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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 27, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number - 001-34045

Colfax Corporation

(Exact name of registrant as specified in its charter)

Delaware	**54-1887631**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
420 National Business Parkway, 5th Floor Annapolis Junction, Maryland	**20701**
(Address of principal executive offices)	**(Zip Code)**

(301) 323-9000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	CFX	New York Stock Exchange
5.75% Tangible Equity Units	CFXA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of September 27, 2019, there were 117,756,730 shares of the registrant's common stock, par value $.001 per share, outstanding.

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	2
Condensed Consolidated Statements of Operations	2
Condensed Consolidated Statements of Comprehensive Loss	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Equity	5
Condensed Consolidated Statements of Cash Flows	7
Notes to Condensed Consolidated Financial Statements	8
Note 1. General	8
Note 2. Recently Issued Accounting Pronouncements	9
Note 3. Discontinued Operations	11
Note 4. Acquisition	15
Note 5. Revenue	17
Note 6. Net Income (Loss) Per Share from Continuing Operations	18
Note 7. Income Taxes	19
Note 8. Equity	20
Note 9. Inventories, Net	23
Note 10. Leases	23
Note 11. Debt	24
Note 12. Accrued Liabilities	26
Note 13. Net Periodic Benefit Cost - Defined Benefit Plans	28
Note 14. Financial Instruments and Fair Value Measurements	29
Note 15. Commitments and Contingencies	30
Note 16. Segment Information	32
Note 17. Subsequent Events	33
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3. Quantitative and Qualitative Disclosures About Market Risk	50
Item 4. Controls and Procedures	51
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	52
Item 1A. Risk Factors	52
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 3. Defaults Upon Senior Securities	52
Item 4. Mine Safety Disclosures	52
Item 5. Other Information	52
Item 6. Exhibits	53
SIGNATURES	54

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Dollars in thousands, except per share amounts
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Net sales	$ 846,519	$ 524,022	$ 2,439,085	$ 1,618,152
Cost of sales	478,377	352,749	1,433,872	1,070,371
Gross profit	368,142	171,273	1,005,213	547,781
Selling, general and administrative expense	290,500	129,558	846,288	403,370
Restructuring and other related charges	9,781	6,659	47,197	19,643
Operating income	67,861	35,056	111,728	124,768
Pension settlement loss	33,616	—	33,616	—
Interest expense, net	31,828	11,611	86,820	33,455
Loss on short-term investments	—	—	—	10,128
Income (loss) from continuing operations before income taxes	2,417	23,445	(8,708)	81,185
Provision (benefit) for income taxes	(1,353)	6,787	6,840	(4,076)
Net income (loss) from continuing operations	3,770	16,658	(15,548)	85,261
Income (loss) from discontinued operations, net of taxes	9,024	18,544	(486,265)	20,762
Net income (loss)	12,794	35,202	(501,813)	106,023
Less: income attributable to noncontrolling interest, net of taxes	2,320	3,892	8,970	11,721
Net income (loss) attributable to Colfax Corporation	$ 10,474	$ 31,310	$ (510,783)	$ 94,302
Net income (loss) per share - basic				
Continuing operations	$ 0.02	$ 0.14	$ (0.14)	$ 0.69
Discontinued operations	$ 0.06	$ 0.13	$ (3.63)	$ 0.09
Consolidated operations	$ 0.08	$ 0.27	$ (3.77)	$ 0.78
Net income (loss) per share - diluted				
Continuing operations	$ 0.02	$ 0.14	$ (0.14)	$ 0.69
Discontinued operations	$ 0.06	$ 0.13	$ (3.63)	$ 0.09
Consolidated operations	$ 0.08	$ 0.26	$ (3.77)	$ 0.77

