UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): December 11, 2017

CIRCOR INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	001-14962	04-3477276
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS employer identification no.)

30 CORPORATE DRIVE, SUITE 200
BURLINGTON, MASSACHUSETTS 01803-4238
(Address of principal executive offices) (Zip Code)

(781) 270-1200
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

☐

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Explanatory Note

As reported in the Current Report on Form 8-K filed by CIRCOR International, Inc. ("CIRCOR" or the "Company") on December 12, 2017 (the "Initial Form 8-K"), CIRCOR completed its acquisition (the "Transaction") of the fluid handling business (the "Business" or "Fluid Handling") of Colfax Corporation, a Delaware corporation ("Colfax"). The Transaction was effected pursuant to the Purchase Agreement, dated as of September 24, 2017, by and between Colfax and the Company. The Closing Date of the Transaction was December 11, 2017.

This Current Report on Form 8-K/A amends the Initial Form 8-K to provide the financial information required by Item 9.01 of Form 8-K, which was omitted from the initial Form 8-K in reliance on Items 9.01(a)(4) and 9.01(b)(2) of Form 8-K.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

The audited combined financial statements of Colfax Fluid Handling as of December 31, 2016 and 2015 and for the three years ending December 31, 2016, 2015 and 2014 are attached hereto as Exhibit 99.1 and incorporated herein by reference.

The unaudited combined financial statements of Colfax Fluid Handling as of September 29, 2017 and for the three- and nine- periods ended September 29, 2017 and September 30, 2016 are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma combined condensed financial information for CIRCOR and Fluid Handling required by Article 11 of Regulation S-X is attached hereto as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits

2.1	Purchase Agreement, dated as of September 24, 2017, by and between Colfax Corporation and CIRCOR International, Inc., incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-14962), filed with the Securities and Exchange Commission on September 25, 2017.†
10.1	Stockholder Agreement, dated December 11, 2017, between CIRCOR International, Inc. and Colfax Corporation, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-14962), filed with the Securities and Exchange Commission on December 12, 2017.
10.2	Credit Agreement, dated as of December 11, 2017, by and among CIRCOR International, Inc., as borrower, certain subsidiaries of CIRCOR International, Inc., as guarantors, the lenders from time to time party thereto, Deutsche Bank AG New York Branch, as term loan administrative agent and collateral agent, SunTrust Bank, as revolver administrative agent, swing line lender and a letter of credit issuer, Deutsche Bank Securities Inc. and SunTrust Robinson Humphrey, Inc., as joint-lead arrangers and joint-bookrunners, and Citizens Bank, N.A. and HSBC Securities (USA) Inc. as co-managers, incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-14962), filed with the Securities and Exchange Commission on December 12, 2017.
23.1	Consent of Ernst & Young LLP
99.1	Audited combined financial statements of Colfax Fluid Handling as of December 31, 2016 and 2015 and for the three years ending December 31, 2016, 2015 and 2014.
99.2	Unaudited combined financial statements of Colfax Fluid Handling as of September 29, 2017 and for the three- and nine- month periods ended September 29, 2017 and September 30, 2016.
99.3	Unaudited pro forma combined condensed financial information for CIRCOR and Fluid Handling.

† Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules or similar attachments upon request by the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 22, 2018 **CIRCOR INTERNATIONAL, INC**.

/s/ Rajeev Bhalla

By: Rajeev Bhalla

Title: Executive Vice President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-91229, 333-125237, 333-190295 and 333-197754) of CIRCOR International, Inc. of our report dated October 31, 2017, with respect to the combined financial statements of Colfax Fluid Handling, included in this Current Report on Form 8-K.

/s/ Ernst & Young

Baltimore, Maryland
February 21, 2018

Combined Financial Statements

Colfax Fluid Handling
December 31, 2016, 2015, and 2014
With Report of Independent Auditors

Ernst & Young LLP

EY
Building a better working world

INDEX TO THE COMBINED FINANCIAL STATEMENTS

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Report of Independent Auditors

The Management of Colfax Corporation

We have audited the accompanying combined financial statements of Colfax Fluid Handling (a division of Colfax Corporation), which comprise the combined balance sheets as of December 31, 2016 and 2015, and the related combined statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2016, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Colfax Fluid Handling at December 31, 2016 and 2015, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 31, 2017

COLFAX FLUID HANDLING
COMBINED STATEMENTS OF OPERATIONS
Dollars in thousands

	Year Ended December 31,		
	2016	2015	2014
Net sales	$ 462,018	$ 533,323	$ 654,385
Cost of sales	308,748	353,160	436,859
Gross profit	153,270	180,163	217,526
Selling, general and administrative expense	140,441	167,562	190,692
Asbestos coverage adjustment	8,226	—	—
Restructuring and other related charges	15,674	4,355	6,988
Operating income (loss)	(11,071)	8,246	19,846
Other income	—	19,454	—
Interest expense, net	(2,461)	(2,306)	(327)
Income (loss) before income taxes	(13,532)	25,394	19,519
Provision for income taxes	1,487	6,872	13,157
Net income (loss)	(15,019)	18,522	6,362
Add: Loss attributable to noncontrolling interest, net of taxes	58	59	51
Net income (loss) attributable to CFH Parent	$ (14,961)	$ 18,581	$ 6,413

See Notes to Combined Financial Statements.

COLFAX FLUID HANDLING
COMBINED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
Dollars in thousands

	Year Ended December 31,		
	2016	2015	2014
Net income (loss)	$ (15,019)	$ 18,522	$ 6,362
Other comprehensive income (loss):			
Changes in unrecognized pension and other post-retirement benefit costs	(11,560)	12,104	42,202
Changes in foreign currency translation adjustment	(16,497)	(16,206)	(8,850)
Other comprehensive income (loss)	(28,057)	(4,102)	33,352
Comprehensive income (loss)	$ (43,076)	$ 14,420	$ 39,714

See Notes to Combined Financial Statements.

COLFAX FLUID HANDLING
COMBINED BALANCE SHEETS
Dollars in thousands

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,916	$ 18,292
Trade receivables, less allowance for doubtful accounts of $12,506 and $11,922	75,392	82,522
Inventories, net	38,885	44,751
Short-term asbestos receivable	27,259	28,872
Other current assets	23,422	24,809
Total current assets	177,874	199,246
Property, plant and equipment, net	66,474	77,244
Goodwill	212,330	219,512
Intangible assets, net	15,302	20,639
Long-term asbestos receivable	358,299	380,102
Notes due from affiliates	138,992	146,574
Other assets	39,075	36,200
Total assets	$ 1,008,346	$ 1,079,517
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 51,998	$ 53,328
Accrued asbestos litigation reserve	48,031	48,095
Accrued liabilities	44,480	54,294
Total current liabilities	144,509	155,717
Long-term asbestos litigation reserve	330,194	347,933
Notes due to affiliates	141,343	149,456
Retirement benefits obligation	109,586	98,006
Other long-term liabilities	2,177	4,595
Total liabilities	727,809	755,707
Equity:		
Net parent investment	425,985	441,164
Accumulated other comprehensive loss	(144,970)	(116,913)
Total parent equity	281,015	324,251
Noncontrolling interest	(478)	(441)
Total equity	280,537	323,810
Total liabilities and equity	$ 1,008,346	$ 1,079,517

See Notes to Combined Financial Statements.

COLFAX FLUID HANDLING
COMBINED STATEMENTS OF CHANGES IN EQUITY
Dollars in thousands

	Net Parent Investment	Accumulated Other Comprehensive Loss	Non Controlling Interest	Total Equity
Balance at January 1, 2014	$ 500,143	$ (146,164)	$ (432)	$ 353,547
Net income	6,413	—	(51)	6,362
Foreign exchange loss	—	(8,850)	—	(8,850)
Pension gain	—	42,203	—	42,203
Net transfers from (to) Parent	(75,723)	—	30	(75,693)
Balance at December 31, 2014	430,833	(112,811)	(453)	317,569
Net income (loss)	18,581	—	(59)	18,522
Foreign exchange loss	—	(16,206)	—	(16,206)
Pension gain	—	12,104	—	12,104
Net transfers from (to) Parent	(8,250)	—	71	(8,179)
Balance at December 31, 2015	441,164	(116,913)	(441)	323,810
Net income (loss)	(14,961)	—	(58)	(15,019)
Foreign exchange loss	—	(16,497)	—	(16,497)
Pension loss	—	(11,560)	—	(11,560)
Net transfers from (to) Parent	(218)	—	21	(197)
Balance at December 31, 2016	$ 425,985	$ (144,970)	$ (478)	$ 280,537

See Notes to Combined Financial Statements.

COLFAX FLUID HANDLING
COMBINED STATEMENTS OF CASH FLOWS
Dollars in thousands

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	$ (15,019)	$ 18,522	$ 6,362
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and impairment charges	14,193	16,015	31,817
Stock-based compensation expense	2,023	1,672	1,350
Non-cash portion of Parent management fees	7,817	4,321	7,052
Deferred income tax benefit	(2,355)	(7,804)	(6,189)
Non-cash pension/OPEB expense	7,733	10,100	7,191
Changes in operating assets and liabilities:			
Trade receivables, net	3,738	26,607	14,490
Inventories, net	4,461	1,970	920
Accounts payable	(52)	(10,008)	(4,157)
Changes in other operating assets and liabilities	559	3,264	(51,338)
Net cash provided by operating activities	23,098	64,659	7,498
Cash flows from investing activities:			
Purchases of fixed assets	(8,210)	(7,490)	(9,331)
Proceeds from sale of fixed assets	4,102	776	456
Cash paid for acquisitions	—	—	(6,176)
Proceeds from disposition of business	—	—	3,953
Other, net	162	1,610	1,345
Net cash used in investing activities	(3,946)	(5,104)	(9,753)
Cash flows from financing activities:			
Net transfers to affiliates and parent	(23,795)	(63,087)	(7,252)
Net cash used in financing activities	(23,795)	(63,087)	(7,252)
Effect of foreign exchange rates on cash and cash equivalents	(733)	(2,247)	(309)
Decrease in cash and cash equivalents	(5,376)	(5,779)	(9,816)
Cash and cash equivalents, beginning of period	18,292	24,071	33,887
Cash and cash equivalents, end of period	$ 12,916	$ 18,292	$ 24,071

See Notes to Combined Financial Statements.

1. Organization and Nature of Operations

The accompanying combined carve-out financial statements include the historical accounts of the Target Business ("Colfax Fluid Handling Business", "CFH" or the "Business"), a division of Colfax Corporation ("Colfax" or the "Parent"). CFH is a global organization that designs, manufactures, distributes and supports pumps and systems in five primary market segments: Commercial Marine; Defense; Industrial and Power; Oil and Gas; and Reliability Services. CFH is headquartered in the United States in Monroe, North Carolina. Products are marketed to customers under a portfolio of brands.

The Parent is a leading diversified industrial technology company that provides gas- and fluid-handling and fabrication technology products and services to customers around the world under the Howden, ESAB and Colfax Fluid Handling brands.

On September 24, 2017, the Parent entered into a definitive purchase agreement to sell the Colfax Fluid Handling business to a third party for estimated aggregate consideration of approximately $860 million. The sale is expected to close during the three months ending December 31, 2017, subject to regulatory approval and other customary conditions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) from the Consolidated financial statements and accounting records of Colfax using the historical results of operations and historical cost basis of the assets and liabilities of Colfax that comprise CFH. These financial statements have been prepared solely to demonstrate its historical results of operations, financial position, and cash flows for the indicated periods under Colfax's management. All intercompany balances and transactions within CFH have been eliminated. Transactions and balances between or among CFH and Colfax and its subsidiaries are reflected as related-party transactions within these financial statements.

The Business has historically operated as part of Colfax and not as a stand-alone Company and has no separate legal status or existence. The financial statements have been derived from Colfax's historical accounting records and are presented on a carve-out basis.The accompanying combined financial statements include the assets, liabilities, revenues, and expenses that are directly attributable to CFH. In addition, certain costs related to the Business as well as allocations deemed reasonable by management have been included to present the combined financial position, results of operations, changes in equity and cash flows of the Business on a stand-alone basis. The allocation methodologies have been described within the notes to the combined financial statements where appropriate. These methodologies were primarily based on proportionate time and effort, headcount, or direct labor costs incurred by CFH compared to Colfax's other business units. These allocated costs are primarily related to corporate administrative expenses, employee-related costs including benefits for corporate and shared employees, and fees for other corporate and support services. Income taxes have been accounted for in these financial statements as described in Note 4, "Income Taxes." Pension expenses have been accounted for in these financial statements as described in Note 9, "Defined Benefit Plans."

