

We are also seeking to amend our Certificate of Incorporation to make other changes in connection with the BDT Investment, including amendments granting the BDT Investor with certain voting and corporate governance rights in Colfax as described herein. In addition to the dilution described above, the rights that will be granted to the BDT Investor under the Amended and Restated Certificate of Incorporation, once filed with the Secretary of State of Delaware, will limit the ability of our other stockholders to take action in respect of certain matters without the written consent of the BDT Investor or to nominate directors to the Board of Directors.

Interests of Colfax's Executive Officers and Directors in the Transactions

When you consider our Board of Directors' recommendation to vote in favor of the Proposals, you should be aware that our executive officers and directors may have interests in the transactions contemplated by the Purchase Agreements and the Implementation Agreement that may be different from, or in addition to, the interests of other Colfax stockholders. In particular, pursuant to the MPR Purchase Agreement and SMR Purchase Agreement, Mitchell P. Rales, Chairman of our Board of Directors, and his brother Steven M. Rales, will acquire 2,170,139 and 2,170,139 shares of Common Stock, respectively, and, when aggregated with their current holdings, will own 11,315,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.37% and 13.37% of our outstanding Common Stock, respectively (representing approximately 11.69% and 11.69% of the total voting power of Colfax, respectively), after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. In addition, under the Amended and Restated Certificate of Incorporation to be filed with the Secretary of State of Delaware immediately prior to closing of the Investments, the replacement of Mitchell P. Rales as Chairman of the Board of Directors would be subject to the written consent of the BDT Investor for so long as the BDT Investor and certain permitted transferees of the BDT Shares beneficially own, in the aggregate, at least 50% of the Series A Preferred Stock issued to the BDT Investor under the BDT Purchase Agreement. Pursuant to the Markel Purchase Agreement, Markel will acquire 1,085,070 shares of Common Stock, representing approximately 1.28% of our outstanding Common Stock after giving effect to the issuance of the Securities in the Investments and the Acquisition, assuming we acquire Charter's entire fully-diluted share capital in the Acquisition. Tom Gayner, a member of our Board of Directors, is the President and Chief Investment Officer of Markel. See "Proposal No. 1—Issuance of Securities to the BDT Investor" and "Proposal No. 2—Issuance of Securities to the Other Investors."

PROPOSAL NO. 5—ADJOURNMENT OF SPECIAL MEETING

Proposal

Although it is not currently expected, the special meeting may be adjourned to solicit additional proxies if there are not sufficient votes to adopt Proposals No. 1, No. 2, No. 3 or No. 4. In this proposal, we are asking you to authorize the holder of any proxy solicited by our Board of Directors to vote in favor of granting authority to the proxy holders to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of such adjournment or postponement to approve the other proposals. We could use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders that have previously returned properly executed proxies or authorized a proxy by telephone or via the Internet. Additionally, we may seek to adjourn the special meeting if a quorum is not present at the special meeting. Any adjournment or postponement of the special meeting will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Required Stockholder Vote and Recommendation of our Board of Directors

Approval of the proposal to adjourn the special meeting to solicit additional proxies requires the affirmative vote of the holders of a majority of the shares of Common Stock represented in person or by proxy and entitled to vote at the special meeting, whether or not a quorum exists.

Our Board of Directors unanimously recommends that you vote “FOR” the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

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Report of Independent Registered Public Accounting Firm, on Internal Control over Financial Reporting

The Board of Directors and Shareholders of Colfax Corporation

We have audited Colfax Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Colfax Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Colfax Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Colfax Corporation as of December 31, 2010 and 2009 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2010 of Colfax Corporation and our report dated February 25, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia
February 25, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Colfax Corporation

We have audited the accompanying consolidated balance sheets of Colfax Corporation as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Colfax Corporation at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Colfax Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Richmond, Virginia
February 25, 2011

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

Dollars in thousands, except per share amounts

	Year ended December 31,		
	2010	2009	2008
Net sales	\$541,987	\$525,024	\$604,854
Cost of sales	350,579	339,237	387,667
Gross profit	191,408	185,787	217,187
Selling, general and administrative expenses	119,426	112,503	124,105
Research and development expenses	6,205	5,930	5,856
Restructuring and other related charges	10,323	18,175	-
Initial public offering related costs	-	-	57,017
Asbestos liability and defense costs (income)	7,876	(2,193)	(4,771)
Asbestos coverage litigation expenses	13,206	11,742	17,162
Operating income	34,372	39,630	17,818
Interest expense	6,684	7,212	11,822
Income before income taxes	27,688	32,418	5,996
Provision for income taxes	11,473	8,621	5,465
Net income	16,215	23,797	531
Dividends on preferred stock	-	-	(3,492)
Net income (loss) available to common shareholders	\$ 16,215	\$ 23,797	\$(2,961)
Net income (loss) per share—basic and diluted	\$0.37	\$0.55	\$(0.08)

See accompanying notes to consolidated financial statements.

COLFAX CORPORATION
CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except per share amounts

	December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$60,542	\$49,963
Trade receivables, less allowance for doubtful accounts of \$2,562 and \$2,837	98,070	88,493
Inventories, net	57,941	71,150
Deferred income taxes, net	6,108	7,114
Asbestos insurance asset	34,117	31,502
Asbestos insurance receivable	46,108	35,891
Prepaid expenses	11,851	11,109
Other current assets	6,319	2,426
Total current assets	321,056	297,648
Deferred income taxes, net	52,385	51,838
Property, plant and equipment, net	89,246	92,090
Goodwill	172,338	163,418
Intangible assets, net	28,298	11,952
Long-term asbestos insurance asset	340,234	357,947
Long-term asbestos insurance receivable	5,736	16,876
Deferred loan costs and other assets	12,784	14,532
Total assets	\$1,022,077	\$1,006,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital leases	\$10,000	\$8,969
Accounts payable	50,896	36,579
Accrued asbestos liability	37,875	34,866
Accrued payroll	21,211	17,756
Advance payments from customers	17,250	5,896
Accrued taxes	6,173	2,154
Accrued termination benefits	2,180	9,473
Other accrued liabilities	45,925	35,406
Total current liabilities	191,510	151,099
Long-term debt, less current portion	72,500	82,516
Long-term asbestos liability	391,776	408,903
Pension and accrued post-retirement benefits	112,257	105,230
Deferred income tax liability	13,529	10,375
Other liabilities	24,134	31,353
Total liabilities	805,706	789,476
Shareholders' equity:		
Common stock: \$0.001 par value; authorized 200,000,000; issued and outstanding 43,413,553 and 43,229,104	43	43
Additional paid-in capital	406,901	402,852
Accumulated deficit	(60,058)	(76,273)
Accumulated other comprehensive loss	(130,515)	(109,797)

Total shareholders' equity	216,371	216,825
Total liabilities and shareholders' equity	\$1,022,077	\$1,006,301

See accompanying notes to consolidated financial statements.

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND
COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2010, 2009 and 2008

Dollars in thousands

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2007	\$ 1	\$ 22	\$ 201,660	\$ (97,109)	\$ (38,138)	\$ 66,436
Comprehensive income (loss):						
Net income	-	-	-	531	-	531
Foreign currency translation, net of \$-0- tax	-	-	-	-	(10,662)	(10,662)
Unrealized losses on hedging activities, net of \$-0- tax	-	-	-	-	(5,815)	(5,815)
Changes in unrecognized pension and postretirement benefit costs, net of \$1,731 tax benefit	-	-	-	-	(67,630)	(67,630)
Amounts reclassified to net income:						
Losses on hedging activities, net of \$-0- tax	-	-	-	-	766	766
Net pension and other postretirement benefit costs, net of \$128 tax expense	-	-	-	-	2,622	2,622
Total comprehensive loss	-	-	-	531	(80,719)	(80,188)
Net proceeds from initial public offering and conversion of preferred stock						
	(1)	22	192,999	-	-	193,020
Stock repurchase	-	(1)	(5,730)	-	-	(5,731)
Stock-based award activity	-	-	11,330	-	-	11,330
Preferred dividends declared	-	-	-	(3,492)	-	(3,492)
Balance at December 31, 2008	-	43	400,259	(100,070)	(118,857)	181,375
Comprehensive income (loss):						
Net income	-	-	-	23,797	-	23,797
Foreign currency translation, net of \$7 tax benefit	-	-	-	-	5,401	5,401
Unrealized losses on hedging activities, net of \$-0- tax	-	-	-	-	(866)	(866)
Changes in unrecognized pension and postretirement benefit costs, net of \$572 tax benefit	-	-	-	-	(910)	(910)
Amounts reclassified to net income:						
Losses on hedging activities, net of \$-0- tax	-	-	-	-	2,881	2,881

Net pension and other postretirement benefit costs, net of \$1,438 tax expense	-	-	-	-	2,554	2,554
Total comprehensive income	-	-	-	23,797	9,060	32,857
Stock-based award activity	-	-	2,593	-	-	2,593
Balance at December 31, 2009	-	43	402,852	(76,273)	(109,797)	216,825
Comprehensive income (loss):						
Net income	-	-	-	16,215	-	16,215
Foreign currency translation, net of \$1,224 tax benefit	-	-	-	-	(8,260)	(8,260)
Unrealized losses on hedging activities, net of \$-0- tax	-	-	-	-	(1,201)	(1,201)
Changes in unrecognized pension and postretirement benefit costs, net of \$1,717 tax benefit	-	-	-	-	(18,690)	(18,690)
Amounts reclassified to net income:						
Losses on hedging activities, net of \$-0- tax	-	-	-	-	2,447	2,447
Net pension and other postretirement benefit costs, net of \$89 tax expense	-	-	-	-	4,986	4,986
Total comprehensive loss	-	-	-	16,215	(20,718)	(4,503)
Stock-based award activity	-	-	4,049	-	-	4,049
Balance at December 31, 2010	\$ -	\$ 43	\$ 406,901	\$ (60,058)	\$ (130,515)	\$ 216,371

See accompanying notes to consolidated financial statements.

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands

	Year ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net income	\$ 16,215	\$ 23,797	\$ 531
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation, amortization and fixed asset impairment charges	16,130	15,074	14,788
Noncash stock-based compensation	3,137	2,593	11,330
Write off of deferred loan costs	-	-	4,614
Amortization of deferred loan costs	677	677	934
Loss (gain) on sale of fixed assets	90	(64)	60
Deferred income taxes	(296)	2,689	(13,330)
Changes in operating assets and liabilities, net of acquisitions:			
Trade receivables	(6,060)	16,280	(20,612)
Inventories	11,598	10,763	(15,556)
Accounts payable and accrued liabilities, excluding asbestos related accrued expenses	21,759	(20,899)	7,044
Other current assets	(934)	2,605	(3,285)
Change in asbestos liability and asbestos-related accrued expenses, net of asbestos insurance asset and receivable	9,659	(10,166)	(9,457)
Changes in other operating assets and liabilities	(10,010)	(4,645)	(10,042)
Net cash provided by (used in) operating activities	61,965	38,704	(32,981)
Cash flows from investing activities:			
Purchases of fixed assets	(12,527)	(11,006)	(18,645)
Acquisitions, net of cash received	(27,960)	(1,678)	(439)
Proceeds from sale of fixed assets	74	219	23
Net cash used in investing activities	(40,413)	(12,465)	(19,061)
Cash flows from financing activities:			
Borrowings under term credit facility	-	-	100,000
Payments under term credit facility	(8,750)	(5,000)	(210,278)
Proceeds from borrowings on revolving credit facilities	5,500	-	28,185
Repayments of borrowings on revolving credit facilities	(5,500)	-	(28,158)
Payments on capital leases	(205)	(417)	(309)
Payments for loan costs	-	-	(3,347)
Net proceeds from stock-based awards	912	-	-
Proceeds from the issuance of common stock, net of offering costs	-	-	193,020
Repurchases of common stock	-	-	(5,731)
Dividends paid to preferred shareholders	-	-	(38,546)
Net cash (used in) provided by financing activities	(8,043)	(5,417)	34,836
Effect of exchange rates on cash	(2,930)	379	(2,125)

Increase (decrease) in cash and cash equivalents	10,579	21,201	(19,331)
Cash and cash equivalents, beginning of year	49,963	28,762	48,093
Cash and cash equivalents, end of year	\$60,542	\$49,963	\$28,762
Cash interest paid	\$6,105	\$6,615	\$9,970
Cash income taxes paid	\$5,819	\$16,596	\$18,534

See accompanying notes to consolidated financial statements.

COLFAX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009, 2008 and 2007
Dollars in thousands, unless otherwise noted

1. Organization and Nature of Operations

Colfax Corporation (the “Company”, “Colfax”, “we”, “our” or “us”) is a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and controls, and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. Our products serve a variety of applications in five strategic markets: commercial marine, oil and gas, power generation, defense and general industrial. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used. Our products are marketed principally under the Allweiler, Baric, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren, and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the fluid handling industry, with Allweiler dating back to 1860.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company owns 44% of the common shares of Sistemas Centrales de Lubricación S.A. de C.V., a Mexican company and 28% of the common shares of Allweiler Al-Farid Pumps Company (S.A.E.), an Egyptian Corporation. These investments are recorded in these financial statements using the equity method of accounting. Accordingly, \$7.2 million and \$6.6 million are recorded in other assets on the consolidated balance sheets at December 31, 2010 and 2009, respectively. The Company records its share of these investments’ net earnings, based on its economic ownership percentage. Accordingly, \$1.8 million, \$1.5 million and \$1.5 million of earnings from equity investments were included as a reduction of selling, general and administrative expenses on the consolidated statements of operations for each of the three years ended December 31, 2010, 2009 and 2008, respectively. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

The Company generally recognizes revenues and costs from product sales when all of the following criteria are met: persuasive evidence of an arrangement exists, the price is fixed and determinable, product delivery has occurred or services have been rendered, there are no further obligations to customers, and collectibility is probable. Product delivery occurs when title and risk of loss transfer to the customer. The Company’s shipping terms vary based on the contract. If any significant obligations to the customer with respect to such sale remain to be fulfilled following shipments, typically involving obligations relating to installation and acceptance by the buyer, revenue recognition is deferred until such obligations have been fulfilled. Any customer allowances and discounts are recorded as a reduction in reported revenues at the time of sale because these allowances reflect a reduction in the sales price for the products sold. These allowances and discounts are estimated based on historical experience and known trends. Revenue related to service agreements is recognized as revenue over the term of the agreement.

In some cases, customer contracts may include multiple deliverables for product shipments and installation or maintenance labor. Deliverables are determined to be separate units of accounting if they have standalone value and there is no general right of refund. Revenues from product shipments on this type of contract are recognized when title and risk of loss transfer to the customer, and the service revenue components are recognized as services are performed.

In some cases, customers may request that we store products on their behalf until the product is needed. Under these arrangements, revenue is recognized when title and risk of loss have passed to the customer.

Amounts billed for shipping and handling are recorded as revenue. Shipping and handling expenses are recorded as cost of sales. Progress billings are generally shown as a reduction of inventory unless such billings are in excess of accumulated costs, in which case such balances are included in accrued liabilities. The Company accrues for bad debts, as a component of selling, general, and administrative expenses, based upon estimates of amounts deemed uncollectible and a specific review of significant delinquent accounts factoring in current and expected economic conditions. Product return reserves are accrued at the time of sale based on historical rates, and are recorded as a reduction to net sales.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company collects various taxes and fees as an agent in connection with the sale of products and remits these amounts to the respective taxing authorities. These taxes and fees have been presented on a net basis in the consolidated statements of operations and are recorded as a liability until remitted to the respective taxing authority.

Research and Development

Research and development costs are expensed as incurred.

Advertising

Advertising costs of \$0.5 million, \$0.5 million, and \$0.9 million for years ending December 31, 2010, 2009 and 2008, respectively, are expensed as incurred and have been included in selling, general and administrative expenses.

Cash and Cash Equivalents

Cash and cash equivalents include all financial instruments purchased with an initial maturity of three months or less.

Trade Receivables

Receivables are presented net of allowances for doubtful accounts. The Company records the allowance for doubtful accounts based on its best estimate of probable losses incurred in the collection of accounts receivable. Estimated losses are based on historical collection experience, and are reviewed periodically by management.