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 27, 2019	**September 28, 2018**	**September 27, 2019**	**September 28, 2018**
Net income (loss)	$ 12,794	$ 35,202	$ (501,813)	$ 106,023
Other comprehensive (loss) income:				
Foreign currency translation, net of tax of $1,787, $(2,689), $1,375 and $1,880, respectively	(135,157)	(46,437)	(128,620)	(187,235)
Unrealized gain on hedging activities, net of tax of $4,411, $252, $4,102 and $3,352, respectively	11,757	136	13,413	7,156
Amounts reclassified from Accumulated other comprehensive income:				
Amortization of pension and other post-retirement net actuarial gain (loss), net of tax of $(5,960), $165, $(7,679) and $641, respectively	(12,206)	670	(21,166)	2,503
Amortization of pension and other post-retirement prior service cost	—	1	32	2
Other comprehensive loss	(135,606)	(45,630)	(136,341)	(177,574)
Comprehensive loss	(122,812)	(10,428)	(638,154)	(71,551)
Less: comprehensive (loss) income attributable to noncontrolling interest	(3,384)	(4,524)	5,272	(9,483)
Comprehensive loss attributable to Colfax Corporation	$ (119,428)	$ (5,904)	$ (643,426)	$ (62,068)

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
Dollars in thousands, except share amounts
(Unaudited)

	September 27, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 127,065	$ 77,153
Trade receivables, less allowance for doubtful accounts of $40,864 and $26,844	576,139	386,588
Inventories, net	584,351	359,655
Other current assets	198,232	137,801
Current portion of assets held for sale	2,013,345	997,244
Total current assets	3,499,132	1,958,441
Property, plant and equipment, net	478,806	327,155
Goodwill	2,784,249	1,497,832
Intangible assets, net	2,262,377	628,300
Lease asset - right of use	159,999	—
Other assets	406,709	463,525
Assets held for sale, less current portion	—	1,740,705
Total assets	$ 9,591,272	$ 6,615,958
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 29,654	$ 5,020
Accounts payable	376,406	291,233
Customer advances and billings in excess of costs incurred	16,566	16,827
Accrued liabilities	431,333	274,017
Current portion of liabilities held for sale	651,718	612,248
Total current liabilities	1,505,677	1,199,345
Long-term debt, less current portion	4,002,365	1,192,408
Non-current lease liability	123,238	—
Other liabilities	827,054	651,864
Liabilities held for sale, less current portion	—	95,395
Total liabilities	6,458,334	3,139,012
Equity:		
Common stock, $0.001 par value; 400,000,000 shares authorized; 117,756,730 and 117,275,217 issued and outstanding	118	117
Additional paid-in capital	3,434,617	3,057,982
Retained earnings	496,423	991,838
Accumulated other comprehensive loss	(949,150)	(780,177)
Total Colfax Corporation equity	2,982,008	3,269,760
Noncontrolling interest	150,930	207,186
Total equity	3,132,938	3,476,946
Total liabilities and equity	$ 9,591,272	$ 6,615,958

See Notes to Condensed Consolidated Financial Statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	$ Amount					
Balance at December 31, 2018	117,275,217	$ 117	$ 3,057,982	$ 991,838	$ (780,177)	$ 207,186	$ 3,476,946
Cumulative effect of accounting change	—	—	—	15,368	(15,368)	—	—
Net (loss) income	—	—	—	(52,023)	—	4,021	(48,002)
Distributions to noncontrolling owners	—	—	—	—	—	(2,170)	(2,170)
Noncontrolling interest share repurchase	—	—	(22,409)	—	(21,372)	(48,940)	(92,721)
Other comprehensive income, net of tax of $(413)	—	—	—	—	18,053	4,119	22,172
Issuance of Tangible Equity Units	—	—	377,814	—	—	—	377,814
Common stock-based award activity	283,197	1	7,676	—	—	—	7,677
Balance at March 29, 2019	117,558,414	118	3,421,063	955,183	(798,864)	164,216	3,741,716
Net (loss) income	—	—	—	(469,234)	—	2,629	(466,605)
Distributions to noncontrolling owners	—	—	—	—	—	(2,970)	(2,970)
Noncontrolling interest share repurchase	—	—	(565)	—	410	(211)	(366)
Other comprehensive loss, net of tax of $(1,981)	—	—	—	—	(20,794)	(2,113)	(22,907)
Common stock-based award activity	108,945	—	7,481	—	—	—	7,481
Balance at June 28, 2019	117,667,359	118	3,427,979	485,949	(819,248)	161,551	3,256,349
Net income	—	—	—	10,474	—	2,320	12,794
Distributions to noncontrolling owners	—	—	—	—	—	(7,237)	(7,237)
Other comprehensive loss, net of tax of $193	—	—	—	—	(129,902)	(5,704)	(135,606)
Common stock-based award activity	89,371	—	6,638	—	—	—	6,638
Balance at September 27, 2019	117,756,730	$ 118	$ 3,434,617	$ 496,423	$ (949,150)	$ 150,930	$ 3,132,938