The financial information included herein may not necessarily reflect the combined financial position, results of operations, changes in equity and cash flows of CFH in the future or what they would have been had the Business been a separate, stand-alone entity during the periods presented.

The Business utilizes the Parent's centralized processes and systems for cash management, payroll, purchasing, and distribution. The net results of these cash transactions between the Business and the Parent are reflected within Equity in the accompanying balance sheets. In addition, the equity represents the Parent's interest in the recorded net assets of CFH and represents the cumulative net investment by the Parent in CFH through the dates presented, inclusive of cumulative operating results.

During the year ended December 31, 2016, the Parent determined that an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar, due to government controls, had restricted CFH's Venezuelan operation's ability to pay dividends and satisfy other obligations denominated in U.S. dollars. In addition, other government-imposed restrictions affecting labor, production, and distribution were prohibiting the Business from controlling key operating decisions. These circumstances caused the Business to no longer meet the accounting criteria for control in order to continue consolidating its Venezuelan operations. As a result, the Business deconsolidated its Venezuelan operations as of September 30, 2016 for accounting and reporting purposes. As a result of the deconsolidation, the CFH recorded a charge of $1.9 million in Selling, general and administrative expense for the year ended December 31, 2016, substantially all of which related to accumulated foreign currency translation charges previously included in Accumulated other comprehensive loss. Due to this loss of control, the Business has applied the cost method of accounting for its Venezuelan operations beginning on September 30, 2016. Prior to, and at the date of deconsolidation, the Business's Venezuelan operations represented less than 1% of CFH's net assets, revenues and operating results.

Revenue Recognition

The Business generally recognizes revenues and costs from product sales when all of the following criteria are met: persuasive evidence of an arrangement exists, the price is fixed or determinable, product delivery has occurred or services have been rendered, there are no further obligations to customers, and collectibility is reasonably assured. Product delivery occurs when title and risk of loss transfer to the customer. CFH's shipping terms vary based on the contract. If any significant obligations to the customer with respect to such sale remain to be fulfilled following shipments, typically involving obligations relating to installation and acceptance by the buyer, revenue recognition is deferred until such obligations have been fulfilled. Any customer allowances and discounts are recorded as a reduction in reported revenues at the time of sale because these allowances reflect a reduction in the sales price for the products sold. These allowances and discounts are estimated based on historical experience and known trends. Revenue related to service agreements is recognized ratably over the term of the agreement.

Amounts billed for shipping and handling are recorded as revenue. Shipping and handling expenses are recorded as a component of Cost of sales.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Business collects various taxes and fees as an agent in connection with the sale of products and remits these amounts to the respective taxing authorities. These taxes and fees have been presented on a net basis in the Combined Statements of Operations and are recorded as a component of Accrued liabilities in the Combined Balance Sheets until remitted to the respective taxing authority.

Research and Development Expense

Research and development costs of $2.5 million, $3.5 million, and $3.7 million for the years ended December 31, 2016, 2015, and 2014, respectively, were expensed as incurred and are included in Selling, general and administrative expense in the Combined Statements of Operations.

Other Income

Other income consists of a gain recognized on the forgiveness of a related party loan arrangement during the year ended December 31, 2015.

Cash and Cash Equivalents

Treasury activities, including activities related to the Business, are centralized by the Parent such that cash collections are generally distributed to the Parent and reflected as equity. Cash and cash equivalents include all financial instruments purchased with an initial maturity of three months or less.

Trade Receivables

Trade receivables are presented net of an allowance for doubtful accounts. The Business records an allowance for doubtful accounts based upon estimates of amounts deemed uncollectible and a specific review of significant delinquent accounts factoring in current and expected economic conditions. Estimated losses are based on historical collection experience, and are reviewed periodically by management.

Inventories

Inventories, net include material, labor and overhead costs and are stated at the lower of cost (determined under various methods including average cost, but predominantly first-in, first-out) or market. CFH periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product. The Business records as a charge to Cost of sales any amounts required to reduce the carrying value of inventories to net realizable value.

Property, Plant and Equipment

Property, plant and equipment, net are stated at historical cost, which includes the fair values of such assets acquired in prior business combinations. Depreciation of property, plant and equipment is recorded on a straight-line basis over estimated useful lives. Assets recorded under capital leases are amortized over the shorter of their estimated useful lives or the lease terms, which range from three to fifteen years. Repair and maintenance expenditures are expensed as incurred unless the repair extends the useful life of the asset.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the costs in excess of the fair value of net assets acquired associated with acquired businesses of the Parent. Indefinite-lived intangible assets consist of trade names.

The Business evaluates the recoverability of goodwill and indefinite-lived intangible assets annually or more frequently if an event occurs or circumstances change in the interim that would more likely than not reduce the fair value of the asset below its carrying amount.

In the evaluation of goodwill for impairment, CFH assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the Business determines that it is not more likely than not for the reporting unit's fair value to be less than its carrying value, a calculation of the fair value is not performed. If the Business determines that it is more likely than not for the reporting unit's fair value to be less than its carrying value, a calculation of the reporting unit's fair value is performed and compared to the carrying value of that reporting unit. In certain instances, CFH may elect to forgo the qualitative assessment and proceed directly to the first step of the quantitative impairment test. If the carrying value of the reporting unit exceeds its fair value, step two of the impairment analysis is performed. In step two of the analysis, an impairment loss is recorded equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value.

Generally, the Business measures the fair value of its reporting unit using an income approach, which entails among other things calculating the present value of future discounted cash flows. The discounted cash flow model indicates the fair value of the reporting unit based on the present value of the cash flows that the reporting unit is expected to generate in the future. Significant estimates in the discounted cash flows model include: the weighted average cost of capital; long-term rate of growth and profitability of our business; and working capital effects.

CFH has experienced a concurrent decline in numerous end markets and geographic markets that has had a negative impact on the levels of capital invested and maintenance expenditures by certain of its customers which in turn has reduced the demand for its products and services, affecting operating results. Given the above, the Parent elected not to perform qualitative assessments of goodwill and instead proceeded directly to performing the first step of the two-step quantitative goodwill impairment test for its 2016 annual impairment test. The quantitative impairment assessment of goodwill for the CFH reporting unit, based on the methodologies identified above, resulted in a calculated fair value that exceeded the carrying values of the reporting unit, resulting in no impairment charges to goodwill.

In the evaluation of indefinite-lived intangible assets for impairment, CFH first assesses qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If the Business determines that it is not more likely than not for the indefinite-lived intangible asset's fair value to be less than its carrying value, a calculation of the fair value is not performed. If CFH determines that it is more likely than not that the indefinite-lived intangible asset's fair value is less than its carrying value, the fair value is measured and compared to the carrying value of the asset. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Business measures the fair value of its indefinite-lived intangible assets using the "relief-from-royalty" method. Significant estimates in this approach include projected revenues and royalty and discount rates for each trade name evaluated.

From time to time, CFH has identified certain indefinite-lived intangible assets that, due to indicators present at the specific operation associated with the indefinite-lived intangible asset, required testing for impairment prior to the annual impairment evaluation.

Analyses performed in 2014, 2015 and the most recent analysis performed as of October 1, 2016, resulted in no impairment charges to indefinite-lived assets.

Impairment of Long-Lived Assets Other than goodwill and Indefinite-Lived Intangible Assets

Intangibles primarily represent acquired customer relationships, acquired order backlog, acquired technology and software license agreements. A portion of the CFH's acquired customer relationships is being amortized on an accelerated basis over periods ranging from seven to 30 years based on the present value of the future cash flows expected to be generated from the acquired customers. All other intangibles are being amortized on a straight-line basis over their estimated useful lives, generally ranging from two to fifteen years.

The Business assesses its long-lived assets other than goodwill and indefinite-lived intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be fully recoverable. To analyze recoverability, the Business projects undiscounted net future cash flows over the remaining lives of such assets. If these projected cash flows are less than the carrying amounts, an impairment loss would be recognized, resulting in a write-down of the assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amounts and the fair values of the assets. Assets to be disposed of are reported at the lower of the carrying amounts or fair value less cost to sell. Management determines fair value using the discounted cash flow method or other accepted valuation techniques.

The Business recorded asset impairment losses related to facility closures totaling $2.0 million during the year ended December 31, 2016 as a component of Restructuring and other related charges in the Combined Statements of Operations. The aggregate carrying value of these assets subsequent to impairment was $0.

In addition, analyses were performed during the year ended December 31, 2014 to evaluate certain long-lived intangible assets related to a specific operation within the Business due to projected cash flow declines. The analysis determined certain long-lived intangible assets, primarily consisting of acquired customer relationships and acquired technology, were either impaired or no longer recoverable based upon projected undiscounted net cash flows. The impairment was calculated as the difference between the fair value of the remaining expected future cash flows to be generated from the asset or asset group and the respective carrying value as of the measurement date. The Business recorded $10.5 million of intangible asset impairment loss as a component of Selling, general and administrative expense in the Combined Statement of Operations for the year ended December 31, 2014. The total fair value of these assets of $3.3 million as of December 31, 2014 is included in Level Three of the fair value hierarchy.

Warranty Costs

Estimated expenses related to product warranties are accrued as the revenue is recognized on products sold to customers and included in Cost of sales in the Combined Statements of Operations. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

The activity in the Business's warranty liability, which is included in Accrued liabilities and Other long-term liabilities in CFH's combined Balance Sheets, consisted of the following:

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Warranty liability, beginning of period	$ 1,772	$ 1,684
Accrued warranty expense	2,305	2,961
Changes in estimates related to pre-existing warranties	51	(232)
Cost of warranty service work performed	(2,576)	(2,511)
Foreign exchange translation effect	(53)	(130)
Warranty liability, end of period	$ 1,499	$ 1,772

Income Taxes

The results of operations have historically been included in the consolidated federal income tax returns of Colfax Corporation and the state income tax returns of Colfax Corporation and its US Subsidiaries, including but not limited to CFH. The income tax amounts reflected in the accompanying combined carve-out financial statements have been allocated based on taxable income directly attributable to the CFH Business, resulting in a stand-alone presentation. Management believes the assumptions underlying the allocation of income taxes are reasonable. However, the amounts allocated for income taxes in the accompanying combined carve-out financial statements are not necessarily indicative of the amount of income taxes that would have been recorded had the combined operations been operated as a separate, stand-alone entity.

Income taxes for the Business are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the Combined Financial Statements and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is generally recognized in Provision for income taxes in the period that includes the enactment date.

Valuation allowances are recorded if it is more likely than not that some portion of the deferred income tax assets will not be realized. In evaluating the need for a valuation allowance, the Business takes into account various factors, including the expected level of future taxable income and available tax planning strategies. Any changes in judgment about the valuation allowance are recorded through Provision for income taxes and are based on changes in facts and circumstances regarding realizability of deferred tax assets.

The Business must presume that an income tax position taken in a tax return will be examined by the relevant tax authority and determine whether it is more likely than not that the tax position will be sustained upon examination based upon the technical merits of the position. An income tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Business establishes a liability for unrecognized income tax benefits for income tax positions for which it is more likely than not that a tax position will not be sustained upon examination by the respective taxing authority to the extent such tax positions reduce the Business's income tax liability. The Business recognizes interest and penalties related to unrecognized income tax benefits in the Provision for income taxes in the Combined Statements of Operations.

Foreign Currency Transactions and Exchange Gains and Losses

The Business's financial statements are presented in U.S. dollars. The functional currencies of the Business's operating subsidiaries are generally the local currencies of the countries in which each subsidiary is located. Assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the balance sheet date. The amounts recorded in each year in Foreign currency translation are net of income taxes to the extent the underlying equity balances in the entities are not deemed to be permanently reinvested. Revenues and expenses are translated at average rates of exchange in effect during the year.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated for inclusion in the Combined Balance Sheets are recognized in Selling, general and administrative expense or Interest expense in the Combined Statements of Operations for that period.