Inventories

Inventories include the costs of material, labor and overhead. Inventories are stated at the lower of cost or market. Cost is primarily determined using the first-in, first-out method. The Company periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product. The Company records as a charge to cost of sales any amounts required to reduce the carrying value of inventories to net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost, which includes the fair values of such assets acquired. Depreciation of property, plant and equipment is provided for on a straight-line basis over estimated useful lives ranging from three to 40 years. Assets recorded under capital leases are amortized over the shorter of their estimated useful lives or the lease terms. The estimated useful lives or lease terms of assets range from three to 40 years. Repairs and maintenance expenditures are expensed as incurred unless the repair extends the useful life of the asset.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the costs in excess of the fair value of net assets acquired associated with acquisitions by the Company. Indefinite-lived intangible assets consist of trade names.

The Company evaluates the recoverability of goodwill and indefinite-lived intangible assets annually or more frequently if an event occurs or circumstances change in the interim that would more likely than not reduce the fair value of the asset below its carrying amount. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value.

During the year ended December 31, 2010, the Company changed the date of its annual goodwill and indefinite-lived intangible assets impairment testing from the last day of the fourth quarter to the first day of the fourth quarter. The Company adopted this change in timing in order to provide additional time to quantify the fair value of our reporting units and, if necessary, to determine the implied fair value of goodwill. This change in timing will also reduce the likelihood that the annual impairment analysis would not be completed by the required filing date of the Company's annual financial statements. The revised date also better aligns with our strategic planning and budgeting process, which is an integral component of the impairment testing. In accordance with GAAP, the Company will also perform interim impairment testing should circumstances requiring it arise. We believe this accounting change is preferable and does not result in the delay, acceleration, or avoidance of an impairment charge.

In the evaluation of goodwill for impairment, the Company first compares the fair value of the reporting unit to its carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and step two of the impairment analysis is performed. In step two of the analysis, an impairment loss is recorded equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

The Company measures fair value of reporting units based on a present value of future discounted cash flows or a market valuation approach. The discounted cash flows model indicates the fair value of the reporting units based on the present value of the cash flows that the reporting units are expected to generate in the future. Significant estimates in the discounted cash flows model include: the weighted average cost of capital; long-term rate of growth and profitability of our business; and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison of the Company against certain market information. Significant estimates in the market approach model include identifying appropriate market multiples and assessing earnings before interest, income taxes, depreciation and amortization (EBITDA) in estimating the fair value of the reporting units.

The analysis performed as of October 2, 2010, and December 31, 2009 and 2008 indicated no impairment to be present.

Impairment of Long-Lived Assets Other than Goodwill and Indefinite-Lived Intangible Assets

Intangibles primarily represent acquired customer relationships, acquired order backlog, acquired technology, software license agreements and patents. Acquired order backlog is amortized in the same period the corresponding revenue is recognized. A portion of the Company's acquired customer relationships is being amortized over seven years based on the present value of the future cash flows expected to be generated from the acquired customers. All other intangibles are being amortized on a straight-line basis over their estimated useful lives, generally ranging from three to 15 years.

The Company assesses its long-lived assets other than goodwill and indefinite-lived intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be fully recoverable. To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining lives of such assets. If these projected cash flows are less than the carrying amounts, an impairment loss would be recognized, resulting in a write-down of the assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amounts and the fair values of the assets. Assets to be disposed of are reported at the lower of the carrying amounts or fair value less cost to sell. Management determines fair value using the discounted cash flow method or other accepted valuation techniques. The Company recorded asset impairment losses totaling \$0.6 million in 2009 in connection with the closure of two facilities. No such impairments were recorded in 2010 or 2008.

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 enters into such 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 contracts for trading purposes.

We designate a portion of our derivative instruments as cash flow hedges for accounting purposes. For all derivatives designated as hedges, we formally document the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for using the hedging instrument. We assess whether the hedging relationship between the derivative and the hedged item is highly effective at offsetting changes in the cash flows both at inception of the hedging relationship and on an ongoing basis. Any change in the fair value of the derivative that is not effective at offsetting changes in the cash flows or fair values of the hedged item is recognized currently in earnings.

Interest rate swaps and other derivative contracts are recognized on the balance sheet as assets and liabilities, measured at fair value on a recurring basis using significant observable inputs, which is Level 2 as defined in the fair value hierarchy. For transactions in which we are hedging the variability of cash flows, changes in the fair value of the derivative are reported in accumulated other comprehensive income until earnings are affected by the hedged item. Changes in the fair value of derivatives not designated as hedges are recognized currently in earnings.

Self-Insurance

We are self-insured for a portion of our product liability, workers' compensation, general liability, medical coverage and certain other liability exposures. The Company accrues loss reserves up to the retention amounts when such

amounts are reasonably estimable and probable. The accompanying consolidated balance sheets include estimated amounts for claims exposure based on experience factors and management estimates for known and anticipated claims as follows:

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	December 31,	
	2010	2009
Medical insurance	\$ 702	\$ 697
Workers' compensation	153	189
Total self-insurance reserves	\$ 855	\$ 886

Warranty Costs

Estimated expenses related to product warranties are accrued at the time products are sold to customers and recorded as part of cost of sales. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

Warranty activity for the years ended December 31, 2010 and 2009 consisted of the following:

	2010	2009
Warranty liability at beginning of the year	\$ 2,852	\$ 3,108
Accrued warranty expense, net adjustments	2,079	1,651
Change in estimates related to pre-existing warranties	(589)	(798)
Cost of warranty service work performed	(1,264)	(1,191)
Foreign exchange translation effect	(115)	82
Warranty liability at end of the year	\$ 2,963	\$ 2,852

Income Taxes

Income taxes for the Company are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is generally recognized in income in the period that includes the enactment date.

Valuation allowances are recorded if it is more likely than not that some portion of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors, including the expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in the evaluation of our valuation allowance, we record a change in valuation allowance through income tax expense or other comprehensive income in the period such determination is made.

Foreign Currency Exchange Gains and Losses

The Company's financial statements are presented in U.S. dollars. The functional currencies of the Company's operating subsidiaries are the local currencies of the countries in which each subsidiary is located. Assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at average rates of exchange in effect during the year. The amounts recorded in each year are net of income taxes to the extent the underlying equity balances in the entities are not deemed to be permanently reinvested.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated for inclusion in the consolidated balance sheets are

recognized in the consolidated statements of operations for that period. The foreign currency transaction gain (loss) in income was \$(0.4) million, \$(1.4) million, and \$0.3 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Debt Issuance Costs

Costs directly related to the placement of debt are capitalized and amortized using the straight-line method, which approximates the effective interest method over the term of the related obligation. Amounts written off due to early extinguishment of debt are charged to earnings. Cost and accumulated amortization related to debt issuance costs amounted to approximately \$3.4 million and 1.8 million, respectively, as of December 31, 2010 and \$3.4 million and \$1.1 million, respectively, as of December 31, 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentations.

3. Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2009-13, Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force. 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 has adopted the provisions of ASU No. 2009-13 prospectively beginning January 1, 2011. The Company does not anticipate a material impact on its results of operations from adopting the provisions of ASU No. 2009-13.

4. Acquisitions

The following acquisitions were accounted for using the acquisition method of accounting and, accordingly, the accompanying financial statements include the financial position and the results of operations from the dates of acquisition.

On August 19, 2010, we completed the acquisition of Baric Group (“Baric”) for \$27.0 million, net of cash acquired. During the fourth quarter of 2010, a final working capital settlement of \$0.2 million was paid pursuant to terms of the purchase agreements. Baric is a supplier of highly engineered fluid handling systems primarily for lubrication applications, with its primary operations based in Blyth, United Kingdom. The following table summarizes intangible assets acquired:

	Asset	Weighted Average Amortization Period (years)
Acquired customer relationships	\$7,053	10.0
Acquired developed technology	6,492	9.6
Backlog	3,339	2.3
Other	395	8.6
Trade names - indefinite life	2,770	

Goodwill	12,940
Total intangible assets acquired	\$32,989

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The weighted average amortization period for total acquired amortizing intangibles is approximately 8.3 years. None of the goodwill acquired is expected to be tax deductible.

On August 31, 2009, we completed the acquisition of PD-Technik Ingenieurbüro GmbH (“PD-Technik”), a provider of marine aftermarket related products and services located in Hamburg, Germany, for \$1.3 million, net of cash acquired in the transaction.

On November 29, 2007, the Company acquired Fairmount Automation, Inc. (“Fairmount”), an original equipment manufacturer of mission critical programmable automation controllers in fluid handling applications primarily for the U.S. Navy, for \$4.5 million plus contingent payments based on achievement of revenue and earnings targets over the three year period ending December 31, 2010. In the fourth quarters of 2009 and 2008, the first two targets were achieved, resulting in payments of \$0.4 million in each period, which were recorded as goodwill. In the fourth quarter of 2010, the final target was achieved, resulting in a payment of \$0.7 million, which was recorded as goodwill.

5. Income Taxes

Income before income taxes and the components of the provision for income taxes were as follows:

	Year ended December 31,		
	2010	2009	2008
Income (loss) before income tax expense:			
Domestic	\$(12,737)	\$698	\$(54,303)
Foreign	40,425	31,720	60,299
	\$27,688	\$32,418	\$5,996
Provision for income taxes:			
Current income tax expense (benefit):			
Federal	\$(30)	\$(1,323)	\$(1,145)
State	261	344	239
Foreign	11,538	6,911	19,701
	11,769	5,932	18,795
Deferred income tax expense (benefit):			
Domestic	-	2,241	(12,607)
Foreign	(296)	448	(723)
	(296)	2,689	(13,330)
	\$11,473	\$8,621	\$5,465

U.S. income taxes at the statutory rate reconciled to the overall U.S. and foreign provision for income taxes were as follows:

	Year ended December 31,		
	2010	2009	2008
Tax at U.S. federal income tax rate	\$9,691	\$11,346	\$2,099
State taxes	(5)	34	(1,500)
Effect of international tax rates	(2,522)	(2,260)	(3,342)
Payment of non-deductible underwriting fee	-	-	4,483
Changes in valuation and tax reserves	3,827	(710)	2,903
Other	482	211	822
Provision for income taxes	\$11,473	\$8,621	\$5,465

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets and liabilities were as follows:

	December 31,			
	2010		2009	
	Current	Long-Term	Current	Long-Term
Deferred tax assets:				
Post-retirement benefit obligations	\$1,076	\$28,688	\$1,003	\$23,262
Expenses not currently deductible	7,401	30,042	9,552	30,200
Net operating loss carryover	-	49,789	-	42,268
Tax credit carryover	-	5,728	-	5,560
Other	918	823	-	837
Total deferred tax assets	9,395	115,070	10,555	102,127
Valuation allowance for deferred tax assets	(2,987)	(49,904)	(2,649)	(42,404)
Net deferred tax assets	6,408	65,166	7,906	59,723
Net tax liabilities:				
Depreciation / amortization	-	14,901	-	10,578
Other	503	11,410	1,074	7,680
Total deferred tax liabilities	503	26,311	1,074	18,258
Net deferred tax assets	\$5,905	\$38,855	\$6,832	\$41,465

For purposes of the balance sheet presentation, the Company nets current and non-current tax assets and liabilities within each taxing jurisdiction. The above table is presented prior to the netting of the current and non-current deferred tax items. The Company evaluates the recoverability of its net deferred tax assets on a jurisdictional basis by considering whether net deferred tax assets will be realized on a more likely than not basis. To the extent a portion or all of the applicable deferred tax assets do not meet the more likely than not threshold, a valuation allowance is recorded. During the year ending December 31, 2010, the valuation allowance increased from \$45.1 million to \$52.9 million with \$4.2 million and \$3.6 million of the increase recognized in income tax expense and other comprehensive income, respectively. The \$7.8 million net increase in 2010 was primarily attributable to U.S. deferred tax assets the Company believes may not be realized. Consideration was given to U.S. tax planning strategies and future U.S. taxable income as to how much of the relevant deferred tax asset could be realized on a more likely than not basis.

The Company has U.S. net operating loss carryforwards of approximately \$130.5 million expiring in years 2021 through 2030, and minimum tax credits of approximately \$1.9 million that may be carried forward indefinitely. Tax credit carryforwards include foreign tax credits that have been offset by a valuation allowance. We experienced an “ownership change” within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, as a result of the IPO. The Company’s ability to use these various carryforwards existing at the time of the ownership change to offset any taxable income generated in taxable periods after the ownership change may be limited under Section 382 and other federal tax provisions.

For the years ended December 31, 2010, 2009 and 2008, the Company intends that all undistributed earnings of its controlled international subsidiaries will be reinvested and no tax expense in the United States has been recognized under the applicable accounting standard, for these reinvested earnings. The amount of unremitted earnings from these international subsidiaries, subject to local statutory restrictions, as of December 31, 2010 is approximately \$151.5 million. It is not reasonably determinable as to the amount of deferred tax liability that would need to be provided if such earnings were not reinvested.

The Company applies an accounting standard which establishes a single model to address accounting for uncertainty in tax positions. This accounting standard applies to all tax positions and requires a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on classification, interest and penalties, accounting in interim periods and transition, and significantly expanded income tax disclosure requirements.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

Balance at December 31, 2008	\$10,101
Additions for tax positions in prior periods	73
Additions for tax positions in current period	308
Reductions for tax positions in prior periods	(1,896)
Foreign exchange impact / other	160
Balance at December 31, 2009	8,746
Additions for tax positions in prior periods	590
Additions for tax positions in current period	412
Reductions for tax positions in prior periods	(1,076)
Foreign exchange impact / other	(81)
Balance at December 31, 2010	\$8,591

The Company's unrecognized tax benefits as of December 31, 2010 and 2009 totaled \$8.9 million and \$9.3 million inclusive of \$0.3 million and \$0.5 million of interest and penalties, respectively. These amounts were offset in part by tax benefits of approximately \$0.6 million and \$0.7 million for the years ended December 31, 2010 and 2009, respectively. The net liabilities for uncertain tax positions for the years ended December 31, 2010 and 2009 were \$8.3 million and \$8.6 million, respectively, and if recognized, would favorably impact the effective tax rate.

The Company records interest and penalties on uncertain tax positions for post-adoption periods as a component of income tax expense. The interest and penalty expense recorded in income tax expense attributed to uncertain tax positions for the years ended December 31, 2010, 2009 and 2008 was \$0.1 million, \$0.2 million and \$0.2 million, respectively.

The Company is subject to income tax in the U.S., state, 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. and state tax authorities as well as tax years ending in 1997, 1998, 2000 and 2003 that have 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.

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, we estimate it is reasonably possible the expiration of various statutes of limitations and resolution of tax audits may reduce our tax expense in the next 12 months ranging from zero to \$5.7 million.

6. 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. As a result, for the years ended December 31, 2010 and 2009, the Company recorded pre-tax restructuring and other related costs of \$10.3 million and \$18.2 million, respectively. The costs incurred in the year ended December 31, 2010 include \$2.2 million of termination benefits, including \$0.6 million of non-cash stock-based compensation expense, related to the departure of the Company's former President and Chief Executive Officer (CEO) in January of 2010. Additionally, the costs incurred in the year ended December 31, 2010 include \$1.3 million of termination benefits related to the October 2010 departures of the Company's former Chief Financial Officer and General Counsel. The costs incurred in the year ended December 31, 2009 include a \$0.6 million non-cash asset impairment charge related to closure of a repair facility.

As of December 31, 2010, excluding additions from businesses acquired in 2009 and 2010, we have reduced our company-wide workforce by 237 associates from December 31, 2008. Additionally, through the second quarter of 2010, we participated in a German government-sponsored furlough program in which the government paid the wage-related costs for participating associates. Payroll taxes and other employee benefits related to employees' furlough time are included in restructuring costs.

The Company has relocated its Richmond, Virginia corporate headquarters to the Columbia, Maryland area, in order to provide improved access to international travel and to its key advisors. In connection with the move, the Company has incurred \$0.6 million of employee termination benefit costs, reflected in restructuring and other related charges, and \$0.4 million of other relocation related costs in 2010, which are reflected in selling, general and administrative expenses. We expect to incur an additional \$1.5 million of employee termination benefit costs, operating lease exit costs and other relocation expenses related to the headquarters relocation in the first six months of 2011.

During the second quarter of 2009, we closed a repair facility in Aberdeen, NC. Further, during the fourth quarter of 2009, we closed a manufacturing facility in Sanford, NC and moved its production to the Company's facilities in Monroe, NC and Columbia, KY. We recorded non-cash impairment charges of \$0.6 million to reduce the carrying value of the real estate and equipment at these facilities to their estimated fair values.