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (CONTINUED)
Dollars in thousands, except share amounts and as noted
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	$ Amount					
Balance at December 31, 2017	123,245,827	$ 123	$ 3,228,174	$ 846,490	$ (574,372)	$ 226,849	$ 3,727,264
Cumulative effect of accounting change, net of tax of $2,808	—	—	—	5,152	(5,152)	—	—
Net income	—	—	—	24,535	—	4,507	29,042
Distributions to noncontrolling owners	—	—	—	—	—	(721)	(721)
Other comprehensive income, net of tax of $(3,573)	—	—	—	—	71,447	6,052	77,499
Common stock-based award activity	231,908	—	8,160	—	—	—	8,160
Balance at March 30, 2018	123,477,735	123	3,236,334	876,177	(508,077)	236,687	3,841,244
Net income	—	—	—	38,457	—	3,322	41,779
Distributions to noncontrolling owners	—	—	—	—	—	(3)	(3)
Other comprehensive loss, net of tax of $11,718	—	—	—	—	(190,603)	(18,840)	(209,443)
Common stock repurchases	(4,604,974)	(4)	(143,898)	—	—	—	(143,902)
Common stock-based award activity	53,153	—	7,765	—	—	—	7,765
Balance at June 29, 2018	118,925,914	119	3,100,201	914,634	(698,680)	221,166	3,537,440
Net income	—	—	—	31,310	—	3,892	35,202
Distributions to noncontrolling owners	—	—	—	—	—	(182)	(182)
Other comprehensive loss, net of tax of $(2,272)	—	—	—	—	(37,214)	(8,416)	(45,630)
Common stock repurchases	(1,844,451)	(2)	(56,096)	—	—	—	(56,098)
Common stock-based award activity	117,986	—	7,590	—	—	—	7,590
Balance at September 28, 2018	117,199,449	$ 117	$ 3,051,695	$ 945,944	$ (735,894)	$ 216,460	$ 3,478,322

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands
(Unaudited)