During the year ended December 31, 2016, the Business recognized net foreign currency transaction losses of $0.2 million, and $0.0 million in Interest expense and Selling, general and administrative expense, respectively, in the Combined Statement of Operations. During the year ended December 31, 2015, the Business recognized a net foreign currency transaction loss of $0.1 million and a gain of $0.1 million in Interest expense and Selling, general and administrative expense, respectively, in the Combined Statement of Operations. During the year ended December 31, 2014, a net foreign currency transaction gain of $0.1 million and a net foreign currency loss of $0.2 million were recognized in Interest Expense and Selling, general and administrative expense, respectively, in the Combined Statement of Operations.

Interest expense, net

In 2016 and 2015, interest expense, net was primarily comprised of royalties, commissions and interest expense related to Parent and affiliates, net of interest income with Parent and affiliates. In 2014, interest expense, net represented interest expense related to Parent and affiliates.

Use of Estimates

The Business makes certain estimates and assumptions in preparing its Combined Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the Combined Financial Statements and the reported amounts of revenues and expenses for the period presented.

3. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU outlines a single set of comprehensive principles for recognizing revenue under U.S. GAAP and supersedes existing revenue recognition guidance. The main principle of the ASU is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Business expects to apply ASU No. 2014-09 and its related updates on a full retrospective basis as of January 1, 2018. Based on Business-wide analysis performed to date on the Business's different revenue streams, we expect the adoption of the ASU to impact the timing of revenue recognition related to the identification of additional performance obligations. The adoption of the ASU is not expected to have a material impact on the Combined Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330) - Simplifying the Measurement of Inventory". The ASU requires an entity to measure inventory at the lower of cost and net realizable value, except for inventory that is measured using the last-in, first-out method or the retail inventory method. The Business adopted ASU No. 2015-11 in the annual period beginning January 1, 2017 on a prospective basis and it did not have a material impact on the Business's Combined Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The ASU requires, among other things, a lessee to recognize assets and liabilities associated with the rights and obligations attributable to most leases but also recognize expenses similar to current lease accounting. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new guidance must be adopted using a modified retrospective transition and provides for certain practical expedients. The Business is currently evaluating the timing of adoption as well as the impact of adopting the ASU on its Combined Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718)". The ASU, among other things, aims to simplify the accounting for shared-based payment accounting by recording all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and eliminates the requirement that excess tax benefits be realized before they can be recognized. The effect for excess tax benefits not previously recognized will be recorded as a cumulative adjustment to retained earnings pursuant to a modified retrospective adoption method. Excess tax benefits and deficiencies will be accounted for as discrete items in the period the stock awards vest or otherwise are settled. Further, the guidance will require that excess tax benefits be presented as an operating activity on the statement of cash flows consistent with other income tax cash flows. The Business adopted the ASU in the annual period beginning January 1, 2017 and has continued its policy to estimate the amount of awards that are expected to vest. The adoption of ASU 2016-09 will not have a material impact on the Business's Combined Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 203)". The ASU addresses eight specific cash flow issues and clarifies their presentation and classification in the Statement of Cash Flows. The ASU is effective for fiscal years beginning after December 15, 2017 and is to be applied retrospectively with early adoption permitted. The Business is currently evaluating the impact of adopting ASU No. 2016-15 on its Combined Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350)". The ASU modifies the measurement of a goodwill impairment loss from the portion of the carrying amount of goodwill that exceeds its implied fair value to the excess of the carrying amount of a reporting unit that exceeds its fair value. This eliminates step 2 of the goodwill impairment test under current guidance. The ASU will be applied prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Business is currently evaluating the timing of adoption.

4. Income Taxes

Income before income taxes and Provision for (benefit from) income taxes consisted of the following:

	Year Ended December 31, 2016	2015	2014
		(In thousands)	
Income (loss) before income taxes:			
Domestic operations	$ (1,728)	$ 3,427	$ 10,694
Foreign operations	(11,804)	21,967	8,825
	$ (13,532)	$ 25,394	$ 19,519
Provision for (benefit from) income taxes:			
Current:			
Federal	$ (1,017)	$ 5,139	4,824
State	130	722	696
Foreign	4,729	8,815	13,826
	$ 3,842	$ 14,676	$ 19,346
Deferred:			
Domestic operations	$ 908	$ (3,939)	$ (1,292)
Foreign operations	(3,263)	(3,865)	(4,897)
	(2,355)	(7,804)	(6,189)
	$ 1,487	$ 6,872	$ 13,157

The Provision for (benefit from) income taxes differs from the amount that would be computed by applying the US federal statutory rate as follows:

	Year Ended December 31, 2016	2015	2014
		(In thousands)	
Taxes calculated at the US federal statutory rate	$ (4,736)	$ 8,888	$ 6,832
State taxes	(164)	450	343
Nondeductible expenses, domestic manufacturing deduction and other	614	(1,739)	814
Effect of tax rates on international operations	1,876	(2,559)	1,670
Changes in valuation allowance and tax reserves	3,897	1,832	3,498
Provision for income taxes	$ 1,487	$ 6,872	13,157

Deferred income taxes, net reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. For purposes of these financial statements, CFH has applied ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", and classified its deferred tax assets and liabilities as non-current. The significant components of deferred tax assets and liabilities, in addition to the reconciliation of the beginning and ending amount of gross unrecognized tax benefits, are as follows:

	December 31,			
	2016		2015	
	(In thousands)			
Deferred tax assets:				
Post-retirement benefit obligation	$	22,629	$	18,866
Expenses currently not deductible		36,761		36,431
Net operating loss carryforward		10,949		7,124
Depreciation and amortization		246		83
Other		700		706
Valuation allowance		(9,831)		(5,848)
Deferred tax assets, net	$	61,454	$	57,362
Deferred tax liabilities:				
Depreciation and amortization	$	(14,033)	$	(13,734)
Basis difference on acquired business and other		(11,003)		(12,041)
Total deferred tax liabilities	$	(25,036)	$	(25,775)
Total deferred tax assets, net	$	36,418	$	31,587

CFH evaluates the recoverability of its deferred tax assets on a jurisdictional basis by considering whether deferred tax assets will be realized on a more-likely-than-not basis. To the extent a portion or all of the applicable deferred tax assets do not meet the more-likely-than-not threshold, a valuation allowance is recorded. During the year ended December 31, 2016, the valuation allowance increased by $4.0 million to a total valuation allowance of $9.8 million compared to the December 31, 2015 balance of $5.8 million which had increased by $1.8 million from December 31, 2014. In each year the increases were recognized in the Provision for income taxes. Assessment of the amount of valuation allowance was determined by evaluating any carryback to recover taxes paid in prior years, reversing taxable temporary difference, tax planning strategies and future taxable income as to how much of the relevant deferred tax asset could be realized on a more-likely-than-not basis.

CFH has recognized a deferred tax asset balance of $10.8 million for non-US entity operating loss carryforwards, to which some of the gross NOL amounts can be carried forward indefinitely. In other jurisdictions, the Business's net operating losses expire in years 2017 through 2037. In some cases, the Business's ability to use certain net operating loss carryforwards to offset any taxable income generated in future taxable periods may be limited under certain jurisdictional tax laws.

Current income taxes payable have been increased by $0.6 million in 2016 and reduced by $1.9 million in 2015 for tax deductions attributed to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes was $0.2 million and $0.8 million, respectively. The Business's income tax payable or receivable computed under the separate return method is adjusted to equity as it does not represent a liability with the relevant taxing authorities since the Business is a part of the Parent's tax returns filed with the taxing authorities.

In general, the undistributed earnings of the Business's non-US operations are considered to be indefinitely reinvested outside the US and no tax expense in the US has been recognized under the applicable accounting standard for these reinvested earnings. The amount of unremitted earnings from the Business's international subsidiaries, subject to local statutory restrictions, as of December 31, 2016 is approximately $199 million. Determination of the amount of deferred tax liability that may be applicable on such indefinitely reinvested earnings is not practicable.

The Business records a liability for unrecognized income tax benefits for the amount of benefit included in its previously filed income tax returns and in its financial results expected to be included in income tax returns to be filed for periods through the date of its Consolidated Financial Statements for income tax positions for which it is more likely than not that a tax position will not be sustained upon examination by the respective taxing authority. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (inclusive of associated interest and penalties):

		(In thousands)
Balance, December 31, 2013	$	2,238
Addition for tax positions taken in prior periods		137
Addition for tax positions taken in the current period		—
Reduction for tax positions taken in prior periods [(1)]		(112)
Other, including the impact of foreign currency translation		(221)
Balance, December 31, 2014		2,042
Addition for tax positions taken in prior periods		65
Addition for tax positions taken in the current period		(125)
Reduction for tax positions taken in prior periods [(1)]		—
Other, including the impact of foreign currency translation		(134)
Balance, December 31, 2015	$	1,848
Addition for tax positions taken in prior periods		354
Addition for tax positions taken in the current period		337
Reduction for tax positions taken in prior periods [(1)]		(446)
Other, including the impact of foreign currency translation		(47)
Balance, December 31, 2016	$	2,046

[(1)] Includes reductions for lapses in statute of limitations.

CFH conducts its business on a global basis and the Parent files income tax returns in the US federal, state and non-US jurisdictions on a combined basis where permitted by the tax law. The Parent and its subsidiaries (including the Business) are routinely examined by tax authorities around the world. Tax examinations remain in process in multiple countries and various US state taxing jurisdictions. In the US, the Parent and its subsidiaries (including the Business) remain subject to examination or adjustment of its carryover tax attributes from tax year 2003. With some exceptions, other major tax jurisdictions generally are not subject to tax examinations for years beginning before 2010.

The Business's total unrecognized tax benefits were $2.0 million, $1.8 million and $2.0 million as of December 31, 2016 and 2015 and 2014, respectively, inclusive of $0.5 million in each year of interest and penalties. The net liabilities for uncertain tax positions as of December 31, 2016, 2015 and 2014 were $2.0 million, $1.8 million and $2.2 million, respectively, and, if recognized, would favorably impact the effective tax rate. The Business records interest and penalties on uncertain tax positions as a component of Provision for (benefit from) income taxes.

Due to the difficulty in predicting with reasonable certainty when tax audits will be fully resolved and closed, the range of reasonably possible significant increases or decreases in the liability for unrecognized tax benefits that may occur within the next 12 months is difficult to ascertain. Currently, the Business estimates that it is reasonably possible that the expiration of various statutes of limitations, resolution of tax audits and court decisions may reduce its tax expense in the next 12 months by less than $1.0 million.

5. Goodwill and Intangible Assets

The change in the carrying value of Goodwill for the period from December 31, 2014 to 2016 is primarily comprised of foreign currency translation effects.

The following table summarizes CFH's Intangible assets, excluding Goodwill (in thousands):

	December 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Trade names – indefinite life	$ 981	$ —	$ 981	$ 988	$ —	$ 988
Acquired customer relationships	25,287	(18,028)	7,259	27,428	(16,311)	11,117
Acquired technology	9,770	(4,097)	5,673	9,981	(3,604)	6,377
Acquired backlog	260	(260)	—	268	(268)	—
Other intangible assets	7,951	(6,562)	1,389	8,107	(5,950)	2,157
	$ 44,249	$ (28,947)	$ 15,302	$ 46,772	$ (26,133)	$ 20,639

Amortization expense related to intangible assets was included in the Combined Statements of Operations as follows:

	Year Ended December 31, 2016	2015	2014
	(In thousands)		
Selling, general and administrative expense	$ 2,814	$ 3,795	$ 5,453

See Note 2, "Summary of Significant Accounting Policies" for discussion regarding impairment of Intangible assets.

As of December 31, 2016, total amortization expense for intangible assets is expected to be $2.9 million, $2.9 million, $1.6 million, $1.5 million and $1.5 million for the years ending December 31, 2017, 2018, 2019, 2020 and 2021, respectively.