We recognize 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 a loss when employees accept the offer and the amount can be reasonably estimated. We record asset impairment charges to reduce the carrying amount of long-lived assets that will be sold or disposed of to their estimated fair values. Fair values are estimated using observable inputs including third party appraisals and quoted market prices.

A summary of restructuring activity for the year ended December 31, 2010 is shown below.

	Year Ended December 31, 2010				Restructuring Liability at Dec. 31, 2010
	Restructuring Liability at Dec. 31, 2009	Provisions	Payments	Foreign Currency Translation	
Restructuring and Other Related Charges:					
Termination benefits (1)	\$ 9,473	\$7,610	\$(14,169)	\$(734)	\$ 2,180
Furlough charges (2)	-	327	(319)	(8)	-
Facility closure charges (3)	-	909	(909)	-	-
Consulting costs (4)	-	903	(903)	-	-
	\$ 9,473	\$9,749	\$(16,300)	\$(742)	\$ 2,180

Non-cash termination benefits (5)	574
Total	10,323

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- (1) Includes severance and other termination benefits such as outplacement services.
- (2) Includes payroll taxes and other employee benefits related to German employees' furlough time.
- (3) Includes the cost of relocating and training associates and relocating equipment in connection with the closing of the Sanford, NC facility.
- (4) Includes outside consulting fees directly related to the Company's restructuring and performance improvement initiatives.
- (5) Includes stock-based compensation expense related to the accelerated vesting of certain share-based payments in connection with the departure of the Company's former President and CEO in January 2010.

7. Earnings (Loss) Per Share

The following table presents the computation of basic and diluted earnings (loss) per share:

	Year ended December 31,		
	2010	2009	2008
Numerator:			
Net income	\$16,215	\$23,797	\$531
Dividends on preferred stock	-	-	(3,492)
Net income (loss) available to common shareholders	\$16,215	\$23,797	\$(2,961)
Denominator:			
Weighted-average shares of common stock outstanding – basic	43,389,878	43,222,616	36,240,157
Net income (loss) per share – basic	\$0.37	\$0.55	\$(0.08)
Weighted-average shares of common stock outstanding - basic	43,389,878	43,222,616	36,240,157
Net effect of potentially dilutive securities (1)	277,347	103,088	-
Weighted-average shares of common stock outstanding - diluted	43,667,225	43,325,704	36,240,157
Net income (loss) per share – diluted	\$0.37	\$0.55	\$(0.08)

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

In the years ended December 31, 2010, 2009 and 2008, respectively, approximately 1.3 million, 0.6 million and 0.5 million potentially dilutive stock options, restricted stock units and deferred stock units were excluded from the calculation of diluted loss per share since their effect would have been anti-dilutive.

8. Inventories

Inventories consisted of the following:

	December 31,	
	2010	2009
Raw materials	\$23,758	\$28,445

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Work in process	29,565	32,888
Finished goods	20,121	21,013
	73,444	82,346
Less-Customer progress billings	(7,726)	(3,171)
Less-Allowance for excess, slow-moving and obsolete inventory	(7,777)	(8,025)
	\$57,941	\$71,150

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Depreciable Lives in Years	December 31,	
		2010	2009
Land	-	\$ 15,106	\$ 16,618
Buildings and improvements	3 - 40	39,666	36,651
Machinery and equipment	3 - 15	121,933	119,727
Software	3 - 5	17,063	17,324
		193,768	190,320
Less-Accumulated depreciation		(104,522)	(98,230)
		\$ 89,246	\$ 92,090

Depreciation expense, including the amortization of assets recorded under capital leases, for the years ended December 31, 2010, 2009 and 2008, was approximately \$12.1 million, \$11.8 million and \$12.1 million, respectively. These amounts include depreciation expense related to software for the years ended December 31, 2010, 2009 and 2008 of \$1.9 million, \$1.7 million and \$2.0 million, respectively.

10. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill during the years ended December 31, 2010 and 2009 are as follows:

	Goodwill
Balance December 31, 2008	\$161,694
Contingent purchase price payment for Fairmount acquisition	418
Attributable to 2009 acquisition of PD-Technik	6
Impact of changes in foreign exchange rates	1,300
Balance December 31, 2009	163,418
Contingent purchase price payment for Fairmount acquisition	736
Attributable to 2010 acquisition of Baric	12,940
Impact of changes in foreign exchange rates	(4,756)
Balance December 31, 2010	\$172,338

Other intangible assets consisted of the following:

	December 31,			
	2010		2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired customer relationships	\$22,084	\$ (10,719)	\$ 15,512	\$ (8,989)
Trade names - indefinite life	4,819	-	2,062	-
Acquired developed technology	12,231	(3,331)	5,811	(2,444)
Acquired backlog of open orders	3,311	(474)	-	-
Other intangibles	591	(214)	146	(146)
	\$43,036	\$ (14,738)	\$23,531	\$ (11,579)

In connection with the acquisition of PD-Technik in 2009, customer relationship intangibles of \$0.9 million were acquired and are being amortized over a period of six years.

Amortization expense for the years ended December 31, 2010, 2009 and 2008 was approximately \$3.5 million, \$2.6 million and \$2.7 million, respectively. Amortization expense for the next five fiscal years is expected to be: 2011—\$5.3 million, 2012—\$5.0 million, 2013—\$2.4 million, 2014—\$2.1 million, and 2015—\$1.7 million.

11. Retirement and Benefit Plans

The Company sponsors various defined benefit plans, defined contribution plans and other post-retirement benefits plans, including health and life insurance, for certain eligible employees or former employees. We use December 31 as the measurement date for all of our employee benefit plans.

As a result of a settlement agreement reached in October of 2010, we assumed directly the pension obligation for a group of former employees of a divested subsidiary in place of an obligation to indemnify the purchaser of the subsidiary for all pension-related costs of the former employees. The pension plan covering those employees transferred the rights to the assets and liabilities to one of our foreign plans. The amounts related to this settlement are reflected as “Plan combinations” in the tables below. The net underfunded position of \$2.9 million has been recorded as current year pension expense. This expense is substantially offset within SG&A by the reversal of an accrual established in prior years for this matter.

The following table summarizes the changes in our pension and other post-retirement benefit plan obligations and plan assets and includes a statement of the plans’ funded status:

Year ended December 31,	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$306,571	\$295,165	\$10,859	\$10,370
Service cost	1,168	1,381	-	-
Interest cost	16,514	17,577	553	525
Actuarial loss	20,344	10,662	3,671	772

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Acquisitions	-	72	-	-
Plan combinations	12,639	-	-	-
Foreign exchange effect	(4,827)	2,958	-	-
Benefits paid	(21,121)	(21,244)	(1,280)	(808)
Projected benefit obligation at end of year	\$331,288	\$306,571	\$13,803	\$10,859
Accumulated benefit obligation at end of year	\$327,498	\$303,598	\$-	\$-
Change in plan assets:				
Fair value of plan assets at beginning of year	\$209,921	\$192,859	\$-	\$-
Actual return on plan assets	22,886	29,193	-	-

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Year ended December 31,	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
Employer contribution	10,797	7,517	1,280	808
Acquisitions	-	60	-	-
Plan combinations	9,762	-	-	-
Foreign exchange effect	(1,005)	1,536	-	-
Benefits paid	(21,121)	(21,244)	(1,280)	(808)
Fair value of plan assets at end of year	\$231,240	\$209,921	\$-	-
Funded status at end of year	\$(100,048)	\$(96,650)	\$(13,803)	(10,859)
Amounts recognized in the balance sheet at December 31:				
Non-current assets	\$290	\$244	\$-	\$-
Current liabilities	(1,050)	(1,114)	(834)	(1,409)
Non-current liabilities	(99,288)	(95,780)	(12,969)	(9,450)
Total	\$(100,048)	\$(96,650)	\$(13,803)	\$(10,859)

The accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$324.8 million and \$228.1 million, respectively, as of December 31, 2010 and \$301.2 million and \$207.2 million, respectively, as of December 31, 2009.

The projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were \$328.5 million and \$228.1 million, respectively, as of December 31, 2010 and \$304.1 million and \$207.2 million, respectively, as of December 31, 2009.

The following table summarizes the changes in our foreign pension plans' obligations and plan assets, included in the previous disclosure, and includes a statement of the foreign plans' funded status:

Year ended December 31,	Pension Benefits	
	2010	2009
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$80,960	\$80,960
Service cost	1,168	1,168
Interest cost	4,138	4,138
Actuarial loss	5,494	5,494
Acquisitions	-	-
Plan combinations	12,639	12,639
Foreign exchange effect	(4,827)	(4,827)
Benefits paid	(4,436)	(4,436)
Projected benefit obligation at end of year	\$95,136	\$95,136
Accumulated benefit obligation at end of year	\$91,346	\$91,346
Change in plan assets:		
Fair value of plan assets at beginning of year	\$24,841	\$24,841

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Actual return on plan assets	1,638	1,638
Employer contribution	3,271	3,271
Acquisitions	-	-
Plan combinations	9,762	9,762

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Year ended December 31,	Pension Benefits	
	2010	2009
Foreign exchange effect	(1,005)	(1,005)
Benefits paid	(4,436)	(4,436)
Fair value of plan assets at end of year	34,071	34,071
Funded status at end of year	\$(61,065)	\$(61,065)

Expected contributions to the pension plans for 2011 are \$6.7 million. The following benefit payments are expected to be paid during the years ending December 31:

	Pension Benefits		Other Post- retirement Benefits
	All Plans	Foreign Plans	
2011	\$23,080	\$ 4,554	\$834
2012	22,232	4,752	895
2013	22,182	4,833	922
2014	22,228	4,923	932
2015	22,424	5,003	945
Years 2016-2020	110,002	25,782	4,534

The Company's primary investment objective for its pension plan assets is to provide a source of retirement income for the plans' participants and beneficiaries. The assets are invested with the goal of preserving principal while providing a reasonable real rate of return over the long term. Diversification of assets is achieved through strategic allocations to various asset classes. Actual allocations to each asset class vary due to periodic investment strategy changes, market value fluctuations, the length of time it takes to fully implement investment allocation positions, and the timing of benefit payments and contributions. The asset allocation is monitored and rebalanced as required, as frequently as on a quarterly basis in some instances. The following are the actual and target allocation percentages for the Company's pension plan assets:

	Actual Allocation		Target Allocation
	2010	December 31, 2009	
United States Plans:			
Equity securities:			
U.S.	34 %	39 %	32% - 42 %
International	16	12	10% - 16 %
Fixed income securities	32	34	27% - 43 %
Hedge fund	18	15	13% - 20 %
Foreign Plans:			
Large cap equity securities	11	15	0% - 20 %
Fixed income securities	57	83	80% - 100 %
Cash and cash equivalents	32	2	0% - 5 %

The large proportion of assets in cash for foreign plans at December 31, 2010 is a temporary situation due to the transfer of assets resulting from the October settlement agreement.

The following table presents the Company's pension plan assets using the fair value hierarchy as of December 31, 2010 and 2009. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant observable inputs, and Level 3 includes fair values estimated using significant unobservable inputs.

	Total	December 31, 2010		Level 3
		Level 1	Level 2	
United States Plans:				
Cash and cash equivalents	\$3	\$3	\$-	\$-
Equity mutual funds:				
U.S. large cap	54,086	54,086	-	-
U.S. small / mid-cap	12,339	12,339	-	-
International	32,271	32,271	-	-
Fixed income mutual funds:				
U.S. government and corporate	39,923	39,923	-	-
High yield bonds	16,011	16,011	-	-
Emerging markets debt	6,194	6,194	-	-
Multi-strategy hedge funds	36,342	-	-	36,342
Foreign Plans:				
Cash and cash equivalents	10,638	10,638	-	-
Large cap equity securities	3,885	3,885	-	-
Non-U.S. Government bonds	13,520	-	13,520	-
Other (a)	6,028	-	6,028	-
	\$231,240	\$175,350	\$19,548	\$36,342

(a) This class includes diversified portfolio funds maintained for certain foreign plans.

	Total	December 31, 2009		Level 3
		Level 1	Level 2	
United States Plans:				
Cash and cash equivalents	\$1,180	\$1,180	\$-	\$-
Equity mutual funds:				
U.S. large cap	56,400	56,400	-	-
U.S. small / mid-cap	15,992	15,992	-	-
International	22,548	22,548	-	-
Fixed income mutual funds:				
U.S. government and corporate	39,192	39,192	-	-
High yield bonds	11,613	11,613	-	-
Emerging markets debt	11,386	11,386	-	-
Multi-strategy hedge funds	26,769	-	-	26,769
Foreign Plans:				
Cash and cash equivalents	568	568	-	-
Large cap equity securities	3,688	3,688	-	-
Non-U.S. Government bonds	15,498	-	15,498	-
Other (a)	5,087	-	5,087	-
	\$209,921	\$162,567	\$20,585	\$26,769

(a) This class includes diversified portfolio funds maintained for certain foreign plans.

Fixed income securities held by the foreign plans are valued using quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates. The hedge fund investment is valued at the net asset value of units held by the plans at year end.

The table below presents a summary of the changes in the fair value of the Level 3 assets held.

Balance at January 1, 2009	\$25,983
Unrealized gains	786
Balance at December 31, 2009	26,769
Net purchases and sales	9,036
Realized losses	(316)
Unrealized gains	853
Balance at December 31, 2010	\$36,342

The components of net periodic cost and other comprehensive loss (income) were as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2010	2009	2008	2010	2009	2008
Components of net periodic benefit cost:						
Service cost	\$ 1,168	\$ 1,381	\$ 1,160	\$ -	\$ -	\$ -
Interest cost	16,514	17,577	17,429	553	525	501
Amortization	4,593	3,639	2,523	482	353	227
Plan combinations	2,877	-	-	-	-	-
Expected return on plan assets	(19,331)	(19,570)	(20,509)	-	-	-
Net periodic benefit cost	\$ 5,821	\$ 3,027	\$ 603	\$ 1,035	\$ 878	\$ 728
Change in plan assets and benefit obligations recognized in other comprehensive loss (income):						
Current year net actuarial loss	16,736	710	66,101	3,671	772	901
Prior service cost	-	-	-	-	-	2,359
Less amounts included in net periodic cost:						
Amortization of net loss	(4,593)	(3,639)	(2,523)	(234)	(104)	(165)
Amortization of prior service cost	-	-	-	(248)	(249)	(62)
Total recognized in other comprehensive loss (income)	\$ 12,143	\$ (2,929)	\$ 63,578	\$ 3,189	\$ 419	\$ 3,033

The components of net periodic cost and other comprehensive (income) loss for our foreign pension plans, included within the previous disclosure, were as follows:

	Foreign Pension Benefits		
	2010	2009	2008
Components of net periodic benefit cost:			
Service cost	\$1,168	\$1,381	\$1,160
Interest cost	4,138	4,668	4,364

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Recognized net actuarial loss	385	808	348
Plan combinations	2,877		
Expected return on plan assets	(1,259)	(1,204)	(1,456)
Net periodic benefit cost	\$7,309	\$5,653	\$4,416
Change in plan assets and benefit obligations recognized in other comprehensive loss (income):			
Current year net actuarial loss (gain)	5,062	(6,464)	6,339
Less amounts included in net periodic cost:			
Amortization of net loss	(385)	(808)	(348)
Total recognized in other comprehensive loss (income)	\$4,677	\$(7,272)	\$5,991

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The components of accumulated other comprehensive income that have not been recognized as components of net periodic cost are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
At December 31,				
Net actuarial loss	\$153,757	\$141,614	\$6,774	\$3,337
Prior service cost	-	-	1,800	2,048
Total	\$153,757	\$141,614	\$8,574	\$5,385

The components of accumulated other comprehensive income that are expected to be recognized in net periodic cost during the year ended December 31, 2011 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
Net actuarial loss			\$5,854	\$567
Prior service cost			-	248
Total			\$5,854	\$815

The key economic assumptions used in the measurement of the Company's benefit obligations at December 31, 2010 and 2009 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
Weighted-average discount rate:				
For all plans	5.1 %	5.7 %	5.2 %	5.6 %
For all foreign plans	5.4 %	5.6 %	-	-
Weighted-average rate of increase in compensation levels for active foreign plans	2.6 %	2.0 %	-	-

The key economic assumptions used in the computation of net periodic benefit cost for the years ended December 31, 2010, 2009 and 2008 are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2010	2009	2008	2010	2009	2008
Weighted-average discount rate:						
For all plans	5.7 %	6.1 %	6.0 %	5.6 %	6.0 %	6.3 %
For all foreign plans	5.6 %	5.8 %	4.7 %	-	-	-

Weighted-average expected return on plan assets:									
For all plans	8.3	%	8.3	%	8.3	%	-	-	-
For all foreign plans	5.4	%	5.0	%	5.1	%	-	-	-
Weighted-average rate of increase in compensation levels for active foreign plans									
	2.2	%	2.1	%	2.2	%	-	-	-

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In determining discount rates, the Company utilizes the single discount rate equivalent to discounting the expected future cash flows from each plan using the yields at each duration from a published yield curve as of the measurement date.