	Nine Months Ended	
	September 27, 2019	**September 28, 2018**
Cash flows from operating activities:		
Net (loss) income	$ (501,813)	$ 106,023
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Held for sale impairment loss	481,000	—
Depreciation, amortization and other impairment charges	190,577	110,597
Stock-based compensation expense	17,005	18,867
Non-cash interest expense	5,674	3,332
Loss on short-term investments	—	10,128
Deferred income tax benefit	(18,673)	(21,730)
Gain on sale of property, plant and equipment	(140)	(8,211)
Loss on sale of business	—	4,337
Pension settlement loss	77,390	—
Changes in operating assets and liabilities:		
Trade receivables, net	29,071	(51,722)
Inventories, net	(54,256)	(56,951)
Accounts payable	(98,920)	6,486
Income taxes	(39,909)	(12,019)
Customer advances and billings in excess of costs incurred	33,149	18,970
Changes in other operating assets and liabilities	(54,406)	(27,299)
Net cash provided by operating activities	65,749	100,808
Cash flows from investing activities:		
Purchases of property, plant and equipment	(100,383)	(40,247)
Proceeds from sale of property, plant and equipment	7,474	17,758
Acquisitions, net of cash received	(3,136,777)	(83,846)
Sale of short-term investments, net	—	139,480
Proceeds from sale of business, net	—	18,626
Net cash (used in) provided by investing activities	(3,229,686)	51,771
Cash flows from financing activities:		
Payments under term credit facility	(533,437)	(93,750)
Proceeds from borrowings under notes and term credit facility	2,725,000	—
Proceeds from borrowings on revolving credit facilities and other	1,780,085	911,772
Repayments of borrowings on revolving credit facilities and other	(1,136,186)	(722,573)
Payment of debt issuance costs	(24,402)	—
Proceeds from tangible equity units, net	377,814	—
Proceeds from issuance of common stock, net	4,787	4,648
Payment for noncontrolling interest share repurchase	(93,087)	—
Payments for common stock repurchases	—	(200,000)
Other	(9,680)	(1,038)
Net cash provided by (used in) financing activities	3,090,894	(100,941)
Effect of foreign exchange rates on Cash and cash equivalents	(5,216)	(27,757)
(Decrease) increase in Cash and cash equivalents	(78,259)	23,881
Cash and cash equivalents, beginning of period	245,019	262,019
Cash and cash equivalents, end of period	$ 166,760	$ 285,900

See Notes to Condensed Consolidated Financial Statements.

1. General

Colfax Corporation (the “Company” or “Colfax”) is a leading diversified technology company that provides air and gas handling, fabrication technology, and medical device products and services to customers around the world under the Howden, ESAB, and DJO brands.

On May 15, 2019, the Company entered into a definitive equity and asset purchase agreement (the “Purchase Agreement”) with Granite Holdings US Acquisition Co., a Delaware corporation, and Brillant 3047, GmbH, a company organized under the laws of Germany (collectively, the “Purchaser”), which are affiliates of KPS Capital Partners, LP (“KPS”), pursuant to which the Purchaser agreed to purchase certain subsidiaries and assets comprising Colfax’s Air and Gas Handling business. On September 30, 2019, Colfax completed the sale of its Air and Gas Handling business to the Purchaser for an aggregate purchase price of $1.8 billion, including $1.67 billion of cash paid at closing, subject to certain adjustments pursuant to the Purchase Agreement, and the assumption of certain liabilities and minority interests. Accordingly, the accompanying Condensed Consolidated Financial Statements for all periods presented reflect the Air and Gas Handling business as a discontinued operation. See Note 3, “Discontinued Operations”, for further information.

On February 22, 2019, Colfax completed the purchase of DJO Global, Inc. (“DJO”) pursuant to the previously disclosed Agreement and Plan of Merger (the “Merger Agreement”), dated November 19, 2018. Colfax paid an aggregate purchase price of $3.15 billion, subject to certain adjustments set forth in the Merger Agreement (the “Purchase Price”). DJO is a global leader in orthopedic solutions, providing orthopedic devices, reconstructive implants, software and services spanning the full continuum of patient care, from injury prevention to rehabilitation.

On December 11, 2017, the Company completed the sale of its Fluid Handling business (“Fluid Handling”). Accordingly, the accompanying Condensed Consolidated Financial Statements for all periods presented reflect the Fluid Handling business and the remaining asbestos and environmental activity as a discontinued operation. See Note 3, “Discontinued Operations”, for further information.

The Condensed Consolidated Financial Statements included in this quarterly report have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements.

The Condensed Consolidated Balance Sheet as of December 31, 2018 is derived from the Company’s audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the SEC’s rules and regulations for interim financial statements. The Condensed Consolidated Financial Statements included herein should be read in conjunction with the audited financial statements and related footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 Form 10-K”), filed with the SEC on February 21, 2019.

The Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly the Company’s financial position and results of operations as of and for the periods indicated. Intercompany transactions and accounts are eliminated in consolidation.

The Company makes certain estimates and assumptions in preparing its Condensed Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates.