6. Property, Plant and Equipment, Net

	Depreciable Life	December 31, 2016	December 31, 2015
	(In years)	(In thousands)	
Land	n/a	$ 10,924	$ 12,210
Buildings and improvements	5-40	30,831	36,588
Machinery and equipment	3-15	134,091	146,327
Software	3-5	13,693	15,243
		189,539	210,368
Accumulated depreciation		(123,065)	(133,124)
Property, plant and equipment, net		$ 66,474	$ 77,244

Depreciation expense, including the amortization of assets recorded under capital leases, for the years ended December 31, 2016, 2015 and 2014, was $9.5 million, $10.5 million and $13.1 million, respectively. Depreciation expense for the years ended December 31, 2016, 2015, and 2014 includes $2.0 million, $0 and $0 of non-cash impairment of fixed assets, respectively. These amounts also include depreciation expense related to software for the years ended December 31, 2016, 2015 and 2014 of $0.6 million, $0.8 million and $1.5 million, respectively.

7. Inventories, Net

Inventories, net consisted of the following:

	December 31, 2016	December 31, 2015
	(In thousands)	
Raw materials	$ 26,628	$ 29,961
Work in process	19,487	20,089
Finished goods	15,640	18,353
	61,755	68,403
Less: customer progress payments	(14,624)	(15,876)
Less: allowance for excess, slow-moving and obsolete inventory	(8,246)	(7,776)
Inventories, net	$ 38,885	$ 44,751

8. Accrued Liabilities

Accrued liabilities in the Combined Balance Sheets consisted of the following:

	December 31, 2016	December 31, 2015
	(In thousands)	
Accrued payroll	$ 14,658	$ 16,079
Accrued taxes	3,138	5,521
Warranty liability - current portion	1,477	1,764
Accrued restructuring liability - current portion	2,401	85
Accrued third-party commissions	2,556	3,591
Customer advances & other	20,250	27,254
Accrued liabilities	$ 44,480	$ 54,294

Accrued Restructuring Liability

The CFH's restructuring programs include a series of restructuring actions to reduce the structural costs of the Business. A summary of the activity in CFH's restructuring liability included in Accrued liabilities in the Combined Balance Sheets follows:

Year Ended December 31, 2016	Balance at Beginning of Period	Provisions	Payments	Foreign Currency Translation	Balance at End of Period
			(In thousands)		
Restructuring and other related charges:					
Termination benefits[1]	$ 71	$ 8,776	$ (6,623)	$ (302)	$ 1,922
Facility closure costs[2]	14	4,621	(4,134)	(22)	479
	85	13,397	(10,757)	(324)	2,401
Non-cash charges		2,277			
		$ 15,674			

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

[2] Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities.

Year Ended December 31, 2015	Balance at Beginning of Period	Provisions	Payments	Foreign Currency Translation	Balance at End of Period[3]
			(In thousands)		
Restructuring and other related charges:					
Termination benefits[1]	$ 2,699	$ 705	$ (3,216)	$ (117)	$ 71
Facility closure costs[2]	(1,762)	3,650	(1,831)	(43)	14
		$ 4,355			

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

[2] Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities.

[3] As of December 31, 2015, $0.1 million of CFH's restructuring liability was included in Accrued liabilities.

CFH expects to incur Restructuring and other related charges of approximately $5 million during the year ending December 31, 2017 related to its restructuring activities.

9. Defined Benefit Plans

Outside of the U.S., the Business sponsors certain defined benefit pension plans for its employees in Germany, Norway and Sweden. The pension disclosures presented in the table below include these non-U.S pension plans only. The related expenses for these plans are included in Selling, general and administrative expense in the accompanying combined statements of operations.

	Years Ended December 31,	
	2016	2015
Pension Benefits-Non U.S. Plans:		
Service cost	$ 2,206	$ 2,366
Interest cost	2,289	2,058
Expected return on plan assets	(99)	(159)
Amortization	1,724	2,451
Net periodic benefit cost	$ 6,120	$ 6,716
Other Post-Retirement Benefits:		
Service cost	$ —	$ —
Interest cost	436	475
Amortization	(32)	495
Net periodic benefit cost	$ 404	$ 970

In the US, CFH's salaried employees participate in defined benefit pension plans sponsored by the Parent. These plans include other Parent employees that are not employees of CFH. The Parent also sponsors certain defined contribution plans and provides other post-retirement benefits, including health and life insurance, for certain eligible employees and eligible former employees who have retired from the Business. For the years ended December 31, 2016, 2015 and 2014, respectively, the Parent allocated to CFH approximately $0, $0.9 million and $0.5 million of net pension and other post-retirement benefit expenses, which have been reflected within Selling, general and administrative expense in the accompanying combined statements of operations. The related U.S. pension assets and liabilities have not been allocated to the Business and have not been presented on the accompanying balance sheet since these are assets and liabilities of the Parent.

The Business's other accrued post-retirement benefit obligations as of December 31, 2016 and December 31, 2015 were $11.0 million and $12.0 million, respectively. These obligations are actuarially determined. These balances are accrued within Retirement benefits obligation and Accrued liabilities on the balance sheet. The Business used a weighted-average discount rate of 3.9% and 4.0% to compute its post-retirement benefit obligation at December 31, 2016 and 2015, respectively. The net periodic benefit cost for the Business's other post-retirement benefit plan was $0.4 million, $1.0 million and $1.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. The Business used a weighted-average discount rate of 4.0%, 3.6% and 4.4% to compute its net periodic benefit cost for its post-retirement benefit obligation for the years ended December 31, 2016, 2015 and 2014, respectively. For measurement purposes, a weighted-average annual rate of increase in the per capita cost of covered health care benefits of approximately 6.2% was assumed. The rate was assumed to decrease gradually to 5.25% by 2021 for one the Company's plans and to 4.5% by 2027 for the remaining plans and remain at those levels thereafter for benefits covered under the plans.

The following table summarize the total changes in the Business's pension plan assets and includes a statement of the plans' funded status:

	Pension Benefits	
	Year Ended December 31,	
	2016	2015
	(In thousands)	
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 91,543	$ 106,989
Service cost	2,205	2,366
Interest cost	2,289	2,058
Actuarial loss (gain)	16,142	(3,466)
Foreign exchange effect	(3,301)	(11,013)
Benefits paid	(3,398)	(3,465)
Other	(240)	(1,926)
Projected benefit obligation, end of year	$ 105,240	$ 91,543
Accumulated benefit obligation, end of year	$ 92,216	$ 83,970
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 5,409	$ 7,027
Actual return on plan assets	(152)	7
Employer contribution	2,793	2,749
Foreign exchange effect	25	(851)
Benefits paid	(3,398)	(3,465)
Settlements	—	(58)
Other	(199)	—
Fair value of plan assets, end of year	$ 4,478	$ 5,409
Funded status, end of year	$ (100,762)	$ (86,134)
Amounts recognized on the Combined Balance Sheets at December 31:		
Non-current assets	$ —	$ —
Current liabilities	(1,002)	(762)
Non-current liabilities	(99,760)	(85,372)
Total	$ (100,762)	$ (86,134)

The actuarial loss of $16.4 million in 2016 consisted of changes in financial assumptions, including expected return on assets, changes in demographic assumptions and an experience gain of $0.3 million.

Expected contributions to the Business's pension and other post-employment benefit plans for the year ending December 31, 2017, related to plans as of December 31, 2016, are $2.8 million. The following benefit payments are expected to be paid during each respective fiscal year:

		Expected Benefit Payments
2017	$	3,380
2018		3,390
2019		3,396
2020		3,451
2021		3,631
2022- 2026	$	18,448

The Business's primary investment objective for its pension plan assets is to provide a source of retirement income for the plans' participants and beneficiaries. The assets are invested with the goal of preserving principal while providing a reasonable rate of return over the long term. Diversification of assets is achieved through strategic allocations to various asset classes. Actual allocations to each asset class vary due to periodic investment strategy changes, market value fluctuations, the length of time it takes to fully implement investment allocation positions, and the timing of benefit payments and contributions. The asset allocation is monitored and rebalanced as required, as frequently as on a quarterly basis in some instances. The following are the actual and target allocation percentages for the Business's pension plan assets:

	Actual Asset Allocation December 31,		
	2016	2015	Target Allocation
Equity securities	6%	10%	10% - 50%
Fixed income securities	86%	84%	50% - 90%
Cash and cash equivalents	8%	6%	0% - 25%
Total	100%	100%	

The key economic assumptions used in the measurement of the Business's pension obligations are as follows:

	Economic Assumptions December 31,	
	2016	2015
Weighted-average discount rate:		
All plans	1.8%	2.5%
Weighted-average rate of increase in compensation levels	1.6%	1.6%

The key economic assumptions used in the computation of net periodic benefit cost are as follows:

	Net Benefit Cost Assumptions	
	Year Ended December 31,	
	2016	2015
Weighted-average discount rate:	2.5%	2.1%
Weighted-average expected return on plan assets:	2.6%	2.7%
Weighted-average rate of increase in compensation levels	2.2%	2.0%

The components of net unrecognized pension cost included in Accumulated other comprehensive loss in the Combined Balance Sheets that have not been recognized as a component of net periodic benefit cost are as follows:

	December 31,	
	2016	2015
	(In thousands)	
Amortization of loss	$ 2,381	$ 1,690

The Business maintains defined contribution plans covering certain union and non-union employees. CFH's expense relating to these plans for the years ended December 31, 2016, 2015 and 2014 was $2.8 million, $3.3 million and $3.2 million, respectively.

10. Financial Instruments and Fair Value Measurements

CFH utilizes fair value measurement guidance prescribed by accounting standards to value its financial instruments. The guidance establishes a fair value hierarchy based on the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level One: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level Two: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level Three: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

	December 31, 2016			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 12,916	$ —	$ —	$ 12,916
Foreign currency contracts related to sales - not designated as hedges	—	137	—	137
	$ 12,916	$ 137	$ —	$ 13,053

	December 31, 2015			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 18,292	$ —	$ —	$ 18,292
Foreign currency contracts related to sales - not designated as hedges	—	140	—	140
	$ 18,292	$ 140	$ —	$ 18,432
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	—	10	—	10
	$ —	$ 10	$ —	$ 10

There were no transfers in or out of Level One, Two or Three during the years ended December 31, 2016 and 2015.

Cash Equivalents

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

Derivatives

The Business periodically enters into foreign currency, interest rate swap and commodity derivative contracts. The Business uses interest-rate swaps to manage exposure to interest-rate fluctuations. Foreign currency contracts are used to manage exchange rate fluctuations. Commodity futures contracts are used to manage costs of raw materials used in CFH's production processes. The Business does not enter into derivative contracts for trading purposes.

During the periods presented there were no changes in CFH's valuation techniques used to measure asset and liability fair values on a recurring basis.

Foreign Currency Contracts

Foreign currency contracts are measured using broker quotations or observable market transactions in either listed or over-the-counter markets. The Business primarily uses foreign currency contracts to mitigate the risk associated with customer forward sale agreements denominated in currencies other than the applicable local currency, and to match costs and expected revenues where production facilities have a different currency than the selling currency.

As of December 31, 2016 and 2015, the Business had foreign currency contracts with the following notional values:

	December 31,	
	2016	2015
	(In thousands)	
Foreign currency contracts sold - not designated as hedges	$ 1,630	$ 7,931
Total foreign currency derivatives	$ 1,630	$ 7,931

The Business recognized the following in its Combined Financial Statements related to its derivative instruments Realized gains and losses are included in Interest expense, net and unrealized gains and losses are included in Other comprehensive income (loss).

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Contracts Not Designated in a Hedge Relationship:		
Foreign Currency Contracts - related to customer sales contracts:		
Unrealized gain (loss)	7	131
Realized loss	168	(480)
Foreign Currency Contracts - related to supplier purchases contracts:		
Unrealized (loss) gain	—	607
Realized (loss) gain	—	32

Concentration of Credit Risk

Financial instruments which potentially subject the Business to concentrations of credit risk consist primarily of trade accounts receivable. Concentrations of credit risk are considered to exist when there are amounts collectible from multiple counterparties with similar characteristics, which could cause their ability to meet contractual obligations to be similarly impacted by economic or other conditions. CFH performs credit evaluations of its customers prior to delivery or commencement of services and normally does not require collateral. Letters of credit are occasionally required when the Business deems necessary.

11. Commitments and Contingencies

Asbestos and Other Product Liability Contingencies

CFH is 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 CFH nor was CFH a producer or direct supplier of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of CFH's customers, including the U.S. Navy.