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of approximately 16.0% was assumed. The rate was assumed to decrease gradually to 5.0% by 2021 and remain at that level thereafter for benefits covered under the plans.

The expected long-term rate of return on plan assets was based on the Company's investment policy target allocation of the asset portfolio between various asset classes and the expected real returns of each asset class over various periods of time that are consistent with the long-term nature of the underlying obligations of these plans.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point change in assumed health care cost trend rates would have the following pre-tax effects:

	1 Percentage Point Increase	1 Percentage Point Increase
Effect on total service and interest cost components for 2010	\$ 52	\$ (43)
Effect on post-retirement benefit obligation at December 31, 2010	1,667	(1,358)

The Company maintains defined contribution plans covering substantially all of their non-union domestic employees, as well as certain union domestic employees. Under the terms of the plans, eligible employees may generally contribute from 1% to 50% of their compensation on a pre-tax basis. The Company's contributions are based on 50% of the first 6% of each participant's pre-tax contribution. Additionally, the Company makes a unilateral contribution of 3% of all employees' salary (including non-contributing participants) to the defined contribution plans. The Company's expense for 2010, 2009 and 2008 was \$2.4 million, \$2.4 million and \$2.2 million, respectively, related to these plans.

12. Debt

Long-term debt consisted of the following:

	December 31,	
	2010	2009
Term A notes (senior bank debt)	\$82,500	\$91,250
Capital leases and other	-	235
Total debt	82,500	91,485
Less-current portion Term A	(10,000)	(8,750)
Less-current portion capital leases and other	-	(219)
	\$72,500	\$82,516

On May 13, 2008, coinciding with the closing of the IPO, the Company terminated its existing credit facility. There were no material early termination penalties incurred as a result of the termination. Deferred loan costs of \$4.6 million were written off in connection with this termination. On the same day, the Company entered into a new credit agreement (the Credit Agreement). The Credit Agreement, led by Banc of America Securities LLC and administered by Bank of America, is a senior secured structure with a \$150.0 million revolver and a Term A Note of \$100.0 million.

The Term A Note bears interest at LIBOR plus a margin ranging from 2.25% to 2.75% determined by the total leverage ratio calculated at quarter end. At December 31, 2010, the interest rate was 2.76% inclusive of 2.50% margin. The Term A Note, as entered into on May 13, 2008, has \$2.5 million due on a quarterly basis on the last day of each March, June, September and December beginning with June 30, 2010 and ending March 31, 2013, and one installment of \$60.0 million payable on May 13, 2013.

The \$150.0 million revolver contains a \$50.0 million letter of credit sub-facility, a \$25.0 million swing line loan sub-facility and a €100.0 million sub-facility. The annual commitment fee on the revolver ranges from 0.4% to 0.5% determined by the total leverage ratio calculated at quarter end. At December 31, 2010, the commitment fee was 0.5% and there was \$14.1 million outstanding on the letter of credit sub-facility. The bankruptcy of Lehman Brothers, one of the financial institutions in the consortium that provided the Company's revolving credit line, resulted in their default under the terms of the revolver and we will not be able to draw on their commitment of \$6.0 million, leaving approximately \$129.9 million available under the revolver loan. The Credit Agreement was amended on February 14, 2011 to eliminate Lehman Brothers' commitment, thereby reducing the total amount of the revolving credit line to \$144.0 million. At December 31, 2009, the commitment fee was 0.4% and there was \$14.4 million outstanding on the letter of credit sub-facility, leaving approximately \$136 million available under the revolver loan.

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 our European subsidiary. 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 A Note and revolver and foreclose on the collateral. The Company is in compliance with all such covenants as of December 31, 2010.

The future aggregate annual maturities of long-term debt at December 31, 2010 are:

	Term Debt
2011	\$ 10,000
2012	10,000
2013	62,500
Total	\$82,500

13. Shareholders' Equity

Preferred Stock

On May 13, 2008, pursuant to the amended articles of incorporation, the Company's preferred stock was automatically converted into shares of common stock upon the closing of the IPO, determined by dividing the original issue price of the preferred shares by the issue price of the common shares at the offering date.

The holders of the Company's preferred stock were entitled to receive dividends in preference to any dividend on the common stock at the rate of LIBOR plus 2.50% per annum, when and if declared by the Company's board of directors. Preferred dividends of \$3.5 million, \$12.2 million and \$13.7 million were declared on May 12, 2008, December 31, 2007, and May 15, 2007, respectively. These amounts were paid immediately prior to the consummation of the Company's IPO on May 13, 2008. The holders of the preferred stock did not have voting rights except in certain corporate matters involving the priority and payment rights of such shares.

Stock Split

On April 21, 2008, the Company's board of directors approved a restatement of capital accounts of the Company through an amendment of the Company's certificate of incorporation to provide for a stock split to convert each share of common stock issued and outstanding into 13,436.22841 shares of common stock. The consolidated financial statements give retroactive effect as though the stock split occurred for all periods presented.

Issuance of Common Stock

On May 13, 2008, the Company completed its IPO of 21,562,500 shares of common stock at a per share price of \$18.00. Of the 21,562,500 shares sold in the offering, 11,852,232 shares were sold by the Company and 9,710,268 shares were sold by certain selling stockholders. The Company received net proceeds of approximately \$193.0 million, net of the underwriter's discount of \$14.4 million and offering-related costs of \$5.9 million.

Results for the year ended December 31, 2008, include \$57.0 million of nonrecurring costs associated with the IPO, including \$10.0 million of share-based compensation and \$27.8 million of special cash bonuses paid under previously adopted executive compensation plans, as well as \$2.8 million of employer payroll taxes and other related costs. It also included \$11.8 million to reimburse the selling stockholders for the underwriting discount on the shares sold by them and the write off of \$4.6 million of deferred loan costs associated with the early termination of a credit facility.

In 2010 and 2009, 194,999 and 18,078 shares of common stock, respectively, were issued in connection with stock option exercises and employee share-based payment arrangements that vested during the year.

Repurchases of Common Stock

On November 5, 2008, the Company's board of directors authorized the repurchase of up to \$20 million (up to \$10 million per year in 2008 and 2009) of the Company's common stock from time to time on the open market or in privately negotiated transactions. The repurchase program was conducted pursuant to SEC Rule 10b5-1. The timing and amount of any shares repurchased was determined by the Company's management based on its evaluation of market conditions and other factors. In the fourth quarter of 2008, the Company purchased 795,000 shares of its common stock for approximately \$5.7 million. There were no repurchases in 2009 or 2010.

Dividend Restrictions

The Company's Credit Agreement limits the amount of cash dividends and common stock repurchases the Company may make to a total of \$10 million annually.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income (loss) are as follows:

	December 31,	
	2010	2009
Foreign currency translation adjustment	\$5,928	\$14,188
Unrealized losses on hedging activities	(1,789)	(3,035)
Net unrecognized pension and other post-retirement benefit costs	(134,654)	(120,950)
Total accumulated other comprehensive loss	\$(130,515)	\$(109,797)

Share-Based Payments

2008 Omnibus Incentive Plan

The Company adopted the Colfax Corporation 2008 Omnibus Incentive Plan (the 2008 Plan) on April 21, 2008. The 2008 Plan provides the compensation committee of the board of directors discretion in creating employee equity incentives. Awards under the 2008 Plan may be made in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance shares, performance units, and other stock-based awards.

The Company measures and recognizes compensation expense relating to share-based payments based on the fair value of the instruments issued. Stock-based compensation expense is recognized as a component of "Selling, general and administrative expenses" in the accompanying consolidated statements of operations as payroll costs of the employees receiving the awards are recorded in the same line item. Stock-based compensation expense related to the departure of the Company's former President and CEO in January 2010 was recognized as a component of "Restructuring and other related charges". In the years ended December 31, 2010, 2009 and 2008, \$3.1 million, \$2.6 million and \$1.3 million, respectively, of compensation cost and deferred tax benefits of approximately \$1.1 million, \$0.9 million and \$0.4 million, respectively, were recognized. Compensation expense for 2010 included \$0.6 million related to the former President and CEO's departure. Compensation expense recognized for the former President and CEO reflects the accelerated vesting of certain stock options and performance-based restricted stock units on January 9, 2010. Additional compensation cost of \$0.4 million was recognized for the accelerated vesting and extended exercise terms related to the departures of the Company's former Chief Financial Officer and General Counsel. At December 31, 2010, the Company had \$5.6 million of unrecognized compensation expense related to stock-based awards that will be recognized over a weighted-average period of approximately 2.0 years. The intrinsic value of awards exercised or converted was \$1.2 million and \$0.1 million in 2010 and 2009, respectively. There were no awards exercised or converted in 2008. At December 31, 2010, the Company had issued stock-based awards that are described below.

Stock Options

Under the 2008 Plan, the Company may grant options to purchase common stock, with a maximum term of 10 years at a purchase price equal to the market value of the common stock on the date of grant. Or, in the case of an incentive stock option granted to a 10% stockholder, the Company may grant options to purchase common stock with a maximum term of 5 years, at a purchase price equal to 110% of the market value of the common stock on the date of grant. One-third of the options granted pursuant to the 2008 Plan vest on each anniversary of the grant date and the options expire in seven years.

Stock-based compensation expense for stock option awards was based on the grant-date fair value using the Black-Scholes option pricing model. We recognize 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 we used to calculate 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 years ended December 31, 2010 and 2009.

	Years Ended December 31,		
	2010	2009	2008
Weighted-average assumptions used in Black-Scholes model:			
Expected period that options will be outstanding (in years)	4.50	4.50	4.50
Interest rate (based on U.S. Treasury yields at time of grant)	2.38	1.87	3.08
Volatility	52.22	32.50	32.35
Dividend yield	-	-	-
Weighted-average fair value of options granted	\$5.63	\$2.24	\$5.75

Expected volatility is estimated based on the historical volatility of comparable public companies. The Company uses 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 years ended December 31, 2010 and 2009 is as follows:

	Shares	Weighted-Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	-	\$ -		
Granted	531,999	17.94		
Exercised	-	-		
Forfeited	(17,008)	18.00		
Outstanding at December 31, 2008	514,991	\$ 17.93		
Granted	844,165	7.44		
Exercised	-	-		
Forfeited	(91,523)	11.70		
Outstanding at December 31, 2009	1,267,633	11.40		
Granted	756,471	12.48		
Exercised	(152,490)	7.48		

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Forfeited	(295,125)	10.71		
Expired	(35,833)	15.94		
Outstanding at December 31, 2010	1,540,656	12.34	5.47	\$9,380
Vested or expected to vest at December 31, 2010	1,146,682	13.06	5.11	\$6,162
Exercisable at December 31, 2010	478,052	13.82	4.72	\$2,214

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The aggregate intrinsic value is based on the difference between the Company's closing stock price at the balance sheet date and the exercise price of the stock option, multiplied by the number of in-the-money options. The amount of intrinsic value will change based on the fair value of the Company's stock.

Performance-Based Awards

Under the 2008 Plan, the compensation committee may award performance-based restricted stock and restricted stock units whose vesting is contingent upon meeting various performance goals. The vesting of the stock units is determined based on whether the Company achieves the applicable performance criterion established by the compensation committee of the board of directors. If the performance criteria are satisfied, the units are subject to additional time vesting requirements, by which units will vest fully in two equal installments on the fourth and fifth anniversary of the grant date, provided the individual remains an employee during this period.

The fair value of each grant of performance-based restricted stock or restricted stock units is equal to the market value of a share of common stock on the date of grant and the compensation expense is recognized when it is expected that the performance goals will be achieved. The performance criterion for the performance-based restricted stock units (PRSUs) granted in 2008 was achieved; however, the performance criterion for those granted in 2009 was not achieved and accordingly, no compensation expense for the 2009 grants was recognized. The performance criterion for PRSUs granted in 2010 was achieved, except for those granted to the CEO as part of his initial employment agreement in January. The PRSUs granted to the CEO are subject to separate criterion that may be achieved through 2013.

Other Restricted Stock and Restricted Stock Units

Under the 2008 Plan, the compensation committee may award non-performance based restricted stock and restricted stock units (RSUs) to selected executives, key employees and outside directors. The compensation committee determines the terms and conditions of each award including the restriction period and other criteria applicable to the awards.

The employee RSUs vest either 100% at the 1st anniversary of the grant date or 50% at the 1st anniversary and 50% at the 2nd anniversary of the grant date. The majority of the director RSUs granted to date vest in three equal installments on each anniversary of the grant date over a 3-year period. Directors can also elect to defer their annual board fees into RSUs with immediate vesting. Delivery of the shares underlying these director restricted stock units is deferred until termination of the director's service on the Company's board. The fair value of each restricted stock unit is equal to the market value of a share of common stock on the date of grant.

The following table summarizes the Company's PRSU and RSU and activity for 2010 and 2009:

	PRSUs		PRSUs	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested shares				
Nonvested at January 1, 2008	-	\$-	-	\$-
Granted	125,041	17.89	73,305	18.00
Vested	-	-	-	-
Forfeited	(694)	18.00	(1,116)	18.00
Nonvested at December 31, 2008	124,347	17.89	72,189	18.00

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Granted	337,716	7.44	69,610	8.35
Vested	-	-	(48,871)	15.72
Forfeited	(31,566)	10.69	-	-
Nonvested at December 31, 2009	430,497	10.22	92,928	11.97
Granted	263,454	12.10	44,693	12.88
Vested	(25,000)	18.00	(53,828)	13.69
Forfeited	(385,456)	8.72	-	-
Nonvested at December 31, 2010	283,495	13.33	83,793	11.35

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The fair value of shares vested was \$1.0 million and \$0.4 million in 2010 and 2009, respectively. No shares vested during 2008.

2001 Plan and 2006 Plan

In 2001 and 2006, the board of directors implemented long-term cash incentive plans as a means to motivate senior management or those most responsible for the overall growth and direction of the Company. Certain executive officers participated in the Colfax Corporation 2001 Employee Appreciation Rights Plan (the 2001 Plan) or the 2006 Executive Stock Rights Plan (the 2006 Plan).

Generally, each of these plans provided the applicable officers with the opportunity to receive a certain percentage, in cash (or, with respect to the 2001 Plan only, in equity, at the determination of the Board of Directors), of the increase in value of the Company from the date of grant of the award until the date of the liquidity event.

The 2001 Plan rights fully vested on the third anniversary of the grant date. The 2006 Plan rights vested if a liquidity event occurred prior to the expiration of the term of the plan. Amounts were only payable upon the occurrence of a liquidity event. The Board determined that the IPO qualified as a liquidity event for both plans. In conjunction with the IPO, the participants received a total of 557,597 shares of common stock and approximately \$27.8 million in cash payments under the 2001 Plan and 2006 Plan and thereafter both plans terminated. In the year ended December 31, 2008, the Company recognized \$10.0 million of stock-based compensation expense associated with the 557,597 shares of common stock awarded and a related tax benefit of approximately \$3.8 million.

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 long-term debt of \$81.6 million and \$88.6 million at December 31, 2010 and 2009, 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:

	Total	December 31, 2009		Level 3
		Level 1	Level 2	
As of December 31, 2010				
Assets:				
Cash equivalents	\$24,925	\$24,925	\$-	\$-
Liabilities:				
Interest rate swap	\$1,789	-	\$1,789	-
Foreign currency contracts	257	-	257	-
	2,046	-	2,046	-

As of December 31, 2009

Assets:

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Cash equivalents	\$33,846	\$33,846	\$-	\$-
Liabilities:				
Interest rate swap	\$3,035	\$-	\$3,035	\$-
Foreign currency contracts	121	-	121	-
	\$3,156	\$-	\$3,156	\$-

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There were no significant transfers between level 1 and level 2 during 2010 or 2009.