The results of operations for the three and nine months ended September 27, 2019 are not necessarily indicative of the results of operations that may be achieved for the full year. Quarterly results are affected by seasonal variations in the Company’s businesses, and European operations typically experience a slowdown during the July, August and December holiday seasons. General economic conditions may, however, impact future seasonal variations.

2. Recently Issued Accounting Pronouncements

Accounting Guidance Implemented in 2019

Standards Adopted	Description	Effective Date
ASU 2016-02, Leases (Topic 842)	The standard requires 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 standard also requires certain qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases, along with additional key information about leasing arrangements. The Company adopted ASU No. 2016-02, "Leases (Topic 842)", as of January 1, 2019, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at adoption and in comparative periods that approximates the results of a full retrospective approach without restating prior periods. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed historical lease classification to be carried forward. Additionally, the Company elected the practical expedient to consolidate less significant non-lease components into the lease component for all asset classes. The Company made an accounting policy election, as permitted by Topic 842 to only record a right-of-use asset and related liability for leases with an initial term in excess of 12 months. The Company recognizes those lease payments in the Consolidated Statement of Operations on a straight-line basis over the lease term. The Company has recognized a right-of-use asset of $160 million, with corresponding related lease liabilities on the Condensed Consolidated Balance Sheet. For more information, refer to Note 10, "Leases".	January 1, 2019
ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	The standard provides entities the option to reclassify to retained earnings the tax effects resulting from the U.S. Tax Cuts and Jobs Act of 2017 (the "Tax Act") related to items stranded in accumulated other comprehensive income. The guidance was applied retrospectively as of January 1, 2019. As a result of this accounting guidance, $15.4 million of tax benefit formerly booked to Other Comprehensive Income was reclassified to retained earnings.	January 1, 2019

New Accounting Guidance to be Implemented

Standards Pending Adoption	Description	Anticipated Impact	Effective/Adoption Date
ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The ASU eliminates the probable initial recognition threshold under current GAAP and broadens the information an entity must consider when developing its expected credit loss estimates to include forward-looking information. The standard applies to most financial assets held at amortized costs, as well as certain other instruments. Under the current expected credit loss (CECL) model, entities must estimate losses over the entire contractual term of the asset from the date of initial recognition. In determining expected losses, consideration must be given to historical loss experience, current conditions, and reasonable and supportable forecasts incorporating forward looking information.	The Company notes that certain financial assets, which are not reserved for currently, are now in the scope of this ASU. The Company has selected a compliant methodology and is in the process of performing a quantitative assessment of the materiality of the adoption of this ASU. The Company does not intend to early adopt this new guidance.	January 1, 2020
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement	The ASU modifies the disclosure requirements for fair value measurements.	This accounting standard update impacts disclosures only. The Company is currently evaluating the impact of this ASU on its consolidated financial statement disclosures and the timing of adoption.	January 1, 2020
ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	This accounting standard update impacts disclosures only. The Company is currently evaluating the impact of this ASU on its consolidated financial statement disclosures and the timing of adoption.	January 1, 2021

3. Discontinued Operations

Sale of Air and Gas Handling Business

As discussed previously in Note 1, “General,” the Company entered into the Purchase Agreement to sell its Air and Gas Handling business to the Purchaser, and the sale subsequently closed in the Company’s fiscal fourth quarter on September 30, 2019.

The accounting requirements for reporting a business to be divested as a discontinued operation were met as of the end of the second quarter of 2019. Accordingly, the accompanying Condensed Consolidated Financial Statements for all periods presented reflect the Air and Gas Handling business as a discontinued operation. The Air and Gas Handling business had revenues of $998.8 million for the nine months ended September 27, 2019 and $1,473.7 million for the year ended December 31, 2018.

The total consideration for the sale was $1.8 billion, including $1.67 billion in cash paid at closing, subject to certain adjustments pursuant to the purchase agreement, and the assumption of certain liabilities and minority interests.