CFH settles asbestos claims for amounts it considers reasonable given the facts and circumstances of each claim. The annual average settlement payment per asbestos claimant has fluctuated during the past several years. The Business 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 for the years ended December 31, 2016 and 2015 related to asbestos claims [1]:

	Year Ended December 31,	
	2016	2015
	(Number of claims)	
Claims unresolved, beginning of period	20,583	21,681
Claims filed[2]	5,163	4,821
Claims resolved[3]	(5,179)	(5,919)
Claims unresolved, end of period	20,567	20,583
	(In whole dollars)	
Average cost of resolved claims[4]	$ 8,872	$ 6,056

[1] Excludes claims filed by one legal firm that have been "administratively dismissed."
[2] Claims filed include all asbestos claims for which notification has been received or a file has been opened.
[3] Claims resolved include all asbestos claims that have been settled, dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.
[4] Excludes claims settled in Mississippi for which the majority of claims have historically been resolved for no payment and insurance recoveries.

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

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

The Business has evaluated the insurance assets for each subsidiary based upon the applicable policy language and allocation methodologies, and law pertaining to the affected subsidiary's insurance policies.

CFH was notified in 2010 by the primary and umbrella carrier who had been fully defending and indemnifying the Business for 20 years that the limits of liability of its primary and umbrella layer policies had been exhausted. CFH has sought coverage from certain excess layer insurers whose terms and conditions follow form to the umbrella carrier, which parties' dispute was resolved by the Delaware state courts during 2016. This litigation confirmed that asbestos-related costs should be allocated among excess insurers using an "all sums" allocation (which allows an insured to collect all sums paid in connection with a claim from any insurer whose policy is triggered, up to the policy's applicable limits), that the entity has rights to excess insurance policies purchased by a former owner of the business, and that, based on the September 12, 2016 ruling by the Delaware Supreme Court, the entity has a right to immediate access to the excess layer policies. Further, the Delaware Supreme Court ruled in the entity's favor on a "trigger of coverage" issue, holding that every policy in place during or after the date of a claimant's first significant exposure to asbestos was "triggered" and potentially could be accessed to cover that claimant's claim. The Court also largely affirmed and reversed in part some of the prior lower court rulings on defense obligations and whether payment of such costs erode policy limits or are payable in addition to policy limits.

Based upon these rulings, the Business currently estimates that CFH's future expected recovery percentage is approximately 92% of asbestos-related costs with CFH expected to be responsible for approximately 8% of its future asbestos-related costs.

Since approximately mid-2011, the Parent had funded $94.9 million of CFH's asbestos-related defense and indemnity costs through December 31, 2016, which it expects to recover from insurers. Based on the above-referenced court rulings, CFH recently requested that its insurers reimburse all of that amount and currently expects to receive substantially all of that amount. In late December 2016, $23.6 million of that amount was reimbursed. Certain of the excess insurers have advised CFH that they are still reviewing costs data relating to the other unreimbursed amounts. CFH also has requested that certain excess insurers provide ongoing coverage for future asbestos-related defense and/or indemnity costs. The insurers to which the vast majority of pending claims have been tendered have not yet responded to this request. To the extent any disagreements concerning excess insurers' payment obligations under the Delaware Supreme Court's rulings remain, they are expected to be resolved by Delaware court action, which is still pending and has been remanded to the Delaware Superior Court for any further proceedings. In the interim, and while not impacting the results of operations, CFH's cash funding for future asbestos-related defense and indemnity costs for which it expects reimbursement from insurers could range up to $10 million per quarter.

During the year ended December 31, 2014, CFH recorded a $6.9 million pre-tax charge due to a higher number of asbestos claims settlements and a decline in the insurance recovery rate. The charge was comprised of an increase in asbestos-related liabilities of $14.5 million partially offset by an increase in expected insurance recoveries of $7.6 million. During the year ended December 31, 2015, the Business recorded a $4.1 million pre-tax charge due to an increase in mesothelioma and lung cancer claims and higher settlement values per claim that have occurred and are expected to continue to occur in certain jurisdictions. The pre-tax charge was comprised of an increase in asbestos-related liabilities of $20.2 million partially offset by an increase in expected insurance recoveries of $16.1 million. These pre-tax charges were included in Selling, general and administrative expense in the Combined Statements of Operations. During the year ended December 31, 2016, the Business recorded an $8 million increase in asbestos-related liabilities due to higher settlement values per claim. The related insurance asset was accordingly increased $6.4 million, resulting in a net pre-tax charge to Selling, general, and administrative expense of $1.6 million.

The Business's Combined Balance Sheets included the following amounts related to asbestos-related litigation:

	December 31,	
	2016	2015
	(In thousands)	
Current asbestos insurance receivable[(1)]	$ 27,259	$ 28,872
Long-term asbestos insurance asset [(1)]	266,030	284,095
Long-term asbestos insurance receivable	92,269	96,007
Accrued asbestos liability	48,031	48,095
Long-term asbestos liability [(2)]	330,194	347,933

[(1)] Included in Asbestos asset receivable in the Combined Balance Sheets.
[(2)] Represents accruals for probable and reasonably estimable asbestos-related liability cost that the Business believes it will pay through the next 15 years, overpayments by certain insurers and unpaid legal costs related to defending itself against asbestos-related liability claims and legal action against the Business's insurers, which is included in Accrued Asbestos litigation reserve in the Combined Balance Sheets.

As discussed above, on September 12, 2016, the Delaware Supreme Court affirmed prior rulings regarding CFH 's insurance policies and also ruled on other matters including specific determinations of coverage for defense costs under the excess policies. The net result of the ruling is an adjustment to the Business's expected future recoveries, resulting in an $8.2 million reduction to the net recoverable insurance asset recorded as a pre-tax charge to the Combined Statement of Operations for the year ended December 31, 2016. The estimated future expected recovery rate may change over time as these claims are fully settled, which may result in periodic adjustments impacting our financial condition and results of operations.

Certain matters, including potential interest which could be awarded to CFH, are subject to further rulings from the Delaware courts. While the outcome is uncertain, none of these matters is expected to have a material adverse effect on the financial condition, results of operations or cash flows of the Business.

The Delaware Supreme Court's ruling is also expected to result in the receipt from excess insurers of approximately $73 million in unreimbursed costs, as of December 31, 2016, funded by CFH in defense and settlement of asbestos claims, although the timing of cash defense and settlement costs, compared to levels experienced prior to the ruling, remains uncertain.

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

General Litigation

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

Minimum Lease Obligations

The Business's minimum obligations under non-cancelable operating leases are as follows:

	December 31, 2016 (In thousands)
2017	$ 2,179
2018	1,665
2019	1,359
2020	780
2021	525
Thereafter	63
Total	$ 6,571

The Business's operating leases extend for varying periods and, in some cases, contain renewal options that would extend the existing terms. During the years ended December 31, 2016, 2015 and 2014, CFH's net rental expense related to operating leases was $2.9 million, $4.4 million and $4.1 million, respectively.

Off-Balance Sheet Arrangements

As of December 31, 2016, the Business had $33.9 million of unconditional purchase obligations with suppliers, substantially all of which is expected to be paid by December 31, 2017.

12. Components of Other Accumulated Comprehensive Income (Loss)

	Foreign Currency Translation Adjustment	Pension and Other Post-retirement Benefits	Total Accumulated Other Comprehensive Income (Loss)
		(In thousands)	
Balance at January 1, 2014	$ (63,685)	$ (82,479)	$ (146,164)
Foreign currency translation loss	(8,850)	—	(8,850)
Pension gain	—	42,203	42,203
Balance at December 31, 2014	(72,535)	(40,276)	(112,811)
Foreign currency translation loss	(16,206)	—	(16,206)
Pension gain	—	12,104	12,104
Balance at December 31, 2015	(88,741)	(28,172)	(116,913)
Foreign currency translation loss	(16,497)	—	(16,497)
Pension loss	—	(11,560)	(11,560)
Balance at December 31, 2016	$ (105,238)	$ (39,732)	$ (144,970)

13. Related Party Transactions

Allocated Expenses

CFH has been allocated expenses from the Parent of $11.7 million, $10.4 million and $11.8 million for 2016, 2015 and 2014, respectively. These costs from the Parent are derived from multiple levels of the organization including geographic business unit expenses, shared corporate expenses, and other fees. These allocated costs, which are included in Selling, general and adminstrative expenses are primarily corporate administrative expenses related to Legal, Corporate Development, Human Resources, Finance, and other departmental corporate costs for activities that provide benefit to CFH as well as Colfax's other business units. The costs associated with these services and support functions have been allocated to CFH using the most meaningful respective allocation methodologies which were primarily based on proportionate: level of effort; time spent on CFH matters; headcount; and direct labor costs.

All of CFH's transactions with the Parent are considered to be financing transactions, which are presented as Net distributions from (to) Parent in the accompanying statements of cash flows.

14. Subsequent Event - Divestiture Transaction

Subsequent events have been evaluated through October 31, 2017, the date these financial statements were issued. On September 24, 2017, the Parent entered into a definitive purchase agreement to sell the Colfax Fluid Handling business to a third party for estimated aggregate consideration of $860 million. The sale is expected to close during the three months ending December 31, 2017, subject to regulatory approval and other customary conditions.

Combined Interim Financial Statements

Colfax Fluid Handling
As of September 29, 2017 and for the three- and nine- month periods ended September 29, 2017 and September 30, 2016
With Review Report of Independent Auditors

Ernst & Young LLP

Building a better working world

INDEX TO THE COMBINED FINANCIAL STATEMENTS

Building a better
working world

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Review Report of Independent Auditors

The Management of Colfax Corporation

We have reviewed the condensed combined financial information of Colfax Fluid Handling, which comprise the condensed combined balance sheet as of September 29, 2017, and the related condensed combined statements of operations, comprehensive income (loss), changes in equity and cash flows for the three- and nine-month periods ended September 29, 2017 and September 30, 2016.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the condensed financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed combined financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Report on Condensed Balance Sheet as of December 31, 2016

We have previously audited, in accordance with auditing standards generally accepted in the United States, the combined balance sheet of Colfax Fluid Handling as of December 31, 2016, and the related combined statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 31, 2017. In our opinion, the accompanying condensed combined balance sheet of Colfax Fluid Handling as of December 31, 2016, is consistent, in all material respects, with the combined balance sheet from which it has been derived.

Ernst & Young LLP

November 2, 2017

COLFAX FLUID HANDLING
CONDENSED COMBINED STATEMENTS OF OPERATIONS
Dollars in thousands
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Net sales	$ 114,601	$ 112,697	$ 344,197	$ 340,599
Cost of sales	77,267	75,603	224,880	225,958
Gross profit	37,334	37,094	119,317	114,641
Selling, general and administrative expense	33,034	33,809	100,607	108,677
Asbestos coverage adjustment	—	8,226	—	8,226
Restructuring and other related items	634	5,407	(7,628)	11,319
Operating income (loss)	3,666	(10,348)	26,338	(13,581)
Interest expense, net	730	500	1,820	1,533
Income (loss) before income taxes	2,936	(10,848)	24,518	(15,114)
Provision for (benefit from) income taxes	1,308	(2,576)	7,914	(2,714)
Net income (loss)	1,628	(8,272)	16,604	(12,400)
Add: loss (income) attributable to noncontrolling interest, net of tax	14	(31)	47	37
Net income (loss) attributable to CFH Parent	$ 1,642	$ (8,303)	$ 16,651	$ (12,363)

See Notes to Condensed Combined Financial Statements.

COLFAX FLUID HANDLING
CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Dollars in thousands
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Net income (loss)	$ 1,628	$ (8,272)	16,604	$ (12,400)
Other comprehensive income (loss):				
Foreign currency translation gain	10,242	1,801	32,082	3,200
Unrecognized gain (loss) on pension and other post-retirement benefit obligations	424	539	(3,592)	2,224
Other comprehensive income	10,666	2,340	28,490	5,424
Comprehensive income (loss)	$ 12,294	$ (5,932)	$ 45,094	$ (6,976)

See Notes to Condensed Combined Financial Statements.