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. Interest rate swaps are valued based on forward curves observable in the market. Foreign currency contracts are measured using broker quotations or observable market transactions in either listed or over-the-counter markets. There were no changes during the periods presented in the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

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 enters into such 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 contracts for trading purposes.

We designate a portion of our derivative instruments as cash flow hedges for accounting purposes. For all derivatives designated as hedges, we formally document the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for using the hedging instrument. We assess whether the hedging relationship between the derivative and the hedged item is highly effective at offsetting changes in the cash flows both at inception of the hedging relationship and on an ongoing basis. Any change in the fair value of the derivative that is not effective at offsetting changes in the cash flows or fair values of the hedged item is recognized currently in earnings.

Interest rate swaps and other derivative contracts are recognized on the balance sheet as assets and liabilities, measured at fair value on a recurring basis using significant observable inputs, which is Level 2 as defined in the fair value hierarchy. For transactions in which we are hedging the variability of cash flows, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss) (AOCI), to the extent they are effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. Changes in the fair value of derivatives not designated as hedges are recognized currently in earnings.

On June 24, 2008, the Company entered into an interest rate swap with an aggregate notional value of \$75 million whereby it exchanged its LIBOR-based variable rate interest for a fixed rate of 4.1375%. The notional value decreased to \$50 million on June 30, 2010 and decreased to \$25 million on June 30, 2011, and expires on June 29, 2012. The fair values of the swap agreement, based on third-party quotes, were liabilities of \$1.8 million and \$3.0 million at December 31, 2010 and 2009, respectively, and are recorded in "Other long term liabilities" on the consolidated balance sheet. The swap agreement has been designated as a cash flow hedge, and therefore changes in its fair value are recorded as an adjustment to other comprehensive income. The effective portion of net losses recognized in AOCI during the years ended December 31, 2010, 2009, and 2008 were \$1.2 million, \$0.9 million and \$5.8 million, respectively. There has been no significant ineffectiveness related to this arrangement since its inception. During the years ended December 31, 2010, 2009 and 2008, \$2.4 million, \$2.9 million and \$0.8 million, respectively, of losses on the swap were reclassified from AOCI to interest expense. At December 31, 2010, the Company expects to reclassify \$1.4 million of net losses on the interest rate swap from accumulated other comprehensive income to earnings during the next twelve months.

As of December 31, 2010 and 2009, the Company had no open commodity futures contracts, but in previous periods had copper and nickel futures contracts. The Company did not elect hedge accounting for these contracts, and therefore changes in their fair value were recognized in earnings. For the years ended December 31, 2009 and 2008, the consolidated statements of operations include \$2.0 million and \$(1.7) million, respectively, of unrealized gains (losses) as a result of changes in the fair value of these contracts. Realized (losses) on these contracts of \$(1.0) million and \$(0.4) million were recognized in the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2010 and 2009, the Company had foreign currency contracts with notional values of \$13.1 million and \$10.5 million, respectively. The fair values of the contracts were liabilities of \$0.3 million and \$0.1 million at December 31, 2010 and 2009, respectively and are recorded in "Other accrued liabilities" and "Other liabilities" on the consolidated balance sheets. 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. For the years ended December 31, 2010, 2009 and 2008, the consolidated statements of operations include \$(0.2) million, \$(0.7) million and \$0.3 million, respectively, of unrealized gains (losses) as a result of changes in the fair value of these contracts. Realized gains (losses) on these contracts of \$(1.4) million, \$0.9 million and \$(0.3) million were recognized in the years ended December 31, 2010, 2009, and 2008, respectively.

15. Concentration of Credit Risk

In addition to interest rate swaps, financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable.

The Company performs credit evaluations of its customers prior to delivery or commencement of services and normally does not require collateral. Letters of credit are occasionally required for international customers when the Company deems necessary. The Company maintains an allowance for potential credit losses and losses have historically been within management's expectations.

The Company may be exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Counterparties to the Company's financial instruments represent, in general, international financial institutions or well-established financial institutions.

No one customer accounted for 10% or more of the Company's sales in 2010, 2009 or 2008 or accounts receivable at December 31, 2010 or 2009.

16. Related Party Transactions

During 2008, the Company paid a management fee of \$0.5 million to Colfax Towers, a party related by common ownership, recorded in selling, general and administrative expenses. This arrangement was discontinued following the Company's IPO in May 2008.

17. Operations by Geographical Area

The Company's operations have been aggregated into a single reportable operating segment for the design, production and distribution of fluid handling products. The operations of the Company on a geographic basis are as follows:

	Years Ended December 31,		
	2010	2009	2008
Net sales by origin:			
United States	\$ 183,803	\$ 177,373	\$ 189,924
Foreign locations:			
Germany	196,399	180,917	239,723
Other	161,785	166,734	175,207
Total foreign locations	358,184	347,651	414,930
Total net sales	\$541,987	\$525,024	\$604,854
Net sales by product:			
Pumps, including aftermarket parts and service	\$444,907	\$443,073	\$529,300
Systems, including installation service	78,598	69,339	58,231
Valves	14,568	10,081	10,094
Other	3,914	2,531	7,229
Total net sales	541,987	525,024	604,854
			December 31
			2010 2009
Long-lived assets:			
United States		\$27,757	\$24,785
Foreign locations:			
Germany		42,619	48,232
Other		18,870	19,073
Total foreign locations		61,489	67,305
Total long-lived assets		\$89,246	\$92,090

18. Commitments and Contingencies

Asbestos Liabilities and Insurance Assets

Two of our 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 our 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 management 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. Management 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 24,764 pending claims, approximately 3,500 of such claims have been brought in various federal and state courts in Mississippi; approximately 3,300 of such claims have been brought in the Supreme Court of New York County, New York; approximately 200 of such claims have been brought in the Superior Court, Middlesex County, New Jersey; and approximately 900 claims have been filed in state courts in Michigan and the U.S. District Court, Eastern and Western Districts of Michigan. The remaining pending claims have been filed in state and federal courts in Alabama, California, Kentucky, Louisiana, Pennsylvania, Rhode Island, Texas, Virginia, the U.S. Virgin Islands and Washington.

Claims activity related to asbestos is as follows(1):

	Years Ended December 31,		
	2010	2009	2008
Claims unresolved at the beginning of the period	25,295	35,357	37,554
Claims filed(2)	3,692	3,323	4,729
Claims resolved(3)	(4,223)	(13,385)	(6,926)
Claims unresolved at the end of the period	24,764	25,295	35,357
Average cost of resolved claims(4)	\$12,037	\$11,106	\$5,378

(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 asbestos claims that have been settled or dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.

(4) Average cost of settlement to resolve claims in whole dollars. These amounts exclude claims settled in Mississippi for which the majority of claims have historically been resolved for no payment. These amounts exclude insurance recoveries. The increase in average cost of resolved claims from 2008 to 2009 is driven primarily by a shift in the

mix of settled claims from dismissals with no dollar value to mesothelioma settlements.

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.

During the third quarter of 2009, an analysis of claims data including filing and dismissal rates, alleged disease mix, filing jurisdiction, as well as settlement values resulted in the determination that the Company should revise its rolling 15-year estimate of asbestos-related liability for pending and future claims. The analysis reflected that a statistically significant increase in mesothelioma filings had occurred and was expected to continue for both subsidiaries. As a result, the Company recorded an \$11.6 million pretax charge in the third quarter of 2009, which was comprised of an increase to its asbestos-related liabilities of \$111.3 million offset by expected insurance recoveries of \$99.7 million.

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.

In November 2008, one of the subsidiaries entered into a settlement agreement with the primary and umbrella carrier governing all aspects of the carrier's past and future handling of the asbestos related bodily injury claims against the subsidiary. As a result of this agreement, during the third quarter of 2008, the Company increased its insurance asset by \$7.0 million attributable to resolution of a dispute concerning certain pre-1966 insurance policies and recorded a corresponding pretax gain. The Company reimbursed the primary insurer for \$7.6 million in deductibles and retrospective premiums in the fourth quarter of 2008 and has no further liability to the insurer under these provisions of the primary policies.

For this subsidiary, 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 Company, as of October 2, 2009, increased its future expected recovery percentage from 67% to 90% of asbestos-related costs following the exhaustion of its primary and umbrella layers of insurance and recorded a pretax gain of \$17.3 million. The subsidiary expects to be responsible for approximately 10% of its future asbestos-related costs.

During the third quarter of 2010, an insolvent carrier that had written approximately \$1.4 million in limits for which this 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 during the third quarter of 2010 by the primary and umbrella carrier who had been fully defending and indemnifying the subsidiary for twenty 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 are 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.

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For this subsidiary it was determined by court ruling in the fourth quarter of 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. As a result, in the fourth quarter of 2009, the Company increased its receivable for past costs by \$11.9 million and decreased its insurance asset for future costs by \$9.8 million and recorded a pretax gain of \$2.1 million.

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 the fourth quarter of 2010, the court-appointed special allocation master made its recommendation which has not yet been accepted by the court. Based upon the recommendation, the Company reduced the current asbestos receivable by \$2.3 million, increased the long-term asbestos asset by \$0.4 million and recorded a net charge to asbestos liability and defense costs of \$1.9 million in the third quarter of 2010. As a result of the current status of this litigation, we decreased the amount currently due from insurers by \$0.5 million and decreased the insurance asset for future periods by \$1.6 million and recorded a pretax loss of \$2.1 million in the fourth quarter of 2010. We currently anticipate that the trial phase in this litigation will be complete in 2011. We cannot predict the outcome of this litigation with certainty, or whether the outcome will be more or less favorable than our best estimate included in the consolidated financial statements. Given the uncertainty inherent in litigation, we would estimate the range of possible results from positive \$30 million to negative \$30 million relative to our reported insurance assets on our consolidated balance sheets. The timing of any cash inflows or outflows related to these matters cannot be estimated. The subsidiary expects to be responsible for approximately 15% of all future asbestos-related costs.

The Company has established reserves of \$429.7 million and \$443.8 million as of December 31, 2010 and December 31, 2009, 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 \$374.4 million and \$389.4 million as of December 31, 2010 and December 31, 2009, 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 \$55.3 million and \$54.3 million as of December 31, 2010 and December 31, 2009, respectively. In addition, the Company has recorded a receivable for liability and defense costs previously paid in the amount of \$51.8 million and \$52.8 million as of December 31, 2010 and December 31, 2009, respectively, for which insurance recovery is deemed probable. The Company has recorded the reserves for the asbestos liabilities as "Accrued asbestos liability" and "Long-term asbestos liability" and the related insurance recoveries as "Asbestos insurance asset" and "Long-term asbestos insurance asset". The receivable for previously paid liability and defense costs is recorded in "Asbestos insurance receivable" and "Long-term asbestos insurance receivable". The Company also has reflected in other accrued liabilities \$23.3 million and \$15.8 million as of December 31, 2010 and December 31, 2009, 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 (income) related to these liabilities and legal defense was \$7.9 million, net of estimated insurance recoveries, for the year ended December 31, 2010 compared to (\$2.2) million and (\$4.8) million for the years ended December 31, 2009 and 2008, respectively. Legal costs related to the subsidiaries' action against their asbestos insurers were \$13.2 million for the year ended December 31, 2010 compared to \$11.7 million and \$17.2 million for the years ended December 31, 2009 and 2008, 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 our financial condition, results of operations or cash flow.

General Litigation

On June 3, 1997, one of our 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 the third quarter of 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 subsidiary intends to continue to defend this matter vigorously. At December 31, 2010, the Company’s consolidated balance sheet includes a liability, reflected in “Other liabilities”, related to this matter of \$9.5 million.

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 adversely to the Company, there could be a material adverse effect on the financial condition, results of operations or cash flow of the Company.

Guarantees

At December 31, 2010, there were \$14.1 million of letters of credit outstanding. Additionally, at December 31, 2010, we had issued \$16.4 million of bank guarantees securing primarily customer prepayments, performance, and product warranties in our European and Asian operations.

Minimum Lease Obligations

The Company has the following minimum rental obligations under non-cancelable operating leases for certain property, plant and equipment. The remaining lease terms range from 1 to 5 years.

Year ended December 31,

2011	\$3,845
2012	2,997
2013	2,126
2014	1,613
2015	1,498
Thereafter	646
Total	\$12,725

Net rental expense under operating leases was approximately \$4.6 million, \$4.8 million, and \$5.1 million in 2010, 2009 and 2008, respectively.

19. Quarterly Results for 2010 and 2009 (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(millions, except per share amounts)			
2010				
Net sales	\$119,971	\$122,968	\$132,397	\$166,651
Gross profit	41,756	42,981	47,097	59,574
Net (loss) income	(374)	2,088	5,851	8,650
Net (loss) income per share - basic and diluted	\$(0.01)	\$0.05	\$0.13	\$0.20
2009				
Net sales	\$136,323	\$129,185	\$128,545	\$130,971
Gross profit	48,015	44,555	46,206	47,011
Net income	7,065	4,476	5,530	6,726
Net income per share – basic	\$0.16	\$0.10	\$0.13	\$0.16
Net income per share – diluted	\$0.16	\$0.10	\$0.13	\$0.15

COLFAX CORPORATION
 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.

COLFAX CORPORATION
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)

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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.

COLFAX CORPORATION
 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.

COLFAX CORPORATION
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.

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

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.

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

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 (such approval was obtained on November 14, 2011), 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.

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

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
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(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.

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

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.

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

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.

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

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

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- (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.

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

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

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- (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.

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

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.

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

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

	Three Months Ended September 30, 2011	October 1, 2010	Nine Months Ended 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:

	Balance at Beginning of Period	Nine Months Ended September 30, 2011			Balance at End of Period
		Provisions	Payments	Foreign Currency Translation	
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.

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

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.

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

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:

	Level One	September 30, 2011		Total
		Level Two	Level Three	
(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

	Level One	December 31, 2010		Total
		Level Two	Level Three	
(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.

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

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.

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

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.

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

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.

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

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.

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

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.

COLFAX CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Balance Sheet assumes that the acquisition took place on September 30, 2011 and combines Colfax's September 30, 2011 Condensed Consolidated Balance Sheet with Charter's September 30, 2011 consolidated balance sheet. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 assume that the Acquisition took place on January 1, 2010.

The Unaudited Pro Forma Financial Statements included in this proxy statement are based upon the historical financial statements of Colfax and Charter and on Charter's publicly available information and certain assumptions which Colfax believes to be reasonable, which are described in "Notes to Pro Forma Condensed Combined Financial Statements" below. These statements were prepared using the acquisition method of accounting under existing U.S. GAAP standards, which are subject to change and interpretation. Colfax has been treated as the acquirer in the acquisition for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to be finalized, and accordingly, the adjustments to record the assets to be acquired and liabilities to be assumed at fair value reflect Colfax's best estimate and are subject to change once the detailed analyses are completed. These adjustments may be material.

Charter's financial statements have historically been prepared in accordance with IFRS. The Unaudited Pro Forma Financial Statements included in this proxy statement reflect certain adjustments to Charter's financial statements to align with Colfax's U.S. GAAP accounting policies. These adjustments reflect Colfax's best estimates based upon the information available and are subject to change once detailed information is obtained. Additionally, certain items have been reclassified from Charter's historical financial statements to align with Colfax's financial statement presentation. These reclassifications were determined based upon the information available to Colfax and additional reclassifications may be necessary once the Acquisition is completed and additional information is available.

The Unaudited Pro Forma Condensed Combined Financial Statements have been translated from pounds to U.S. dollars using the following historical exchange rates.

	£/\$
December 31, 2010 average spot rate	1.5484
September 30, 2011 average spot rate	1.6148
September 30, 2011 period end rate	1.5624

The Unaudited Pro Forma Condensed Combined Financial Statements have been prepared for informational purposes only and are not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the acquisition been completed as of the dates indicated above. In addition, the Unaudited Pro Forma Condensed Combined Financial Statements do not purport to project the future financial position or operating results of the combined company. Although Colfax is aware of transactions between Colfax's subsidiaries and Charter's subsidiaries during the periods presented, these transactions were not considered material or eliminated in the adjustments discussed in more detail below.

