

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Dollars in thousands, except per share amounts

	Year Ended December 31,		
	2016	2015	2014
Net sales	\$ 3,647,047	\$ 3,967,053	\$ 4,624,476
Cost of sales	2,501,396	2,715,279	3,145,631
Gross profit	1,145,651	1,251,774	1,478,845
Selling, general and administrative expense	825,240	905,952	1,011,171
Asbestos coverage adjustment	8,226	—	—
Restructuring and other related charges	74,170	61,177	58,121
Operating income	238,015	284,645	409,553
Interest expense, net	30,016	47,743	51,305
Income before income taxes	207,999	236,902	358,248
Provision for (benefit from) income taxes	62,808	49,724	(62,025)
Net income	145,191	187,178	420,273
Less: income attributable to noncontrolling interest, net of taxes	17,080	19,439	28,175
Net income attributable to Colfax Corporation	128,111	167,739	392,098
Dividends on preferred stock	—	—	2,348
Preferred stock conversion inducement payment	—	—	19,565
Net income attributable to Colfax Corporation common shareholders	\$ 128,111	\$ 167,739	\$ 370,185
Net income per share - basic	\$ 1.04	\$ 1.35	\$ 3.06
Net income per share - diluted	\$ 1.04	\$ 1.34	\$ 3.02

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2016	2015	2014
Net income	\$ 145,191	\$ 187,178	\$ 420,273
Other comprehensive loss:			
Foreign currency translation, net of tax of \$0, \$751 and \$1,885	(330,488)	(317,909)	(356,243)
Unrealized gain on hedging activities, net of tax of \$(8,989), \$19,349 and \$4,141	17,692	11,659	30,404
Changes in unrecognized pension and other post-retirement benefit cost, net of tax of \$9,247, \$6,373 and \$(20,117)	4,810	29,323	(89,920)
Changes in deferred tax related to pension and other post-retirement benefit cost	—	3,817	1,934
Amounts reclassified from Accumulated other comprehensive loss:			
Amortization of pension and other post-retirement net actuarial loss, net of tax of \$3,049, \$3,744 and \$2,063	4,465	7,167	5,034
Amortization of pension and other post-retirement prior service cost, net of tax of \$93, \$115 and \$0	155	133	248
Foreign currency translation adjustment resulting from Venezuela deconsolidation	2,378	—	—
Other comprehensive loss	(300,988)	(265,810)	(408,543)
Comprehensive (loss) income	(155,797)	(78,632)	11,730
Less: comprehensive income (loss) attributable to noncontrolling interest	17,722	(3,347)	15,781
Comprehensive loss attributable to Colfax Corporation	\$ (173,519)	\$ (75,285)	\$ (4,051)

See Notes to Consolidated Financial Statements.

COLFAX CORPORATION
CONSOLIDATED BALANCE SHEETS
Dollars in thousands, except share amounts

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 221,730	\$ 197,469
Trade receivables, less allowance for doubtful accounts of \$41,511 and \$39,505	913,614	888,166
Inventories, net	403,857	420,386
Other current assets	246,396	224,872
Total current assets	1,785,597	1,730,893
Property, plant and equipment, net	604,214	644,536
Goodwill	2,563,326	2,817,687
Intangible assets, net	899,340	995,712
Other assets	532,982	544,091
Total assets	\$ 6,385,459	\$ 6,732,919
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 5,406	\$ 5,792
Accounts payable	605,895	569,445
Customer advances and billings in excess of costs incurred	151,015	195,038
Accrued liabilities	344,358	346,069
Total current liabilities	1,106,674	1,116,344
Long-term debt, less current portion	1,286,738	1,411,755
Other liabilities	898,703	948,264
Total liabilities	3,292,115	3,476,363
Equity:		
Common stock, \$0.001 par value; 400,000,000 shares authorized; 122,780,261 and 123,486,425 issued and outstanding	123	123
Additional paid-in capital	3,199,682	3,199,267
Retained earnings	685,411	557,300
Accumulated other comprehensive loss	(988,345)	(686,715)
Total Colfax Corporation equity	2,896,871	3,069,975
Noncontrolling interest	196,473	186,581
Total equity	3,093,344	3,256,556
Total liabilities and equity	\$ 6,385,459	\$ 6,732,919

See Notes to Consolidated Financial Statements.