COLFAX FLUID HANDLING
CONDENSED COMBINED BALANCE SHEETS
Dollars in thousands
(Unaudited)

	September 29, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,037	$ 12,916
Trade receivables, less allowance for doubtful accounts of $11,245 and $12,506	74,520	75,392
Inventories, net	53,282	38,885
Short-term asbestos receivable	—	27,259
Other current assets	24,207	23,422
Total current assets	164,046	177,874
Property, plant and equipment, net	73,907	66,474
Goodwill	222,419	212,330
Intangible assets, net	14,516	15,302
Long-term asbestos receivable	354,527	358,299
Notes due from affiliates	188,805	138,992
Other assets	40,846	39,075
Total assets	$ 1,059,066	$ 1,008,346
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 55,027	$ 51,998
Accrued asbestos litigation reserve	51,301	48,031
Accrued liabilities	41,350	44,480
Total current liabilities	147,678	144,509
Long-term asbestos litigation reserve	308,995	330,194
Retirement benefits obligation	114,225	109,586
Notes due to affiliates	160,979	141,343
Other liabilities	3,153	2,177
Total liabilities	735,030	727,809
Equity:		
Net parent investment	441,072	425,985
Accumulated other comprehensive loss	(116,480)	(144,970)
Total parent equity	324,592	281,015
Noncontrolling interest	(556)	(478)
Total equity	324,036	280,537
Total liabilities and equity	$ 1,059,066	$ 1,008,346

See Notes to Condensed Combined Financial Statements.

COLFAX FLUID HANDLING
CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY
Dollars in thousands
(Unaudited)

	Net Parent Investment	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance at January 1, 2017	$ 425,985	$ (144,970)	$ (478)	$ 280,537
Net income	16,651	—	(47)	16,604
Other Comprehensive income	—	28,490	—	28,490
Net transfers to Parent	(1,564)	—	(31)	(1,595)
Balance at September 29, 2017	$ 441,072	$ (116,480)	$ (556)	$ 324,036

See Notes to Condensed Combined Financial Statements.

COLFAX FLUID HANDLING
CONDENSED COMBINED STATEMENTS OF CASH FLOWS
Dollars in thousands
(Unaudited)

	Nine Months Ended	
	September 29, 2017	September 30, 2016
Cash flows from operating activities:		
Net income (loss)	$ 16,604	$ (12,400)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and impairment charges	8,514	11,243
Stock-based compensation expense	(155)	1,490
Non-cash portion of Parent management fees	6,987	6,358
Gain on sale of fixed assets	(11,734)	—
Deferred income tax benefit	(218)	(421)
Non-cash pension/OPEB expense	6,361	5,521
Changes in operating assets and liabilities:		
Trade receivables, net	5,023	11,739
Inventories, net	(11,980)	564
Accounts payable	582	(4,740)
Changes in other operating assets and liabilities	7,356	(20,993)
Net cash provided by (used in) operating activities	27,340	(1,639)
Cash flows from investing activities:		
Purchases of fixed assets, net	(11,184)	(4,392)
Proceeds from sale of fixed assets	21,337	1,632
Other, net	—	161
Net cash used in investing activities	10,153	(2,599)
Cash flows from financing activities:		
Net transfers (to)/from affiliates and Parent	(39,222)	904
Net cash provided by (used in) financing activities	(39,222)	904
Effect of foreign exchange rates on Cash and cash equivalents	850	(276)
Decrease in Cash and cash equivalents	(879)	(3,610)
Cash and cash equivalents, beginning of period	12,916	18,292
Cash and cash equivalents, end of period	$ 12,037	$ 14,682

See Notes to Condensed Combined Financial Statements.

1. General

The accompanying condensed combined carve-out financial statements include the historical accounts of the Target Business ("Colfax Fluid Handling Business", "CFH" or the "Business"), a division of Colfax Corporation ("Colfax" or the "Parent"). CFH is a global organization that designs, manufactures, distributes and supports pumps and systems in five primary market segments: Commercial Marine; Defense; Industrial and Power; Oil and Gas; and Reliability Services. CFH is headquartered in the United States in Monroe, North Carolina. Products are marketed to customers under a portfolio of brands.

The Parent is a leading diversified industrial technology company that provides gas- and fluid-handling and fabrication technology products and services to customers around the world under the Howden, ESAB and Colfax Fluid Handling brands.

The condensed combined financial statements included herein have been prepared by the Business in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements of an acquired business.

The condensed combined Balance Sheet as of December 31, 2016 is derived from CFH's audited financial statements. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations for interim financial statements. The condensed combined financial statements included herein should be read in conjunction with the audited financial statements and related footnotes included in CFH's stand-alone ("carve-out") financial statements as of and for the year ended December 31, 2016.

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

The Business makes certain estimates and assumptions in preparing its condensed combined financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed combined financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates.

The results of operations for the three and nine months ended September 29, 2017 are not necessarily indicative of the results of operations that may be achieved for the full year. Quarterly results are affected by seasonal variations in CFH's business. As CFH's fluid handling customers seek to fully utilize capital spending budgets before the end of the year, historically its shipments have peaked during the fourth quarter. Also, its European operations typically experience a slowdown during the July, August and December holiday seasons. General economic conditions may, however, impact future seasonal variations.

These financial statements have been prepared solely to demonstrate CFH's historical results of operations, financial position, and cash flows for the indicated periods under Colfax's management. All intercompany balances and transactions within CFH have been eliminated. Transactions and balances between or among CFH and Colfax and its subsidiaries are reflected as related-party transactions within these financial statements.

The accompanying combined financial statements include the assets, liabilities, revenues, and expenses that are directly attributable to CFH. In addition, the combined financial statements include certain costs related to the Business as well as allocations deemed reasonable by management, to present the combined financial position, results of operations, changes in Net Parent investment and cash flows of the Business on a stand-alone basis. The allocation methodologies have been described within the notes to the combined financial statements where appropriate. These methodologies were primarily based on proportionate time and effort, headcount, or direct labor costs incurred by CFH compared to Colfax's other business units. These allocated costs are primarily related to corporate administrative expenses, employee-related costs including benefits for corporate and shared employees, and fees for other corporate services. Income taxes have been accounted for in these financial statements as described in Note 3, "Income Taxes." Pension expenses have been accounted for in these financial statements as described in Note 6, "Defined Benefit Plans."

The financial information included herein may not necessarily reflect the combined financial position, results of operations, changes in equity and cash flows of CFH in the future or what they would have been had the Business been a separate, stand-alone entity during the periods presented.

The Business utilizes the Parent's centralized processes and systems for cash management, payroll, purchasing, and distribution. As a result, substantially all cash received by the Business was deposited in and commingled with the Parent's general corporate funds and is not specifically allocated to CFH. The net results of these cash transactions between the Business and the Parent are reflected as Net parent investment within Equity in the accompanying balance sheets. In addition, the Net Parent investment represents the Parent's interest in the recorded net assets of CFH and represents the cumulative net investment by the Parent in CFH through the dates presented, inclusive of cumulative operating results.

During the three months ended September 30, 2016, the Parent determined that an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar, due to government controls, had restricted CFH's Venezuelan operation's ability to pay dividends and satisfy other obligations denominated in U.S. dollars. In addition, other government-imposed restrictions affecting labor, production, and distribution were prohibiting the Business from controlling key operating decisions. These circumstances caused CFH not to meet the accounting criteria for control in order to continue consolidating its Venezuelan operations.

As a result, the Business deconsolidated its Venezuelan operations as of September 30, 2016 for accounting and reporting purposes. As a result of the deconsolidation, CFH recorded a charge of $1.9 million in Selling, general and administrative expense for the nine months ended September 30, 2016, substantially all of which charge related to accumulated foreign currency translation charges previously included in Accumulated other comprehensive loss. Due to this loss of control, the Business has applied the cost method of accounting for its Venezuelan operations beginning on September 30, 2016. Prior to, and at the date of deconsolidation, the Business's Venezuelan operations represented less than 1% of CFH's net assets, revenues and operating income.

On September 24, 2017, the Parent entered into a definitive purchase agreement to sell the Colfax Fluid Handling business to a third party for estimated aggregate consideration of approximately $860 million. The sale is expected to close during the three months ending December 31, 2017, subject to regulatory approval and other customary conditions.

2. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU outlines a single set of comprehensive principles for recognizing revenue under U.S. GAAP and supersedes existing revenue recognition guidance. The main principle of the ASU is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Business expects to apply ASU No. 2014-09 and its related updates on a full retrospective basis as of January 1, 2018. Based on Business-wide analysis performed to date on the Business's different revenue streams, we expect the adoption of the ASU to impact the timing of revenue recognition related to the identification of additional performance obligations. The adoption of the ASU is not expected to have a material impact on the Combined Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330) - Simplifying the Measurement of Inventory". The ASU requires an entity to measure inventory at the lower of cost and net realizable value, except for inventory that is measured using the last-in, first-out method or the retail inventory method. The Business adopted the ASU during the nine months ended September 29, 2017 on a prospective basis, and it did not have a material impact on the Business's condensed combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The ASU requires, among other things, a lessee to recognize assets and liabilities associated with the rights and obligations attributable to most leases but also recognize expenses similar to current lease accounting. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The new guidance must be adopted using a modified retrospective transition and provides for certain practical expedients. The Business is currently evaluating the impact of adopting the ASU on its Combined Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718)". The ASU, among other things, aims to simplify the accounting for shared-based payment accounting by recording all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and eliminates the requirement that excess tax benefits be realized before they can be recognized. The effect for excess tax benefits not previously recognized will be recorded as a cumulative adjustment to retained earnings pursuant to a modified retrospective adoption method. Excess tax benefits and deficiencies will be accounted for as discrete items in the period the stock awards vest or otherwise are settled. Further, the guidance will require that excess tax benefits be presented as an operating activity on the statement of cash flows consistent with other income tax cash flows. The Business adopted the ASU in the annual period beginning January 1, 2017 and has continued its policy to estimate the amount of awards that are expected to vest. The adoption of ASU 2016-09 will not have a material impact on the Business's Combined Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 203)". The ASU addresses eight specific cash flow issues and clarifies their presentation and classification in the Statement of Cash Flows. The ASU is effective for fiscal years beginning after December 15, 2017 and is to be applied retrospectively with early adoption permitted. The Business is currently evaluating the impact of adopting ASU No. 2016-15 on its Combined Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350)". The ASU modifies the measurement of a goodwill impairment loss from the portion of the carrying amount of goodwill that exceeds its implied fair value to the excess of the carrying amount of a reporting unit that exceeds its fair value. This eliminates step 2 of the goodwill impairment test under current guidance. The ASU will be applied prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Business is currently evaluating the timing of adoption.

3. Income Taxes

During the three and nine months ended September 29, 2017, Income before income taxes was $2.9 million and $24.5 million, respectively, while the Provision for income taxes was $1.3 million and $7.9 million, respectively. The effective tax rates were 44.6% and 32.3% for the three and nine months ended September 29, 2017, respectively. The effective tax rates differ from the U.S. federal statutory rate primarily due to international taxes, which are lower than the U.S. tax rate, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2017.

During the three and nine months ended September 30, 2016, Loss before income taxes was $(10.8) million and $(15.1) million, respectively, while the benefit from income taxes was $(2.6) million and $(2.7) million, respectively. The effective tax rates were 23.7% and 18.0% for the three and nine months ended September 30, 2016, respectively. The effective tax rate differs from the U.S. federal statutory rate primarily due to international tax rates, which are lower than the U.S. tax rate, offset in part by losses in certain jurisdictions where a tax benefit was not expected to be recognized in 2016.