The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with:

- the Notes to Pro Forma Condensed Combined Financial Statements;
- the consolidated financial statements of Colfax Corporation for the year ended December 31, 2010 and the nine months ended September 30, 2011, incorporated herein by reference;

- the consolidated financial statements of Charter International plc for the year ended December 31, 2010 and the nine months ended September 30, 2011 appearing elsewhere within this document.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2011

(In thousands of U.S. dollars, except share amounts and as indicated)

	Colfax	Charter IFRS (in £)	Charter IFRS (in \$)(6)	Pro Forma Adjustments		Transaction Adjustments	Pro Forma Colfax	Note Reference
				Charter U.S. GAAP Reclassification	Charter U.S. GAAP Adjustments			
Net sales	\$ 515,601	1,444,200	\$ 2,332,094	\$ -	\$ -	\$ -	\$ 2,847,695	
Cost of sales	337,046	1,034,700	1,670,834	(33,588)	(3,714)	-	1,970,578	4(a), 4(f), 4(g)
Gross profit	178,555	409,500	661,260	33,588	3,714	-	877,117	
Selling, general and administrative expenses	116,920	371,400	599,735	(24,706)	11,787	(43,743)	659,993	4(b), 4(d), 4(e), 4(f), 4(g), 5(a), 5(b)
Research and development expenses	4,540	-	-	17,601	7,428	-	29,569	4(a), 4(f)
Restructuring and other related charges	7,518	-	-	40,693	-	-	48,211	4(f)
Asbestos liability and defense costs	7,644	-	-	-	-	-	7,644	
Asbestos coverage litigation expenses	8,454	-	-	-	-	-	8,454	
Operating income (loss)	33,479	38,100	61,525	-	(15,501)	43,743	123,246	
Interest expense	4,507	14,500	23,415	(1,453)	(161)	59,575	85,883	4(f), 5(b)
Income (loss) before income taxes	28,972	23,600	38,110	1,453	(15,340)	(15,832)	37,363	
Provision for (benefit from) income taxes	8,337	12,900	20,831	1,453	6,298	(26,055)	10,864	4(a), 4(b), 4(c), 4(d), 4(e), 4(f), 4(g), 5(a), 5(b), 5(c)
Net income (loss)	20,635	10,700	17,279	-	(21,638)	10,223	26,499	
Less: net income (loss) attributable to noncontrolling interest	-	8,700	14,049	-	(161)	-	13,888	4(g)
Net income (loss) attributable	20,635	2,000	3,230	-	(21,477)	10,223	12,611	

to Colfax
Corporation

Dividends on preferred stock	-	-	-	-	-	15,300	15,300	5(b)
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Net income (loss)
available to

Colfax
Corporation

common shareholders	\$ 20,635	2,000	\$ 3,230	\$ -	\$ (21,477)	\$ (5,077)	\$ (2,689)	
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Net income (loss)

per share—basic and
diluted

\$ 0.47						\$ (0.03)	5(d)
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See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2010

(In thousands of U.S. dollars, except share amounts and as indicated)

	Colfax	Pro Forma Adjustments					Transaction Adjustments	Pro Forma Colfax	Note Reference
		Charter IFRS (in £)	Charter IFRS (in \$)(6)	Charter U.S. GAAP Reclassification	Charter U.S. GAAP Adjustments				
Net sales	\$ 541,987	1,719,600	\$ 2,662,632	\$ -	\$ -	\$ -	\$ 3,204,619		
Cost of sales	350,579	1,188,500	1,840,276	(31,123)	(2,323)	35,081	2,192,490	4(a), 4(f), 4(g), 5(a)	
Gross profit	191,408	531,100	822,356	31,123	2,323	(35,081)	1,012,129		
Selling, general and administrative expenses	119,426	393,000	608,521	(6,968)	16,413	66,874	804,266	4(b), 4(d), 4(e), 4(f), 4(g), 5(a)	
Research and development expenses	6,205	-	-	22,762	8,981	-	37,948	4(a), 4(f)	
Restructuring and other related charges	10,323	-	-	15,329	-	-	25,652	4(f)	
Asbestos liability and defense costs	7,876	-	-	-	-	-	7,876		
Asbestos coverage litigation expenses	13,206	-	-	-	-	-	13,206		
Operating income (loss)	34,372	138,100	213,835	-	(23,071)	(101,955)	123,181		
Interest expense	6,684	(6,000)	(9,290)	(1,084)	(310)	82,984	78,984	4(f), 5(b)	
Income (loss) before income taxes	27,688	144,100	223,125	1,084	(22,761)	(184,939)	44,197		
Provision for (benefit from) income taxes	11,473	25,200	39,020	1,084	6,968	(49,554)	8,991	4(a), 4(b), 4(c), 4(d), 4(e), 4(f), 4(g), 5(a), 5(b), 5(c)	
Net income (loss)	16,215	118,900	184,105	-	(29,729)	(135,385)	35,206		
	-	12,300	19,045	-	(619)	-	18,426	4(g)	

Less: net
income (loss)
attributable to
noncontrolling
interest

Net
income (loss)
attributable to
Colfax
Corporation

Corporation	16,215	106,600	165,060	-	(29,110)	(135,385)	16,780
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Dividends on preferred stock	-	-	-	-	-	20,400	20,400	5(b)
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Net income
(loss) available
to Colfax
Corporation
common

shareholders	\$ 16,215	106,600	\$ 165,060	\$ -	\$ (29,110)	\$ (155,785)	\$ (3,620)
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Net income
(loss) per
share—basic and
diluted

\$ 0.47						\$ (0.04)	5(d)
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See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2011

(In thousands of U.S. dollars, except share amounts and as indicated)

	Colfax	Charter IFRS (in £)	Charter IFRS (in \$)(6)	Pro Forma Adjustments		Transaction Adjustments	Pro Forma Colfax	Note Reference
				Charter U.S. GAAP Reclassification	Charter U.S. GAAP Adjustments			
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$64,447	96,400	\$150,615	\$(7,968)	\$-	\$40,022	\$247,116	4(f), 5(b)
Trade receivables, net	104,789	533,600	833,697	(144,991)	-	-	793,495	4(f)
Inventories, net	79,183	321,800	502,780	-	-	35,398	617,361	5(a)
Deferred income taxes, net	6,364	-	-	37,967	(1,719)	-	42,612	4(e), 4(f)
Asbestos insurance asset	32,848	-	-	-	-	-	32,848	
Asbestos insurance receivable	30,430	-	-	-	-	-	30,430	
Prepaid expenses	12,156	-	-	54,996	-	-	67,152	4(f)
Other current assets	14,742	15,400	24,061	97,963	(4,218)	(2,135)	130,413	4(e), 4(f), 5(b), 6
Total current assets	344,959	967,200	1,511,153	37,967	(5,937)	73,285	1,961,427	
Deferred income taxes, net	48,026	97,300	152,022	(37,967)	-	(10,312)	151,769	4(f), 5(a)
Property, plant and equipment, net	91,413	309,700	483,875	36,873	(24,842)	-	587,319	4(b), 4(f)
Goodwill	184,119	114,400	178,739	-	-	1,386,234	1,749,092	5(a)
Intangible assets, net	33,200	105,200	164,364	(36,873)	(29,061)	419,270	550,900	4(a), 4(f), 5(a)
Long-term asbestos insurance asset	320,737	-	-	-	-	-	320,737	
Long-term asbestos insurance receivable	7,063	-	-	-	-	-	7,063	

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Other assets	9,370	53,900	84,213	-	(156)	35,566	128,993	4(e), 5(b)
Total assets	\$1,038,887	1,647,700	\$2,574,366	\$-	\$(59,996)	\$1,904,043	\$5,457,300	
LIABILITIES AND EQUITY								
CURRENT LIABILITIES:								
Current portion of long-term debt and capital leases	\$10,000	26,200	\$40,935	\$-	\$-	\$39,065	\$90,000	5(b)
Accounts payable	53,865	506,800	791,824	(432,472)	-	-	413,217	4(f)
Accrued asbestos liability	36,709	-	-	781	-	-	37,490	4(f)
Accrued payroll	23,168	-	-	34,842	-	-	58,010	4(f)
Advance payments from customers	13,583	-	-	62,340	-	-	75,923	4(f)
Accrued taxes	6,451	17,200	26,873	43,903	31,717	-	108,944	4(c), 4(f), 4(g)
Accrued restructuring liability	4,899	-	-	11,562	-	-	16,461	4(f)
Other accrued liabilities	63,352	47,700	74,526	293,106	(8,437)	(38,980)	383,567	4(e), 4(f), 5(a), 5(b), 5(c), 6
Total current liabilities	212,027	597,900	934,158	14,062	23,280	85	1,183,612	
Long-term debt, less current portion	65,000	207,800	324,667	-	-	1,293,333	1,683,000	5(b)
Long-term asbestos liability	376,626	-	-	4,687	(2,968)	-	378,345	4(e), 4(f)
Pension and accrued post-retirement benefits	107,029	185,300	289,513	-	-	(31,248)	365,294	5(b)
Deferred income tax liability	15,927	44,900	70,152	(14,062)	5,312	67,862	145,191	4(a), 4(b), 4(c), 4(f), 5(a)
Other liabilities	16,782	18,900	29,529	(4,687)	(625)	-	40,999	4(e), 4(f), 6
Total liabilities	793,391	1,054,800	1,648,019	-	24,999	1,330,032	3,796,441	
Equity:								
Preferred stock	-	-	-	-	-	334,050	334,050	5(b)
Common stock	44	3,300	5,156	-	-	(5,115)	85	5(a), 5(b)

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Additional paid-in capital	413,013	1,300	2,031	-	-	1,024,246	1,439,290	5(a), 5(b)
(Accumulated deficit) retained earnings	(39,423)	992,400	1,550,526	-	(97,650)	(1,486,548)	(73,095)	4(a), 4(b), 4(c), 4(d), 4(e), 4(g), 5(a), 5(b)
Accumulated other comprehensive (loss) income	(128,138)	(460,400)	(719,329)	-	12,655	707,378	(127,434)	4(d), 5(a), 5(b)
Total Colfax Corporation equity	245,496	536,600	838,384	-	(84,995)	574,011	1,572,896	
Noncontrolling interest	-	56,300	87,963	-	-	-	87,963	
Total Equity	245,496	592,900	926,347	-	(84,995)	574,011	1,660,859	
Total liabilities and equity	\$1,038,887	1,647,700	\$2,574,366	\$-	\$(59,996)	\$1,904,043	\$5,457,300	

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Unaudited)

1. Description of the Transaction

On September 12, 2011, Colfax Corporation entered into an agreement with Charter International plc pursuant to which, subject to the terms and conditions described more fully in this proxy statement, 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. 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 anti-dilution 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. The conversion rate is subject to adjustment if Colfax pays a dividend or makes a distribution in Common stock, subdivides, combines or reclassifies its Common stock, or if Colfax is party to a corporate transaction (such as a merger, reorganization or recapitalization) in which shares of Colfax Common stock are converted into the right to receive stock, securities or other property. 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 securities purchase agreements with Mitchell P. Rales, Chairman of Colfax's Board of Directors, and his brother Steven M. Rales, each of which were beneficial owners of 20.9% of Colfax's Common stock, and Markel Corporation, a Virginia Corporation ("Markel"). Pursuant to these agreements Colfax agreed to sell 2,170,139 to each 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 "Credit Agreement") with Deutsche Bank Securities Inc. and HSBC Securities (USA) Inc. The Credit Agreement has three tranches of term loans: (i) a \$200 million term A-1 facility (the "Term A-1 Loan"), (ii) a \$700 million term A-2 facility (the "Term A-2 Loan" and together with the Term A-1 Loan the "Term A Loans") and (iii) a \$900 million term B facility (the "Term B Loan" and together with the Term A Loans the "Term Loans"). In addition, the 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 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 (such approval was obtained on November 14, 2011), 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. The Acquisition is currently expected to close in the first quarter of 2012.

2. Basis of Presentation

The Unaudited Pro Forma Condensed Combined Financial Statements have been compiled from underlying financial statements prepared in accordance with U.S. GAAP and reflects the Acquisition of Charter by Colfax and were prepared using the acquisition method of accounting under existing U.S. GAAP standards. The fair value of Charter's assets and liabilities reflect Colfax's best estimate and are subject to change once the detailed analyses are completed. These adjustments may be material.

The process for estimating the fair values of identifiable intangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The excess of the purchase price over the estimated fair value of identifiable assets and liabilities of Charter as of the effective date of the Acquisition will be allocated to Goodwill. Colfax defines fair value in accordance with U.S. GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The preliminary purchase price allocation is subject to finalizing Colfax's analysis of the fair value of Charter's assets and liabilities as of the effective date of the Acquisition and will be adjusted upon completion of the valuation. The use of different estimates could yield materially different results.

The Unaudited Pro Forma Condensed Combined Financial Statements are not intended to reflect the financial position or results of operations which would have actually resulted had the Acquisition been effected on the dates indicated. Further, the results of operations are not necessarily indicative of the results of operations that may be obtained in the future.

3. Summary of Significant Accounting Policies

The Unaudited Pro Forma Condensed Combined Financial Statements have been compiled consistent with Colfax's accounting policies. These accounting policies differ from those of Charter. The adjustments made to align Charter's financial statements prepared in accordance with IFRS with Colfax's U.S. GAAP accounting policies are discussed in Note 4, "Pro Forma U.S. GAAP Adjustments."

The Charter balances have been translated from £ to \$ using average exchange rates applicable during the periods presented for the Unaudited Pro Forma Condensed Combined Statements of Operations and the period end exchange rate for the Unaudited Pro Forma Condensed Combined Balance Sheet.

4. Pro Forma U.S. GAAP Adjustments

The following adjustments have been made to align the Charter financial statements prepared in accordance with IFRS with Colfax's U.S. GAAP accounting policies. These adjustments reflect Colfax's best estimates based upon the information available and are subject to change once detailed information is obtained.

- (a) Under IFRS, costs associated with capitalization of intangible assets are classified into research phase costs, which are always expensed, and development phase costs, which are capitalized provided they meet specific criteria. Under U.S. GAAP, research and development costs are expensed as incurred. Only under limited circumstances may development costs be capitalized, such as costs for development of internal use software. The Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011 reflects an adjustment to reverse \$29.0 million in product development costs, as well as the related deferred taxes, which have been capitalized under IFRS. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 reflect adjustments to reverse \$5.3 million and \$4.1 million, respectively, of amortization recorded to Cost of sales under IFRS and to recognize \$9.0 million and \$7.4 million, respectively, of Research and development expenses.

(b) Upon initial transition to IFRS, Charter elected to record certain assets at their “fair value as deemed cost” at the date of transition as permitted by IFRS. Under U.S. GAAP, revaluation of fixed assets is not permitted. Accordingly, the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011 includes an adjustment of \$24.8 million to reduce Property, plant and equipment, as well as the related deferred tax impact, with a corresponding reduction to retained earnings. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 include adjustments to reverse \$0.5 million and \$0.3 million, respectively, of incremental depreciation expense recorded under IFRS.