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
Dollars in thousands, except share amounts and as noted

	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	\$ Amount	Shares	\$ Amount					
Balance at January 1, 2014	101,921,613	\$ 102	13,877,552	\$ 14	\$ 2,541,005	\$ 19,376	\$ (46,600)	\$ 227,226	\$ 2,741,123
Net income	—	—	—	—	—	392,098	—	28,175	420,273
Distributions to noncontrolling owners	—	—	—	—	—	—	—	(12,007)	(12,007)
Acquisition of shares held by noncontrolling interest	—	—	—	—	15,986	—	(942)	(25,382)	(10,338)
Preferred stock dividend	—	—	—	—	—	(2,348)	—	—	(2,348)
Preferred stock conversion	12,173,291	12	(13,877,552)	(14)	2	(19,565)	—	—	(19,565)
Other comprehensive loss, net of tax of \$(13.8) million and \$(0.2) million	—	—	—	—	—	—	(396,149)	(12,394)	(408,543)
Common stock issuance, net of costs of \$22.1 million	9,200,000	9	—	—	610,354	—	—	—	610,363
Common stock-based award activity	252,674	—	—	—	21,636	—	—	—	21,636
Contribution to defined benefit pension plan	183,000	1	—	—	11,849	—	—	—	11,850
Balance at December 31, 2014	123,730,578	124	—	—	3,200,832	389,561	(443,691)	205,618	3,352,444
Net income	—	—	—	—	—	167,739	—	19,439	187,178
Distributions to noncontrolling owners	—	—	—	—	—	—	—	(15,690)	(15,690)
Other comprehensive loss, net of tax of \$26.2 million and \$0.4 million	—	—	—	—	—	—	(243,024)	(22,786)	(265,810)
Stock repurchase	(986,279)	(1)	—	—	(27,366)	—	—	—	(27,367)
Common stock-based award activity	676,126	—	—	—	22,373	—	—	—	22,373
Contribution to defined benefit pension plan	66,000	—	—	—	3,428	—	—	—	3,428
Balance at December 31, 2015	123,486,425	123	—	—	3,199,267	557,300	(686,715)	186,581	3,256,556
Net income	—	—	—	—	—	128,111	—	17,080	145,191
Distributions to noncontrolling owners	—	—	—	—	—	—	—	(7,830)	(7,830)
Other comprehensive (loss) income, net of tax of \$3.4 million	—	—	—	—	—	—	(301,630)	642	(300,988)
Stock repurchase	(1,000,000)	(1)	—	—	(20,811)	—	—	—	(20,812)
Common stock-based award activity	293,836	1	—	—	21,226	—	—	—	21,227
Balance at December 31, 2016	122,780,261	\$ 123	—	\$ —	\$ 3,199,682	\$ 685,411	\$ (988,345)	\$ 196,473	\$ 3,093,344

See Notes to Consolidated Financial Statements.

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 145,191	\$ 187,178	\$ 420,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment charges	143,258	154,542	174,724
Stock-based compensation expense	19,020	16,321	17,580
Non-cash interest expense	4,176	10,101	9,094
Deferred income tax benefit	(1,682)	(22,717)	(139,488)
Changes in operating assets and liabilities:			
Trade receivables, net	(50,958)	64,048	(19,916)
Inventories, net	19,665	(390)	57,847
Accounts payable	52,308	2,548	(26,038)
Customer advances and billings in excess of costs incurred	(37,210)	(21,094)	(9,754)
Changes in other operating assets and liabilities	(46,794)	(86,724)	(98,564)
Net cash provided by operating activities	246,974	303,813	385,758
Cash flows from investing activities:			
Purchases of fixed assets	(63,251)	(69,877)	(84,458)
Acquisitions, net of cash received	(25,992)	(196,007)	(948,800)
Other, net	7,249	18,927	3,115
Net cash used in investing activities	(81,994)	(246,957)	(1,030,143)
Cash flows from financing activities:			
Borrowings under term credit facility	—	750,000	150,000
Payments under term credit facility	(37,500)	(1,232,872)	(15,542)
Proceeds from borrowings on revolving credit facilities and other	896,742	1,498,039	1,370,626
Repayments of borrowings on revolving credit facilities and other	(978,024)	(1,104,055)	(1,414,146)
Proceeds from issuance of common stock, net	2,206	6,052	613,927
Repurchases of common stock	(20,812)	(27,367)	—
Acquisition of shares held by noncontrolling interest	—	—	(10,338)
Preferred stock conversion inducement payment	—	—	(19,565)
Payments of dividend on preferred stock	—	—	(3,853)
Other	(7,830)	(21,066)	(21,060)
Net cash (used in) provided by financing activities	(145,218)	(131,269)	650,049
Effect of foreign exchange rates on Cash and cash equivalents	4,499	(33,566)	(11,517)
Increase (decrease) in Cash and cash equivalents	24,261	(107,979)	(5,853)
Cash and cash equivalents, beginning of period	197,469	305,448	311,301
Cash and cash equivalents, end of period	\$ 221,730	\$ 197,469	\$ 305,448
Supplemental Disclosure of Cash Flow Information:			
Interest payments	\$ 35,838	\$ 36,363	\$ 42,041
Income tax payments, net	77,104	79,540	82,694

See Notes to Consolidated Financial Statements.