Colfax CORP
Form DEFM14A
December 19, 2011

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 x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o 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):

o No fee required.

o 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:

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

(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):

(4) Proposed maximum aggregate value of transaction:

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x Fee paid previously with preliminary materials.

o 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:

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COLFAX CORPORATION

December 19, 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

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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 January 5, 2012, 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 January 5, 2012 at 9:00 a.m. local time at the Maple Lawn Community Center located at 7600 Maple Lawn Boulevard, 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 29 of this proxy statement.**

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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 December 19, 2011, and is first being mailed to stockholders on or about December 19, 2011.

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COLFAX CORPORATION

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 5, 2012

To Our Stockholders:

A special meeting of stockholders of Colfax Corporation, a Delaware corporation (Colfax), will be held at 9:00 a.m., local time, on January 5, 2012 at the Maple Lawn Community Center located at 7600 Maple Lawn Boulevard, 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.

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The close of business on December 19, 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
December 19, 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 319.

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 January 5, 2012, starting at 9:00 a.m., local time, at the Maple Lawn Community Center located at 7600 Maple Lawn Boulevard, 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 December 19, 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 43,694,608 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.

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

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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 11,340,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.4% and 13.4% of our outstanding Common Stock, respectively (representing approximately 11.7% and 11.7% 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.

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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, (iv) any change in our independent auditor, (v) the election of anyone other than Mitchell P. Rales as Chairman of the Board of Directors, (vi) any acquisition of another entity or assets for a purchase price exceeding 30% of our equity market capitalization, (vii) certain mergers, consolidations, reclassifications, joint ventures,

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dispositions or similar transactions, (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 it 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.

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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.

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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.

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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 29.

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 23.

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 the Maple Lawn Community Center located at 7600 Maple Lawn Boulevard, Fulton, Maryland 20759 at 9:00 a.m., local time, on January 5, 2012. 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.

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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 anticipates , estimates , projects , seeks , sees , should, would, expect, positioned, strategy, or word 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.

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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.

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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

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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 January 5, 2012, 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 11,340,749 and 11,315,749 shares of our outstanding Common Stock, respectively, which will represent approximately 13.4% and 13.4% of our outstanding Common Stock, respectively (representing approximately 11.7% and 11.7% 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 22)

Date, Time and Place

The special meeting of the stockholders of Colfax will be held at the Maple Lawn Community Center located at 7600 Maple Lawn Boulevard, Fulton, Maryland 20759 at 9:00 a.m., local time, on January 5, 2012.

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.

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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 December 19, 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 43,694,608 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 approximately 22.8% of the shares of Common Stock entitled to vote at the special meeting, including the approximately 21.0% 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 121)

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 124)

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.

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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 124)

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 127)

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 127)

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 127)

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 129)

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 131)

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 131)

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

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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 131)

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 133)

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 133)

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 131)

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 Markel 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 136)

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.

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Implementation Agreement (see page 136)

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 61)

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 61)

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.

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Inducement Fee (see page 62)

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 62)

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 60)

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 138)

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

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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 142)

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 142)

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 January 5, 2012, starting at 9:00 a.m., local time, at the Maple Lawn Community Center located at 7600 Maple Lawn Boulevard, 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 December 19, 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 43,694,608 shares of Common Stock outstanding and entitled to vote, held by approximately 8 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 approximately 22.8% of the shares of Common Stock entitled to vote at the special meeting, including the approximately 21.0% 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

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aggregate, as of the record date, the shares held by the directors and executive officers of Colfax and Steven M. Rales represent approximately 43.7% 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. (EST) on the day before the meeting date 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. (EST) on the day before the meeting date 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.

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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.

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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 18,296,832 shares of Common Stock, representing approximately 42.0% 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.

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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.

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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 Unit 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.

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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 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 December 9, 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 $1.5642 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				
November 2011	1.5705		1.6076	1.5467
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
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 the 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.

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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.

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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

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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.

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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,

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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.

Failure to maintain and protect our and, following completion of theAcquisition, the Combined Group s trademarks,

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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.

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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 are 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.

We and Charter are, and, following completion of the Acquisition, theCombined Group will be dependent on the ava

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:

- 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.

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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

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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.

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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

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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.

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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.

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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.

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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

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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.

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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

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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;

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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
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.

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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

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

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 .

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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):

	Average Premia	
Year	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.

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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%).

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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.

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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.

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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 December 19, 2011, the record date, Mitchell P. Rales and Steven M. Rales are entitled to vote, in the aggregate, 18,296,832 shares of Common Stock, representing approximately 42.0% 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.

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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 13.4% and 13.4% of our outstanding Common Stock, respectively (representing approximately 11.7% and 11.7% 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.

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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, 2011	October 1, 2010	2010	2009	2008	2007	2006
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 COLFAX (in thousands, except per share infor 128

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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 (unaudited)	2010 (unaudited)	2010	2009	2008	2007	2006
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 (unaudited)	December 31, 2010	2009	2008	2007	2006
Balance Sheet Data						
Cash and cash deposits	96.4	83.3	75.6	95.7	118.5	62.3
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	166,688,855
Dividends							
Dividends per share (pence)	8.0p (2)	7.5p (2)	23.0p	21.5p	21.0p	12.0p	0.0p

(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 CONSOLIDATED HISTORICAL FINANCIAL DATA OF CHARTER (in £ millions, except per share infor 130

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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 ended September 30, 2011	For the year ended 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)

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	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.

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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

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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.

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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.

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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.

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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 Electrodny 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.

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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)	Nine Months Ended 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)
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	1.2p	42.4p
Adjusted	48.5p	44.9p
Dividend per share	8.0p*	7.5p*

* Interim dividend for the six months ended June 30.

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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.

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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	63.9p	38.1p	90.1p
Adjusted	66.1p	55.0p	99.2p
Dividend per share	23.0p	21.5p	21.0p

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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.

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.

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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.

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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

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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).

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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.

North America

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.

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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

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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

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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.

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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 Industrìa e Comercio 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	December 31, 2010	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

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	September 30, 2011	December 31, 2010	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
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 September 30,		Year Ended December 31,		
	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.

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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		
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

(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.

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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).

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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.

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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.

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.

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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.

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(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 million	$131.8 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.

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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.

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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:

	Year ended December 31,	
(Millions)	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:

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

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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**	

	Year ended December 31,	
(Millions)	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 million	$185.8 million
Gross profit margin	35.3%	35.4%

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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 million	$112.5 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 million	$39.6 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.

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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:

	Year ended December 31,	
(Millions)	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:

	Year ended December 31,	
(Millions)	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.

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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
Valves	10.1	10.1
Other	2.5	7.3
Total net sales	525.0	604.9

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 million	$217.2 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.

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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

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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.

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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 .

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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:

	Year ended December 31,		
(Millions)	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.

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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.

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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.

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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

(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.