- (c) Under U.S. GAAP, an uncertain tax position is measured based on a cumulative probability model, whereby the largest amount of tax benefit/cost that is more likely than not of being realized upon ultimate settlement is the amount recorded. The cumulative probability approach is not permitted under IFRS and instead an expected value or single best estimate of the most likely outcome is used. An increase of \$45.3 million is included in the Unaudited Pro Forma Condensed Consolidated Balance Sheet to align the measurement of uncertain tax positions as required by U.S. GAAP. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 include the related incremental provision for income taxes of \$9.4 million and \$9.5 million, respectively.
- (d) Under IFRS, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized by Charter in full in the period in which they occur directly within equity, in the statement of comprehensive income. Under this IFRS policy option, amounts are not subsequently recognized in the income statement. U.S. GAAP requires that actuarial gains or losses are either recognized in full in the income statement or are deferred using the “corridor approach” (e.g., deferred in accumulated other comprehensive income (AOCI) on the balance sheet in order to reflect the funded status of defined benefit plans, and amortized as a component of net periodic benefits expense over the remaining life expectancy of the plan participants) or any systematic method that results in faster recognition than the corridor approach. An adjustment of \$12.7 million has been recorded at September 30, 2011 to reclassify Charter’s actuarial gains and losses from retained earnings under IFRS to accumulated other comprehensive loss under U.S. GAAP. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 include the incremental expense of \$6.8 million and \$5.8 million, respectively, related to the amortization of amounts in AOCI, as discussed above.
- (e) In determining the amount of provision for a liability that is uncertain in timing or amount of settlement, IFRS requires recognition of the best estimate of the amount that would be required to settle an obligation, and where a range of equally possible outcomes exists, the midpoint estimate is accrued. Under U.S. GAAP, when no amount within a range is a better estimate than any other amount, the low end of the range is accrued. An adjustment has been recorded at September 30, 2011 to reverse a \$3.0 million legal provision, which was included in Long-term asbestos liability with a corresponding increase in Retained earnings recorded by Charter under IFRS which would have been recorded at the low end of the range under U.S. GAAP. It is Colfax's policy to not record anticipated future legal defense costs under U.S. GAAP, which resulted in an additional adjustment of \$9.1 million, \$8.5 million and \$0.6 million which were included in Other accrued liabilities and Other liabilities, respectively, which also resulted in corresponding decreases of \$1.7 million, \$4.2 million and \$0.2 million in Deferred income taxes, net, Other current assets and Other assets, respectively, with the remaining \$3.0 million reflected as an increase in Retained earnings. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 include the reversal of the release of these provisions recognized in Selling, general and administrative expenses under IFRS of \$10.5 million and \$6.1 million, respectively.
- (f) Certain reclassifications have been made to conform to U.S. GAAP presentation and the accounting policies of Colfax. These adjustments include the following:
- (i) The Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011 includes the following U.S. GAAP reclassification adjustments (in thousands):

Amounts held in cash and cash deposits, which are inconsistent with Colfax Policy:

Cash and cash equivalents	\$	(7,968)
Other current assets		7,968	(a)

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Non-trade and long-term receivables, reclassified consistent with Colfax policy:		
Trade receivables, net	\$	(144,991)
Prepaid expenses		54,996
Other current assets		89,995 (a)
Reclassification of non-current deferred income taxes, consistent with Colfax policy:		
Deferred income taxes, net (current assets)	\$	37,967
Deferred income taxes, net (non-current assets)		(37,967)
Other accrued liabilities		14,062 (b)
Deferred income tax liability		(14,062)
Presentation of accrued payroll, advance payments from customers, accrued taxes, accrued restructuring and other accrued liabilities to separate financial statement line items, consistent with Colfax policy:		
Accounts payable	\$	(432,472)
Accrued payroll		34,842
Advance payments from customers		62,340
Accrued taxes		43,903
Accrued restructuring liability		11,562
Other accrued liabilities		279,825 (b)
Reclassification of capitalized software to fixed assets, consistent with Colfax policy:		
Property, plant and equipment, net	\$	36,873
Intangible assets, net		(36,873)
Presentation of asbestos liability to separate financial statement line items, consistent with Colfax policy:		
Accrued asbestos liability	\$	781
Other accrued liabilities		(781) (b)
Long-term asbestos liability		4,687
Other liabilities		(4,687)
Subtotal of financial statement line items impacted by multiple adjustments detailed above:		
Other current assets (sum of (a)'s)	\$	97,963
Other accrued liabilities (sum of (b)'s)		293,106

(ii) The Unaudited Pro Forma Condensed Combined Statements of Operations include the following U.S. GAAP reclassification adjustments for the periods indicated (in thousands):

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
To separately report restructuring and other related charges consistent with Colfax policy:		
Cost of sales	\$ (15,987)	\$ (8,361) (a)
Selling, general and administrative expenses	(24,706)	(6,968)
Restructuring and other related charges	40,693	15,329
To separately report research and development expenses consistent with Colfax policy:		
Cost of sales	\$ (17,601)	\$ (22,762) (a)
Research and development expenses	17,601	22,762

To reclassify interest on uncertain tax positions from interest expense consistent with Colfax policy:			
Interest expense	\$	(1,453)	\$ (1,084)
Provision for income taxes		1,453	1,084
Subtotal of financial statement line item impacted by multiple adjustments detailed above:			
Cost of sales (sum of (a)'s)	\$	(33,588)	\$ (31,123)

(g) Other U.S. GAAP adjustments include the following:

(i) Charter recorded warranty expenses under IFRS, which exceeded the Colfax policy under U.S. GAAP. The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 include adjustments to reverse \$3.0 million and \$0.4 million, respectively, of incremental warranty expense recorded under IFRS.

(ii) The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2010 and the nine months ended September 30, 2011 include adjustments to increase (decrease) in Selling, general and administrative expenses by \$0.5 million and \$(0.2) million, respectively, related to the U.S. GAAP treatment for stock-based compensation.

5. Pro Forma Adjustments – Charter Transaction

(a) Estimated Purchase Consideration

The estimated purchase price, excess purchase price over net assets acquired and residual Goodwill are as follows (in millions, except exchange ratio and share price):

Charter shares outstanding as of September 12, 2011	167.9	(i)
Exchange ratio	0.1241	(i)
Total Colfax shares to be issued	20.8	
Colfax closing share price on November 9, 2011	\$27.23	
Total value of Colfax shares to be issued	\$567.2	(i)
Total cash consideration paid at 730 pence per Charter share	\$1,914.6	(i)
Total purchase price	\$2,481.8	
Add: Total Debt assumed	\$365.6	
Less: Total Cash acquired	(142.6))
Purchase price, net	\$2,704.8	
Tangible assets acquired	\$1,979.7	
Deferred taxes, net	88.9	
Noncontrolling interest	(88.0))
Total liabilities assumed, excluding debt and deferred tax liability	(1,246.0))
Incremental transaction expenses - Charter	(17.9)	(ii)
Net tangible assets acquired	\$716.7	
Excess of net purchase price over net assets acquired	\$1,988.1	
Trademarks	174.5	(iii)
Backlog	20.8	(iii)
Technology	90.8	(iii)
Customer relationships	231.6	(iii)
Total identifiable intangible assets	\$517.7	
Total deferred liabilities, net	94.5	(iii)
Total identifiable intangible assets, net of deferred taxes	\$423.2	
Residual Goodwill	\$1,564.9	
Less: Charter Goodwill	178.7	(iv)
Goodwill adjustment	\$1,386.2	

(i) 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 Common stock in exchange for each share of Charter's ordinary stock. The cash portion of the purchase price was converted at the September 30, 2011 period end rate of US\$1.5624/£1, which differs from the exchange rate used elsewhere in this Proxy Statement.

The ordinary stock portion of the purchase price was calculated using a price of \$27.23 for each share of Colfax Common stock based on the closing share price of Colfax Common stock on the NYSE on November 9, 2011, the closing price on the most recent practicable date. The actual purchase price will be determined based upon the stock

price at the date the shares are transferred. A hypothetical 5% fluctuation in the market price of Colfax Common stock, all other factors remaining constant, would result in a corresponding change in the total purchase price of \$28.4 million.

(ii) The incremental acquisition-related transaction costs incurred by Charter, which are reflected as a reduction to Goodwill, represent the total expected acquisition-related transaction costs of \$64.6 million, which are discussed in more detail in (b)(v) below, reduced by \$46.7 million of acquisition-related transaction costs incurred by Charter during the nine months ended September 30, 2011 and reflected in Charter's net assets acquired in the table above.

(iii) Except as discussed below, the carrying value of Charter's assets and liabilities are considered to approximate their fair value.

The fair value of identifiable intangible assets was estimated using significant assumptions such as the amount and timing of projected cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's life cycle, including competitive trends and other factors. The assumptions used by Colfax to arrive at the estimated fair value of the identifiable intangible assets were primarily derived from publicly available information, including market transactions of varying degrees of comparability.

The fair value and weighted-average estimated useful life of identifiable intangible assets are as follows:

	Fair Value (in millions)	Weighted-Average Estimated Useful Life (in years)
Trademarks	\$ 174.5	Indefinite
Technology	90.8	6
Backlog	20.8	1
Customer Relationships	231.6	15
Total acquired identifiable intangible assets	517.7	
Less: Charter's identifiable intangible assets related to historical acquisitions	(164.4)	
U.S. GAAP intangible asset reclassification (see 4(f)(i))	36.9	
U.S. GAAP adjustment for product development costs (see 4(a))	29.1	
Adjustment to intangible assets, net	\$ 419.3	

The amortization of the identifiable intangible assets in the Unaudited Pro Forma Condensed Combined Statements of Operations is partially offset by the reversal of approximately \$9.0 million and \$38.4 million of historical amortization and Goodwill impairment, recorded by Charter during the year ended December 31, 2010 and the nine months ended September 30, 2011, respectively.

The \$35 million adjustment to record inventory at fair value, referred to as the inventory step-up, was estimated to be amortized through Cost of goods sold within the first year following the Acquisition based upon inventory turnover calculated from public information.

The deferred tax liabilities of \$109.8 million (\$16.3 million and \$93.5 million of Other accrued liabilities and Deferred income tax liability, respectively) were recorded related to the amortizable intangible assets detailed above, and inventory step-up, assuming a 29% effective tax rate, and a \$10.3 million reduction in deferred tax assets related to net operating losses that will not be available to Colfax after a change in control, partially offset by the elimination of \$25.6 million of deferred tax liabilities related to identifiable intangible assets recognized by Charter in conjunction with historical acquisitions.

(iv) The transaction adjustment reflected in the Unaudited Proforma Condensed Combined Balance Sheet for Goodwill was reduced by Charter's Goodwill of \$178.7 million recognized by Charter in conjunction with historical acquisitions.

(b) Sources of Funding

As discussed more fully in Note 1, "Description of the Transaction," the 730 pence per share portion of the offer is expected to be funded through newly issued shares of Colfax Common stock, the issuance of Series A Preferred Stock and new debt pursuant to the Credit Agreement. The proceeds are assumed to be offset by the redemption of the existing debt of both companies. The related proceeds reflected in the Unaudited Pro Forma Condensed Combined Financial Statements are as follows (in millions):

Issuance of Common stock to BDT Investor, net	\$334.1	(i)
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Issuance of Common stock for additional securities purchase agreements	125.0	
Total proceeds from the issuance of Colfax Common stock	\$459.1	
Issuance of Series A Preferred Stock, net	334.0	(ii)
Term Loans, net of original issue discount and origination fees	1,736.2	(iii)
Total sources of funding	2,529.3	
Total Colfax Debt outstanding at September 30, 2011	(75.0	)(iv)
Total Charter Debt outstanding at September 30, 2011	(365.6)
Total transaction expenses	(102.1	)(v)
Funding of existing obligations	(31.3	)(vi)
Total sources of funding, net	1,955.3	
Settlement of Colfax interest rate swap - associated with repayment of debt	(0.7)
Cash consideration for Charter ordinary shares	(1,914.6)
Total adjustment to Cash and cash equivalents	\$40.0	

(i) The proceeds from the issuance of Common stock to BDT Investor are net of approximately \$6.0 million of fees directly related to the issuance of these shares.

(ii) The proceeds from the issuance of Series A Preferred Stock are net of approximately \$6.0 million of fees directly related to the issuance of these shares. In addition, the Unaudited Pro Forma Condensed Combined Statements of Operations include an adjustment to record the 6% per annum cash dividends related to the Series A Preferred Stock. See Note 1, "Description of the Transaction" for further information.

(iii) No amounts are estimated to be drawn upon the revolving credit facility included in the Credit Agreement for the closing of the Acquisition. The Unaudited Pro Forma Condensed Combined Statements of Operations include \$83.0 million and \$59.6 million of incremental interest expense associated with the Credit Agreement, including amortization of the original issue discount and deferred financing fees during the year ended December 31, 2010 and the nine months ended September 30, 2011, respectively. Loan origination fees are estimated to be \$36.8 million, and the Company expects to write off \$1.2 million of existing deferred financing fees. The following represents a reconciliation from the debt detailed in the table above to the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011 (in millions):

Proceeds from term loans	\$1,800.0
Less: original issue discount	(27.0)
Proceeds from term loans, net	1,773.0
Repayment of Colfax debt	(75.0)
Repayment of Charter debt	(365.6)
Total Debt	\$1,332.4
Less: current portion of debt adjustment	\$39.1
Noncurrent portion of debt adjustment	\$1,293.3

The original issue discount reflected in the table above is included in long-term debt, the current portion of long-term debt represents contractual payments over the next twelve months.

(iv) The Unaudited Pro Forma Condensed Combined Financial Statements reflect the elimination of approximately \$1.2 million of total deferred financing fees included in Other assets associated with Colfax's Debt outstanding as of September 30, 2011, as well as the termination of a related interest rate swap liability of \$0.7 million. Additionally, \$2.1 million of deferred debt and equity issuance costs, discussed in (i) and (ii) above, as of September 30, 2011 were eliminated from Other current assets and Other accrued liabilities, as the associated expenses will be recognized upon the issuance of the related debt and equity.

(v) Acquisition-related transaction costs incurred by Colfax that are not directly related to the issuance of the debt or equity detailed above are estimated to be \$37.5 million. These fees include advisory, legal, audit, valuation and other professional fees and are reflected in the Unaudited Pro Forma Condensed Combined Balance Sheet as a reduction in Cash and a \$31.8 million reduction in (Accumulated deficit) retained earnings for fees not yet incurred, as the remaining \$5.7 million was expensed during the nine months ended September 30, 2011. Total transaction costs of \$64.6 million are estimated to be incurred by Charter and are reflected in "(a) Estimated Purchase Consideration" of the Pro Forma Adjustments above as a reduction to Cash and a \$17.9 million increase in Goodwill, as the remaining \$46.7 million was expensed during the nine months ended September 30, 2011. The elimination of the total amount of \$52.4 million of transaction expenses incurred by both companies as of and during the nine months ended September 30, 2011 is also reflected as a reduction in Selling, general and administrative expenses and Other accrued liabilities as this amount would not have been incurred during this period assuming the transaction closed on January 1, 2011.

(vi) Represents pension and other accrued obligations. The trustees of the Charter's defined pension schemes have requested that Colfax mitigate the impact of the Acquisition on the financial position of those schemes by providing

cash payments, security, guarantees and/or other undertakings to compensate the schemes.

(vii) The impact to Total equity is summarized as follows (in thousands):

	Eliminate Charter's Equity(1)	Issuance to BDT Capital	Issuance of Common Stock -Cash Consideration	Issuance of Common Stock for Charter Ordinary Shares	Fees and Expenses(2)	Termination of Colfax Interest Rate Swap(3)	Total Adjustments to Equity
Preferred stock	\$-	\$334,050	\$ -	\$-	\$ -	\$-	\$ 334,050
Common stock	(5,156)	-	20	21	-	-	(5,115)
Additional paid-in capital	(2,031)	-	459,030	567,247	-	-	1,024,246
(Accumulated deficit) retained earnings	(1,452,876)	-	-	-	(32,956)	(716)	(1,486,548)
Accumulated other comprehensive income	706,674	-	-	-	-	704	707,378
	\$(753,389)	\$334,050	\$ 459,050	\$567,268	\$(32,956)	\$(12)	\$ 574,011

(1) The elimination of Charter's equity as of September 30, 2011 includes the equity impact of the adjustments discussed in Note 4, "Pro Forma U.S. GAAP Adjustments" above.

(2) Fees and expenses are comprised of \$37.5 million of Colfax's total estimated acquisition-related transaction costs, net of \$5.7 million incurred during the nine months ended September 30, 2011 (see (v) above) and \$1.2 million of deferred financing fees (see (iv) above).

(3) Represents the impact of the termination of an interest rate swap in connection with the refinancing of Colfax's long-term debt.

(c) Income Taxes

Deferred tax assets, deferred tax liabilities and the tax impact of the adjustments to the Unaudited Condensed Combined Statements of Operations were calculated using a 29% effective tax rate, which is Colfax's estimate of what the effective tax rate will be post-Acquisition, except for discrete items where the applicable statutory rate is applied. This estimate was determined based upon the information currently available, is subject to change and may not be reflective of Colfax's effective tax rate for future periods.

(d) Earnings per Share

The pro forma calculation of basic and diluted EPS was calculated as follows (\$ in thousands except share data):

	Year Ended December 31, 2010	Nine Months Ended September 30, 2011
Numerator:		
Net loss available to Colfax Corporation common shareholders	\$ (3,620)	\$ (2,689)
Less: net loss attributable to participating securities(1)	456	338
	\$ (3,164)	\$ (2,351)
Denominator:		
Weighted-average basic shares outstanding - as reported by Colfax	43,389,878	43,598,692
Colfax shares to be issued to Charter shareholders(2)	20,832,469	20,832,469
Colfax shares to be issued related to securities purchase agreements	20,182,293	20,182,293
Weighted-average shares outstanding - basic and diluted	84,404,640	84,613,454
Net income per share available to Colfax common shareholders - basic and diluted	\$ (0.04)	\$ (0.03)

(1) Earnings per share was calculated consistent with the two-class method under U.S. GAAP as the Series A Preferred Stock are considered participating securities.