4. Inventories, Net

Inventories, net consisted of the following:

	September 29, 2017	December 31, 2016
	(In thousands)	
Raw materials	$ 29,502	$ 26,628
Work in process	28,527	19,487
Finished goods	17,795	15,640
	75,824	61,755
Less: customer progress payments	(14,566)	(14,624)
Less: allowance for excess, slow-moving and obsolete inventory	(7,976)	(8,246)
Inventories, net	$ 53,282	$ 38,885

5. Accrued Liabilities

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

	September 29, 2017	December 31, 2016
	(In thousands)	
Accrued payroll	$ 18,355	$ 14,658
Accrued taxes	3,160	3,138
Warranty liability - current portion	1,483	1,477
Accrued restructuring liability - current portion	2,297	2,401
Accrued third-party commissions	3,149	2,556
Customer advances	12,707	10,795
Other	199	9,455
Accrued liabilities	$ 41,350	$ 44,480

Warranty Liability

The activity in the Business's warranty liability - current portion consisted of the following:

	Nine Months Ended September 29, 2017	Year Ended December 31, 2016
	(In thousands)	
Warranty liability, beginning of period	$ 1,477	$ 1,772
Accrued warranty expense	1,388	2,283
Changes in estimates related to pre-existing warranties	(119)	51
Cost of warranty service work performed	(1,385)	(2,576)
Foreign exchange translation effect	122	(53)
Warranty liability, end of period	$ 1,483	$ 1,477

Accrued Restructuring Liability

CFH's restructuring programs include a series of actions to reduce the structural costs of the Business. A summary of the activity in the Business's restructuring liability included in Accrued liabilities and Other liabilities in the Condensed Consolidated Balance Sheets is as follows:

	Nine Months Ended September 29, 2017				
	Balance at Beginning of Period	Provisions	Payments	Foreign Currency Translation	Balance at End of Period[3]
			(In thousands)		
Restructuring and other related items:					
Termination benefits[1]	$ 1,922	$ 3,908	$ (3,872)	$ 273	$ 2,231
Facility closure costs[2]	479	(11,536)	11,119	4	66
	$ 2,401	$ (7,628)	$ 7,247	$ 277	$ 2,297

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

[2] Includes the cost of relocating associates, relocating equipment and lease termination expense, net of an $11.7 million gain realized on the sale of a building, in connection with the closure of facilities.

[3] As of September 29, 2017, $2.3 million of the Business's restructuring liability was included in Accrued liabilities.

The Business expects to incur charges of approximately $1.3 million during the remainder of 2017 related to its restructuring activities.

6. Defined Benefit Plans

CFH's salaried employees participate in defined benefit pension plans in the U.S. sponsored by the Parent. These plans include other Parent employees that are not employees of the CFH Business. The Parent also sponsors certain defined contribution plans and provides other post-retirement benefits, including health and life insurance, for certain eligible employees and eligible former employees who have retired from the Business. The Parent allocated to CFH pension and other post-retirement benefits expenses of $2.0 million and $4.5 million for the three and nine months ended September 29, 2017, respectively, and $1.1 million and $4.5 million for the three and nine months ended September 30, 2016, respectively. These costs have been reflected within Selling, general and administrative in the accompanying combined statements of operations. The related U.S. pension assets and liabilities have not been allocated to the Business and have not been presented on the accompanying balance sheet since these are assets and liabilities of the Parent.

Certain CFH legal subsidiaries also sponsor non-U.S. pension plans. The related net liabilities of these plans are legal obligations of CFH and are included on the Condensed Combined Balance Sheets.

7. Financial Instruments and Fair Value Measurements

The carrying values of financial instruments, including Trade receivables and Accounts payable, approximate their fair values due to their short-term maturities. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

A summary of CFH's assets and liabilities that are measured at fair value for each fair value hierarchy level for the periods presented is as follows:

	September 29, 2017			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 12,037	$ —	$ —	$ 12,037
	$ 12,037	$ —	$ —	$ 12,037

	December 31, 2016			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 12,916	$ —	$ —	$ 12,916
Foreign currency contracts related to sales - not designated as hedges	—	137	—	137
	$ 12,916	$ 137	$ —	$ 13,053

Cash equivalents are recorded within Cash and cash equivalents on the Combined Balance Sheets. Other derivative assets are recorded in Other current assets. There were no transfers in or out of Level One, Two or Three during the nine months ended September 29, 2017.

Foreign Currency Contracts

As of September 29, 2017 and December 31, 2016, the Business had foreign currency contracts with the following notional values:

	September 29, 2017	December 31, 2016
	(In thousands)	
Foreign currency contracts sold - not designated as hedges	$ —	$ 1,630
Total foreign currency derivatives	$ —	$ 1,630

Realized gains and losses are included in Interest expense, net and unrealized gains and losses are included in Other comprehensive income (loss). The Business recognized the following in its Combined Financial Statements related to its derivative instruments:

	Three Months Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
	(In thousands)			
Contracts Not Designated in a Hedge Relationship:				
Foreign Currency Contracts - related to customer sales contracts:				
Unrealized loss	$ —	$ (236)	$ —	$ (236)
Realized gain	114	—	114	—
Realized loss on purchase contracts	(202)	—	(90)	—

8. Commitments and Contingencies

Asbestos and Other Product Liability Contingencies

Claims activity since December 31 related to asbestos claims is as follows[1]:

	Nine Months Ended	
	September 29, 2017	September 30, 2016
	(Number of claims)	
Claims unresolved, beginning of period	20,567	20,583
Claims filed[2]	3,450	4,022
Claims resolved[3]	(6,414)	(3,092)
Claims unresolved, end of period	17,603	21,513

[1] Excludes claims filed by one legal firm that have been "administratively dismissed."
[2] Claims filed include all asbestos claims for which notification has been received or a file has been opened.
[3] Claims resolved include all asbestos claims that have been settled, dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.

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

	September 29, 2017	December 31, 2016
	(In thousands)	
Current asbestos insurance receivable	$ —	$ 27,259
Long-term asbestos insurance asset[1]	275,109	266,030
Long-term asbestos insurance receivable[1]	79,417	92,269
Accrued asbestos liability[2]	51,301	48,031
Long-term asbestos liability	308,995	330,194

[1] Included in Long-term asbestos receivable in the Condensed Combined Balance Sheets.

[2] Represents current accruals for probable and reasonably estimable asbestos-related liability costs that the Business believes the subsidiaries will pay, overpayments by certain insurers and unpaid legal costs related to defending themselves against asbestos-related liability claims and legal action against the Business's insurers, which is included in Accrued liabilities in the Condensed Combined Balance Sheets.

Following a Delaware Supreme Court ruling on September 12, 2016, the Business received a total of $26.0 million of previously unreimbursed costs funded by the Business in defense and settlement of asbestos claims from insurance companies during the nine months ended September 29, 2017. Certain matters, including potential interest which could be awarded to a specific subsidiary, are subject to further rulings from the Delaware courts. While the outcome is uncertain, none of these matters is expected to have a material adverse effect on the financial condition, results of operations or cash flows of the Business.

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

Other Litigation Matters

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

9. Related-Party Transactions

Allocated Expenses

CFH has been allocated expenses from the Parent of $9.6 million and $7.8 million for the nine months ended September 29, 2017 and September 30, 2016, respectively, and $3.2 million and $2.6 million for the three months ended September 29, 2017 and September 30, 2016, respectively. These costs from the Parent are derived from multiple levels of the organization including geographic business unit expenses, shared corporate expenses, and other fees. These allocated costs are primarily related to corporate administrative expenses related to Legal, Corporate Development, Human Resources, Finance, and other departmental corporate costs related to activities that provide benefit to CFH as well as Colfax's other business units. The costs associated with these services and support functions have been allocated to the Business using the most meaningful respective allocation methodologies which were primarily based on proportionate level of effort and time spent on FCH matters; proportionate headcount, and proportionate direct labor costs.

All of CFH's transactions with the Parent are considered to be financing transactions, which are presented as Net distributions (to) from affiliates and Parent in the accompanying combined statements of cash flows.

10. Subsequent Events

The Business has evaluated events through November 2, 2017, the date these financial statements were issued, and determined that no subsequent events have occurred that would require recognition in its condensed combined financial statements for the period ended September 29, 2017.

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Exhibit 99.3

CIRCOR International, Inc.
Colfax Fluid Handling
Unaudited Pro Forma
Condensed Combined Financial Statements

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

CIRCOR International, Inc., a Delaware corporation (the “Company” or "CIRCOR"), entered into a Purchase Agreement dated September 24, 2017 (the “Purchase Agreement”) by and between Colfax Corporation, a Delaware corporation (“Colfax”), and the Company. Pursuant to the Purchase Agreement, the Company purchased the fluid handling business of Colfax (the “Business” or “Fluid Handling”) for consideration consisting of $542,000,000 in cash and 3,283,424 unregistered shares of common stock, par value $0.01 per share, of the Company. CIRCOR also assumed the pension liabilities of the Fluid Handling business. The acquisition closed on December 11, 2017. The cash consideration is subject to customary working capital adjustments. The Company financed the cash consideration through a combination of debt financing and cash on hand. Each of the Company and Colfax has agreed to customary representations, warranties and covenants in the Purchase Agreement. The representations and warranties survive for a period of 12 months after the acquisition, subject to specified exceptions. The Purchase Agreement also includes indemnification obligations of both the Company and Colfax in favor of the other party, including for breaches of representations, warranties and covenants included in the Purchase Agreement.

The following unaudited pro forma condensed combined financial information is provided for informational purposes only. The unaudited pro forma condensed combined financial information is not necessarily indicative of what the financial position or results of operations of CIRCOR or Fluid Handling actually would have been if the acquisition of Fluid Handling by the Company had been completed as of and for the periods indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company after consummation of the acquisition.

Pro forma adjustments related to the unaudited pro forma condensed combined income statements give effect to certain events that are (i) directly attributable to the acquisition of Fluid Handling by the Company pursuant to the Purchase Agreement, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. Pro forma adjustments related to the unaudited pro forma condensed combined balance sheet give effect to events that are directly attributable to the Fluid Handling acquisition, and that are factually supportable regardless of whether they have a continuing impact or are non-recurring.

The unaudited pro forma condensed combined financial information is based on a number of other assumptions and estimates and is subject to a number of uncertainties relating to the Fluid Handling acquisition and related matters, including, among other things, estimates, assumptions and uncertainties regarding (1) the estimated fair values of certain assets and liabilities acquired, which are sensitive to assumptions and market conditions, and (2) the amount of the intangible assets and goodwill that will arise from the acquisition.

Unaudited Pro Forma Condensed Combined Financial Information for CIRCOR International, Inc. and Fluid Handling

The following unaudited pro forma condensed combined financial information has been prepared by the Company's management and gives pro forma effect to the completion of the acquisition by the Company of Fluid Handling pursuant to the Purchase Agreement for $685.8 million.

The consideration pursuant to the terms of the Purchase Agreement was $542.0 million in cash and 3.3 million unregistered shares of the Company valued at $143.8 million at closing. The Company also assumed Fluid Handling's pension liability estimated at $154.5 million. The consideration is subject to (i) a working capital adjustment, subject to certain limitations and (ii) decrease for certain transaction expenses of Fluid Handling. The cash consideration paid at closing on December 11, 2017 was approximately $555 million and included amounts paid at closing for estimated adjustments for Fluid Handling's working capital and payment of certain transaction expenses. The Company funded the purchase price and payments at closing from borrowings under a new term loan and revolving credit agreement entered into by the Company and cash on hand.

The following unaudited combined condensed pro forma balance sheet as of October 1, 2017 is based on the individual balance sheets of CIRCOR as of October 1, 2017 and Fluid Handling as of September 29, 2017, giving effect to the financing under the term loan and revolving credit agreement and presented as if the acquisition of Fluid Handling had occurred on October 1, 2017. The unaudited pro forma combined condensed statement of operations of CIRCOR and Fluid Handling for the year ended December 31, 2016 is presented as if the acquisition had taken place on January 1, 2016 and combines the historical results of operations of CIRCOR for the year ended December 31, 2016 with the historical results of operations of Fluid Handling for the year ended December 31, 2016, giving effect to the financing under the term loan and revolving credit agreement.

The unaudited pro forma combined condensed statement of operations of CIRCOR and Fluid Handling for the nine months ended October 1, 2017 is presented as if the acquisition had taken place on January 1, 2016.

The unaudited pro forma combined condensed consolidated financial statements and related notes thereto should be read in conjunction with CIRCOR's historical consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and its Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2017, filed with the Securities and Exchange Commission. In addition, this unaudited combined condensed pro forma information should be read in conjunction with the historical consolidated financial statements of Fluid Handling included within this Amendment No. 1 to Current Report on Form 8-K.