(2) Shares issued to Charter shareholders would have represented 25% of outstanding Colfax Corporation Common stock as of September 30, 2011.

The weighted-average basic shares outstanding used in the calculation of earnings per share represents Colfax's historical weighted-average basic shares adjusted for the newly issued shares of Common stock that were assumed to be outstanding for the entirety of both periods presented. The weighted-average dilutive shares calculation excludes 12.2 million of common shares potentially issuable through the conversion of the Series A Preferred Stock for both of the periods presented as their inclusion would be anti-dilutive. In addition, the weighted-average computation of the dilutive effect of potentially issuable shares of Common stock for the year ended December 31, 2010 and the nine months ended September 30, 2011 excludes approximately 1.6 million and 1.2 million outstanding stock-based compensation awards, respectively, as their inclusion would be anti-dilutive.

6. Financial Statement Grouping

Certain financial statement line items from the financial statements of Charter, presented elsewhere in this Proxy Statement, are not separately presented on Colfax's financial statements and were grouped so their presentation would be consistent with Colfax. The groupings below are reflected in Charter's IFRS financial statements in the Unaudited Pro Forma Condensed Combined Financial Statements.

The following groupings were made to the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011 (in thousands):

Non-Current Assets:	
Investments in associates and joint ventures	\$ (33,123)
Retirement benefit assets	(29,686)
Derivative financial instruments	(156)
Trade and other receivables	(21,248)
Other assets	84,213
Current Assets:	
Derivative financial instruments	\$ (4,375)
Current income tax receivables	(9,687)
Assets held for sale	(9,999)
Other current assets	24,061
Current Liabilities:	
Derivative financial instruments	\$ (6,718)
Provisions for other liabilities and charges	(67,808)
Other accrued liabilities	74,526
Non-Current Liabilities:	
Provisions for other liabilities and charges	\$ (26,717)
Derivative financial instruments	(625)
Other payables	(2,187)
Other liabilities	29,529

The following groupings were made to the Unaudited Pro Forma Condensed Combined Statements of Operations for the periods indicated (in thousands):

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Selling and distribution costs	\$ (288,079)	\$ (319,435)
Administrative expenses	(315,047)	(288,622)
Net finance charge - retirement benefit obligations	(1,776)	(6,348)
Share of post-tax profits of associates and joint ventures	5,167	5,884
Selling, general and administrative expenses	599,735	608,521
	\$ (9,690)	\$ (7,742)

Other finance charge before losses on retranslation of intercompany loan balances		
Other finance charge before gains on retranslation of intercompany loan balances	3,876	5,419
Net gains (losses) on retranslation of intercompany loan balances	(17,601)	11,613
Interest expense	23,415	(9,290)
Taxation charge on underlying profits	\$ (30,035)	\$ (39,175)
Taxation on exceptional items and acquisition costs	5,329	(2,323)
Taxation on amortisation and impairment of acquired intangibles and goodwill	1,776	1,858
Taxation on net financing charge - retirement benefit obligations	484	1,394
Taxation on net gains on retranslation of intercompany loan balances	1,615	(774)
Provision for income taxes	20,831	39,020

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Report of Independent Auditor

To the board of directors and shareholders of Charter International plc:

In our opinion, the accompanying consolidated balance sheets as of December 31, 2010 and 2009 and the related consolidated statements of income, comprehensive income, changes in equity and cash flow for each of the three years in the period ended December 31, 2010 present fairly, in all material respects, the financial position of Charter International plc and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
October 7, 2011

CHARTER INTERNATIONAL PLC
CONSOLIDATED INCOME STATEMENT

Note	Year ended 31 December		
	2010	2009	2008
£m, except per share amounts			
Continuing operations			
2 & 3 Revenue	1,719.6	1,659.2	1,887.0
Cost of sales	(1,188.5)	(1,206.5)	(1,353.2)
Gross profit	531.1	452.7	533.8
Selling and distribution costs	(206.3)	(191.6)	(182.7)
Administrative expenses	(186.4)	(165.1)	(150.1)
2 & 4 Operating profit	138.4	96.0	201.0
6 Net financing charge – retirement benefit obligations	(4.1)	(7.7)	(0.7)
6 Other financing charge before losses on retranslation of intercompany loan balances	(5.0)	(7.6)	(6.8)
6 Other financing income before gains on retranslation of intercompany loan balances	3.5	4.5	5.6
6 Net gains/(losses) on retranslation of intercompany loan balances	7.5	4.0	(4.6)
6 Net financing credit/(charge)	1.9	(6.8)	(6.5)
2 & 12 Share of post-tax profits of associates and joint ventures	3.8	3.5	3.2
Profit before tax	144.1	92.7	197.7
7 Taxation charge	(25.2)	(17.9)	(39.0)
Profit for the year	118.9	74.8	158.7
Attributable to:			
– Equity shareholders	106.6	63.5	150.2
– Non-controlling interests	12.3	11.3	8.5
	118.9	74.8	158.7
9 Earnings per share			
Basic	63.9	p 38.1	p 90.1
Diluted	63.7	p 37.9	p 90.0

See accompanying notes to the consolidated financial statements.

CHARTER INTERNATIONAL PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2010 £m	2009 £m	2008 £m
Profit for the year	118.9	74.8	158.7
Other comprehensive income and expenditure			
Exchange translation	22.9	(36.8)	124.6
Exchange translation – transfer to income statement on disposal	-	(0.9)	-
Actuarial gains/(losses) on retirement benefit obligations (note 20)	1.0	(42.2)	(54.0)
Tax on actuarial gains/(losses) on retirement benefit obligations	(3.3)	5.2	8.1
Change in fair value of outstanding cash flow hedges	0.1	2.7	(9.1)
Net transfer to income statement – hedges	(0.2)	7.9	(2.4)
Net investment hedges	-	5.7	(27.3)
Net deferred income tax movement for the year – hedges	-	(2.6)	2.8
Total other comprehensive income and expenditure	20.5	(61.0)	42.7
Total comprehensive income and expenditure for the year	139.4	13.8	201.4
Total comprehensive income and expenditure attributable to:			
- Equity shareholders of the Company	121.5	5.5	184.7
- Non-controlling interests	17.9	8.3	16.7
	139.4	13.8	201.4

See accompanying notes to the consolidated financial statements.

CHARTER INTERNATIONAL PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total £m	Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m			
At 1 January 2008	3.3	646.4	296.9	(520.2)	426.4	27.6	454.0
Comprehensive income							
Profit for the year	-	-	150.2	-	150.2	8.5	158.7
Other comprehensive income and expenditure							
Exchange translation	-	-	-	116.3	116.3	8.3	124.6
Actuarial losses on retirement benefit obligations	-	-	(53.9)	-	(53.9)	(0.1)	(54.0)
Tax on actuarial losses on retirement benefit obligations	-	-	8.1	-	8.1	-	8.1
Change in fair value of outstanding cash flow hedges	-	-	-	(9.1)	(9.1)	-	(9.1)
Net transfer to income statement - hedges	-	-	-	(2.4)	(2.4)	-	(2.4)
Net investment hedges	-	-	-	(27.3)	(27.3)	-	(27.3)
Net deferred income tax movement for the year – hedges	-	-	-	2.8	2.8	-	2.8
Total other comprehensive income and expenditure	-	-	(45.8)	80.3	34.5	8.2	42.7
Total comprehensive income for the year	-	-	104.4	80.3	184.7	16.7	201.4
Capital reorganisation - share issue costs	-	-	(1.6)	-	(1.6)	-	(1.6)
- reduction in capital	-	(646.6)	646.6	-	-	-	-
Purchase of treasury shares (note 22)	-	-	(0.2)	-	(0.2)	-	(0.2)
Share-based payments – charge for year	-	-	0.9	-	0.9	-	0.9
– attributable tax	-	-	(0.2)	-	(0.2)	-	(0.2)
– shares issued	-	0.2	(0.2)	-	-	-	-
Dividends paid	-	-	(31.7)	-	(31.7)	(4.3)	(36.0)
At 31 December 2008	3.3	-	1,014.9	(439.9)	578.3	40.0	618.3

See accompanying notes to the consolidated financial statements.

CHARTER INTERNATIONAL PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company					Non- controlling interests £m	Total equity £m	
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m			
At 1 January 2009	3.3	-	1,014.9	(439.9)	578.3	40.0	618.3	
Comprehensive income								
Profit for the year	-	-	63.5	-	63.5	11.3	74.8	
Other comprehensive income and expenditure								
Exchange translation	-	-	-	(33.8)	(33.8)	(3.0)	(36.8)	
Exchange translation – transfer to income statement on disposal	-	-	-	(0.9)	(0.9)	-	(0.9)	
Actuarial losses on retirement benefit obligations	-	-	(42.2)	-	(42.2)	-	(42.2)	
Tax on actuarial losses on retirement benefit obligations	-	-	5.2	-	5.2	-	5.2	
Change in fair value of outstanding cash flow hedges	-	-	-	2.7	2.7	-	2.7	
Net transfer to income statement – hedges	-	-	-	7.9	7.9	-	7.9	
Net investment hedges	-	-	-	5.7	5.7	-	5.7	
Net deferred income tax movement for the year – hedges	-	-	-	(2.6)	(2.6)	-	(2.6)	
Total other comprehensive income and expenditure	-	-	(37.0)	(21.0)	(58.0)	(3.0)	(61.0)	
Total comprehensive income and expenditure for the year	-	-	26.5	(21.0)	5.5	8.3	13.8	
Purchase of treasury shares (note 22)	-	-	(0.2)	-	(0.2)	-	(0.2)	
Share-based payments – charge for year	-	-	1.0	-	1.0	-	1.0	
– shares issued	-	0.8	(0.5)	-	0.3	-	0.3	
Dividends paid	-	-	(35.0)	-	(35.0)	(6.9)	(41.9)	
At 31 December 2009	3.3	0.8	1,006.7	(460.9)	549.9	41.4	591.3	
At 1 January 2010		3.3	0.8	1,006.7	(460.9)	549.9	41.4	591.3
Comprehensive income								
Profit for the year	-	-	106.6	-	106.6	12.3	118.9	
Other comprehensive income and expenditure								
Exchange translation	-	-	-	18.1	18.1	4.8	22.9	
Actuarial gains on retirement benefit obligations	-	-	(0.1)	-	(0.1)	1.1	1.0	
	-	-	(3.0)	-	(3.0)	(0.3)	(3.3)	

Tax on actuarial gains on retirement benefit obligations							
Change in fair value of outstanding cash flow hedges	-	-	-	0.1	0.1	-	0.1
Net transfer to income statement – hedges	-	-	-	(0.2)	(0.2)	-	(0.2)
Net deferred income tax movement for the year – hedges	-	-	-	-	-	-	-
Total other comprehensive income and expenditure	-	-	(3.1)	18.0	14.9	5.6	20.5
Total comprehensive income and expenditure for the year	-	-	103.5	18.0	121.5	17.9	139.4
Purchase of treasury shares (note 22)	-	-	(0.1)	-	(0.1)	-	(0.1)
Share-based payments – charge for year	-	-	1.1	-	1.1	-	1.1
– shares issued	-	0.4	(0.4)	-	-	-	-
Shares issued to non-controlling interests	-	-	-	-	-	1.5	1.5
Dividends paid	-	-	(36.7)	-	(36.7)	(6.6)	(43.3)
At 31 December 2010	3.3	1.2	1,074.1	(442.9)	635.7	54.2	689.9

See accompanying notes to the consolidated financial statements.

CHARTER INTERNATIONAL PLC
CONSOLIDATED BALANCE SHEET
At 31 December

Note	2010 £m	2009 £m
Non-current assets		
10 Intangible assets	149.2	139.1
11 Property, plant and equipment	306.0	280.2
12 Investments in associates and joint ventures	18.6	18.0
20 Retirement benefit assets	31.4	15.9
19 Deferred income tax assets	96.2	88.5
14 Trade and other receivables	16.0	21.3
21 Derivative financial instruments	0.1	0.1
	617.5	563.1
Current assets		
13 Inventories	295.1	238.5
14 Trade and other receivables	456.5	426.5
21 Derivative financial instruments	2.1	1.7
Current income tax receivables	6.8	10.0
15 Cash and cash deposits	83.3	75.6
11 Assets held for sale	6.1	-
	849.9	752.3
Total assets	1,467.4	1,315.4
Current liabilities		
16 Borrowings	(48.6)	(19.8)
17 Trade and other payables	(396.3)	(378.8)
21 Derivative financial instruments	(2.4)	(2.0)
Current income tax liabilities	(22.4)	(33.4)
18 Provisions for other liabilities and charges	(41.4)	(52.3)
	(511.1)	(486.3)
Non-current liabilities		
16 Borrowings	(32.9)	(4.9)
19 Deferred income tax liabilities	(38.4)	(29.7)
20 Retirement benefit obligations	(170.1)	(178.1)
18 Provisions for other liabilities and charges	(19.2)	(21.6)
21 Derivative financial instruments	(0.2)	(0.5)
17 Other payables	(5.6)	(3.0)
	(266.4)	(237.8)
Total liabilities	(777.5)	(724.1)
Net assets	689.9	591.3
Equity		
22 Ordinary share capital	3.3	3.3
22 Share premium	1.2	0.8
Retained earnings	1,074.1	1,006.7
24 Other reserves	(442.9)	(460.9)

Total equity shareholders' funds	635.7	549.9
Non-controlling interests	54.2	41.4
Total equity	689.9	591.3

See accompanying notes to the consolidated financial statements.

CHARTER INTERNATIONAL PLC
CONSOLIDATED CASH FLOW STATEMENT

Note	Year ended 31 December		
	2010 £m	2009 £m	2008 £m
	Cash flow from operating activities		
28	85.5	171.5	159.5
	Interest received	3.4	4.3
	Interest paid	(4.3)	(4.8)
	Taxation paid	(36.5)	(46.0)
	Net cash flow from operating activities	48.1	125.0
	Cash flow from investing activities		
29	Purchase of subsidiary undertakings, net of cash acquired	(0.8)	(2.6)
	Investment in associates and joint ventures	(0.7)	(1.9)
29	Disposal of subsidiary undertaking	-	1.3
	Expenditure on development costs	(5.7)	(5.7)
	Purchase of property, plant and equipment and computer software	(56.4)	(60.0)
	Sale of property, plant and equipment and computer software	1.8	0.9
	Dividends received from associates and joint ventures	3.2	4.3
	Net cash flow from investing activities	(58.6)	(63.7)
	Cash flow from financing activities		
	Increase in short-term borrowings (other than those repayable on demand)	38.3	-
	Decrease in short-term borrowings (other than those repayable on demand)	(11.3)	(2.4)
	Increase in long-term borrowings	29.0	-
	Decrease in long-term borrowings	(1.5)	(1.3)
	Repayment of capital element of finance leases	(0.6)	(0.7)
	Cash inflow/(outflow) from debt and lease financing	53.9	(4.4)
	Decrease/(increase) in cash on deposit	2.3	(4.0)
	Cash settlement of net investment hedges	-	(13.7)
31	Dividends paid to equity shareholders of the Company	(36.7)	(35.0)
	Dividends paid to non-controlling interests	(6.6)	(6.9)
	Issue of ordinary share capital - equity shareholders of the Company	-	0.3
	Share issue costs	-	-
	Issue of share capital - non-controlling interests	1.5	-
	Purchase of treasury shares	(0.1)	(0.2)
	Net cash flow from financing activities	14.3	(63.9)
	Net increase/(decrease) in cash, cash equivalents and bank overdrafts	3.8	(2.6)

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	Cash, cash equivalents and bank overdrafts at beginning of the year	53.1	61.4	89.8
	Currency variations on cash, cash equivalents and bank overdrafts	3.9	(5.7)	3.0
15	Cash, cash equivalents and bank overdrafts at end of the year	60.8	53.1	61.4

See accompanying notes to the consolidated financial statements.

CHARTER INTERNATIONAL PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

(i) Corporate information

Charter International plc ('the Company'), which is the ultimate parent company of the Charter Group (being the Company and its subsidiaries), is incorporated and registered in Jersey under the Jersey Companies Law as a public company limited by shares. The Company is tax resident in the Republic of Ireland and its shares are listed on the London Stock Exchange's market for listed securities ('the London Stock Exchange').

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on 7 October 2011.

(ii) Accounting policies

The consoli