The acquisition is treated as a business combination, in accordance with ASC 805, Business Combinations ("ASC 805"). Accordingly, CIRCOR calculated the fair value of the net assets acquired and consideration transferred. The consideration exceeded the fair value of net assets acquired resulting in CIRCOR recording goodwill equal to the excess consideration. In the unaudited pro forma condensed combined balance sheet, the consideration transferred by the Company to acquire Fluid Handling has been allocated to the assets acquired and liabilities assumed based upon the Company's preliminary estimate of their respective fair values as of the date of the acquisition.

Final fair value allocations have not been completed and will continue to be refined based upon certain valuations and other studies after the closing date of the acquisition. Accordingly, the pro forma adjustments relating to the purchase price allocation are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information and are subject to revision based on a final determination of fair value and changes in the acquired working capital. Thus, the final purchase price allocation may differ in material respects from that presented in the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined statements of operations also include certain purchase accounting adjustments, including items expected to have a continuing impact on the combined results, such as increased depreciation and amortization expense on the assets acquired.

The unaudited pro forma combined condensed financial information conforms Fluid Handling's accounting policies to those of CIRCOR. Fluid Handling's financial information is prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Based on CIRCOR's review of the significant accounting policies of Fluid Handling, any adjustments are expected to be immaterial. A further detailed review is currently being performed, however, the Company has not currently identified any adjustments. At the conclusion of that review, the Company may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements.

Items Not Reflected in the Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined income statements do not include the impacts of any revenue, cost or other operating synergies that may have resulted, or may result in the future, from the acquisition. Therefore, certain revenue and expense amounts will likely be different, both in total and as a percent of overall revenue and expense, in future periods even if the Company were to continue the exact same pricing, service scope, and customer levels as in the past.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of October 1, 2017
in thousands, except per share data

	Historical				
	CIRCOR International	Fluid Handling (A)	Pro Forma Adjustments	Notes	Pro Forma Combined
Cash and cash equivalents	$ 75,627	$ 12,037	$ (17,028)	(B)	$ 70,636
Trade accounts receivable, less allowance for doubtful accounts	130,177	74,520	—		204,697
Inventories	180,285	53,282	13,321	(C)	246,888
Prepaid expenses and other current assets	43,054	24,207	835	(F)	$ 68,096
Total current assets	**429,143**	**164,046**	**(2,872)**		**590,317**
Property, plant, and equipment, net	99,013	73,907	41,993	(D)	214,913
Goodwill	210,685	222,419	166,894	(E)	599,998
Intangibles, net	130,052	14,516	373,484	(E)	518,052
Long-term asbestos receivable	—	354,527	(354,527)	(B)	—
Notes due from Affiliate	—	188,805	(188,805)	(B)	—
Other assets	10,138	40,846	4,379	(F)	55,363
Total assets	**$ 879,031**	**$ 1,059,066**	**$ 40,546**		**$ 1,978,643**
Accounts payable	$ 63,690	$ 55,027	$ —		$ 118,717
Accrued asbestos litigation liability	—	51,301	(51,301)	(B)	—
Accrued expenses and other current liabilities	50,155	41,350	14,993	(K)	106,498
Accrued compensation and benefits	15,384	—	—		15,384
Current portion of long-term debt	5,000	—	—		5,000
Total current liabilities	**134,229**	**147,678**	**(36,308)**		**245,599**
Long-term debt, net	264,026	—	537,009	(F)	801,035
Long-term asbestos litigation liability	—	308,995	(308,995)	(B)	—
Retirement benefits obligation	—	114,225	40,275	(G)	154,500
Notes due to Affiliates	—	160,979	(160,979)	(B)	—
Deferred income taxes	7,929	—	159,593	(H)	167,522
Other non-current liabilities	20,962	3,153	—		24,115
Total liabilities	**427,146**	**735,030**	**230,595**		**1,392,771**
Common Stock	179	—	33	(I)	212
Additional Paid in Capital	293,907	—	143,733	(I)	437,640
Retained earnings	280,441	—	(9,779)	(K)	270,662
Common treasury stock	(74,472)	—	—		(74,472)
Net parent investment	—	440,516	(440,516)	(J)	—
Accumulated Other Comprehensive Income, net of tax	(48,170)	(116,480)	116,480	(J)	(48,170)
Total stockholders' equity	**451,885**	**324,036**	**(190,049)**		**585,872**
Total liabilities and stockholders' equity	**$ 879,031**	**$ 1,059,066**	**$ 40,546**		**$ 1,978,643**

Notes
(in thousands, except per share data)

(A) The historical presentation of Fluid Handling was conformed to CIRCOR's presentation in the unaudited pro forma condensed combined balance sheet and the unaudited pro forma condensed combined statements of operations.

(B) Colfax Corporation ("Seller") retained cash and intercompany balances. Seller also retained all current and future assets and obligations related to asbestos litigation. Adjustment eliminates Fluid Handling's cash, intercompany and asbestos related balances and reduces cash by $4,991 representing the consideration funded by cash on hand.

(C) Adjustment reflects estimated step-up in value of inventory as of October 1, 2017 based on the Company's preliminary assessment of the fair value of assets acquired and liabilities assumed.

(D) Adjustment reflects step-up in property, plant and equipment values based on the Company's preliminary assessment of the fair value of assets acquired and liabilities assumed.

(E) Adjustment reflects the elimination of Fluid Handling's existing intangible values and goodwill and recording the acquired intangible assets and goodwill based on the Company's preliminary assessment of the fair value of assets acquired and liabilities assumed. The consideration is allocated to Fluid Handling's fair value of net assets acquired with the excess consideration allocated to goodwill. The table below represents a preliminary allocation of the consideration based on management's preliminary estimates of the acquisition date fair values:

Consideration		
Cash	$	542,000
Common Stock		143,766
	$	685,766
Accounts Receivable	$	74,520
Inventory		66,603
Prepaid expenses & Other Current Assets		24,207
Property, Plant, & Equipment		115,900
Goodwill		389,313
Intangible Assets		388,000
Other Assets		40,846
Accounts Payable		(55,027)
Accrued Liabilities		(41,350)
Retirement Obligations		(154,500)
Deferred Taxes		(159,593)
Other Non-Current Liabilities		(3,153)
	$	685,766

(in thousands, except per share data)

The identified intangible assets and their related useful lives are as follows:

Identified Intangible Assets	Amount (000's)	Life (Years)
Backlog	$ 22,000	4
Customer relationships	215,000	22
Trademark/trade name	44,000	Indefinite-life
Developed Technology	107,000	20
	$ 388,000	

(F) The Company borrowed $825,000 under its credit facility (term loan of $785,000 and revolver draw of $40,000) to fund the acquisition and related financing costs as well as to repay indebtedness under its previous credit facility. Adjustment reflects the net borrowings and the capitalization of financing costs. Financing costs totaled $29,180, of which $23,965 are reflected as a reduction in its long-term debt balance and $5,214 is recorded as Other Assets ($835 current and $4,379 long-term). Borrowings under this facility (term loan and revolver) bear interest at variable rates which reset every 30 days. Borrowings at the time of the acquisition were at 4.96%. A change in interest rates of 1/8% would result in $773 and $1,031 additional interest expense for a nine- and a twelve-month period, respectively.

(G) Adjustment reflects fair value of pension liability assumed by the Company based on the Company's preliminary assessment of the fair value of assets acquired and liabilities assumed.

(H) Adjustment reflects the establishment of a deferred tax liability relating to the increase in the fair value of assets and liabilities acquired compared to their book value using a 36% expected statutory rate, which does not include the impact of the Tax Cuts and Jobs Act of 2017 ("Tax Reform").

(I) Adjustment reflects 3,283 shares of CIRCOR common stock issued as part of the acquisition at $46.09 per share, net of a 5% fair value reduction due to restrictions on the stock provided in the purchase agreement.

(J) Adjustment reflects elimination of historical equity accounts of the Fluid Handling business.

(K) Adjustment reflects accrual of $14,993 of transaction-related costs. Of that amount, $9,779 is expensed and shown as a reduction of retained earnings and $5,214 is fees related to the revolving credit facility.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the nine months ended October 1, 2017

in thousands, except per share data

	Historical				
	CIRCOR International	**Fluid Handling (A)**	**Pro Forma Adjustments**	**Notes**	**Pro Forma Combined**
Net revenues	$ 456,131	$ 344,197	$ —		$ 800,328
Cost of revenues	314,527	224,880	13,429	(L)	552,836
Gross profit	141,604	119,317	(13,429)		247,492
Selling, general, and administrative expenses	116,425	100,607	(7,586)	(M)	209,446
Special and restructuring charges (recoveries), net	(443)	(7,628)	16,267	(N)	8,196
Operating income	25,622	26,338	(22,110)		29,850
Interest expense, net	6,298	1,820	25,455	(O)	33,573
Other expense (income), net	2,022	—	—		2,022
Income before income taxes	17,302	24,518	(47,565)		(5,745)
(Benefit from) Provision for income taxes	(57)	7,914	(17,123)	(P)	(9,266)
Net income	$ 17,359	$ 16,604	$ (30,442)		$ 3,521
Basic earnings per share	1.05				0.18
Diluted earnings per share	1.04				0.18
Weighted-average shares:					
Basic	16,486		3,283	(Q)	19,769
Diluted	16,721		3,283	(Q)	20,004

Unaudited Pro Forma Condensed Combined Statement of Income

For the twelve months ended December 31, 2016

in thousands, except per share data

	Historical				
	CIRCOR International	Fluid Handling (A)	Pro Forma Adjustments	Notes	Pro Forma Combined
Net revenues	$ 590,259	$ 462,018	$ —		$ 1,052,277
Cost of revenues	407,144	308,748	43,964	(L)	759,856
Gross profit	183,115	153,270	(43,964)		292,421
Selling, general, and administrative expenses	154,818	140,441	(12,639)	(M)	282,620
Asbestos coverage adjustment	—	8,226	(8,226)	(M)	—
Impairment charges	208	—	—		208
Special and restructuring charges (recoveries), net	17,171	15,674	10,362	(N)	43,207
Operating income	10,918	(11,071)	(33,461)		(33,614)
Interest expense, net	3,310	2,461	38,993	(O)	44,764
Other expense (income), net	(2,072)	—	—		(2,072)
Income before income taxes	9,680	(13,532)	(72,454)	(P)	(76,306)
(Benefit from) Provision for income taxes	(421)	1,487	(26,084)		(25,018)
Net income	$ 10,101	$ (15,019)	$ (46,370)		$ (51,288)
Basic earnings per share	0.62				(2.60)
Diluted earnings per share	0.61				(2.60)
Weighted-average shares:					
Basic	16,418		3,283	(Q)	19,701
Diluted	16,536		3,283	(Q)	19,701

(in thousands, except per share data)

(L) Reflects the following adjustments to cost of revenue:

	9 Months Ended October 1, 2017	Year Ended December 31, 2016
Amortization of intangible assets	$ 12,739	$ 29,723
Amortization of inventory step up	—	13,321
Depreciation of fixed assets step up	690	920
	$ 13,429	$ 43,964

The intangible amortization in cost of revenue relates to amortization of the Developed Technology and Backlog intangible assets and depreciation of the stepped-up fixed assets. Amortization expense in these pro forma statements is calculated based on the projected cash flows while deprecation expense is calculated on the straight-line method.

(M) Adjustment removes costs associated with asbestos litigation as Seller retained all assets and obligations related to asbestos litigation.

(N) Adjustment reflects amortization of the Customer Relationships intangible asset and depreciation of the fixed asset step up.

	9 Months Ended October 1, 2017	Year Ended December 31, 2016
Amortization of intangible assets	$ 15,326	$ 9,107
Depreciation of fixed asset step up	941	1,255
Total	$ 16,267	$ 10,362

(O) Adjustment reflects the incremental interest expense from the Company's $825,000 of outstanding debt. Borrowing at the time of the acquisition was at an interest rate of 4.96%.

(P) Adjustment to tax provision to reflect tax impact of the adjustments to the Statements of Operations noted above at an estimated statutory rate of 36%. The pro forma combined provision for income taxes does not reflect the amounts that would have resulted had CIRCOR and Fluid Handling filed consolidated tax returns during the periods presented, nor do they reflect the impact of Tax Reform.

(Q) Adjustment reflects issuance of 3,283 shares of common stock as part of the acquisition, assumed to have been issued as of January 1, 2016 and outstanding for the entire period.