Based on the purchase price and the carrying value of the net assets being sold, the Company recorded an impairment loss of $481 million in the second quarter of 2019, which is included in Loss from discontinued operations, net of taxes in the Condensed Consolidated Statement of Operations. The impairment loss included a $449 million goodwill impairment charge and a $32 million valuation allowance charge on assets held for sale relating to the initial estimated cost to sell the business. An accumulated other comprehensive loss of approximately $350 million associated with the Air and Gas Handling business was included in the determination of the goodwill impairment charge, which is mostly attributable to the recognition of cumulative foreign currency translation effects from the long-term strengthening of the U.S. Dollar.

The Company reduced the valuation allowance by $8.5 million for amounts paid during the third quarter of 2019. As of September 27, 2019, the remaining valuation allowance for the estimated cost to sell the disposal group was $23.5 million. The Company also performed an impairment assessment of the assets held for sale as of September 27, 2019 and concluded there was no further impairment.

In connection with the Purchase Agreement, the Company and KPS entered into various agreements to provide a framework for their relationship after the disposition, including a transition services agreement. The amounts to be billed for future transition services under the above agreements is not expected to be material to the Company’s results of operations.

The key components of Income (loss) from discontinued operations, net of taxes related to the Air and Gas Handling business for the three and nine months ended September 27, 2019 and September 28, 2018 were as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Net sales	$ 338,885	$ 351,351	$ 998,793	$ 1,063,434
Cost of sales	230,692	251,695	689,004	782,232
Selling, general and administrative expense	65,117	65,275	194,562	196,766
Restructuring and other related charges	4,987	9,257	13,354	21,148
Held for sale impairment loss	—	—	481,000	—
Divestiture-related expense[1]	4,481	—	11,692	—
Operating income (loss)	33,608	25,124	(390,819)	63,288
Interest expense (income)[2]	12,779	(1,726)	38,899	(4,302)
Pension settlement loss	—	—	43,774	—
Income (loss) from discontinued operations before income taxes	20,829	26,850	(473,492)	67,590
Income tax expense	9,809	5,610	5,387	15,566
Income (loss) from discontinued operations, net of taxes	$ 11,020	$ 21,240	$ (478,879)	$ 52,024

(1) Primarily related to professional and consulting fees associated with the divestiture including seller due diligence and preparation of regulatory filings, as well as other disposition-related activities.
(2) The Company reclassified the portion of its interest expense associated with its Term Loan Facilities that is associated with the mandatory repayment using net proceeds from the sale of the business.

Total income attributable to noncontrolling interest related to the Air and Gas Handling business, net of taxes was $1.5 million, $3.5 million, $5.9 million, and $10.0 million for the three months ended September 27, 2019 and September 28, 2018 and the nine months ended September 27, 2019 and September 28, 2018, respectively.

The following table summarizes the major classes of assets and liabilities held for sale that were included in the Company's consolidated balance sheets as of September 27, 2019 and December 31, 2018:

	September 27, 2019	December 31, 2018
	(In thousands)	
ASSETS HELD FOR SALE		
Cash and cash equivalents	$ 39,695	$ 167,866
Trade receivables, less allowance for doubtful accounts of $8,783 and $8,308	520,379	602,830
Inventories, net	155,877	136,880
Other current assets	61,079	89,668
Property, plant, and equipment, net	184,035	176,189
Goodwill	599,544	1,078,785
Intangible assets, net	365,728	384,613
Other assets	110,508	101,118
Valuation allowance on assets held for sale	(23,500)	—
Total assets held for sale	2,013,345	2,737,949
Less: current portion	2,013,345	997,244
Total assets held for sale, less current portion	$ —	$ 1,740,705
LIABILITIES HELD FOR SALE		
Current portion of long-term debt	$ 1,137	$ 1,314
Accounts payable	256,955	349,434
Customer advances and billings in excess of costs incurred	158,324	130,480
Accrued liabilities	140,354	131,020
Other liabilities	94,948	95,395
Total liabilities held for sale	651,718	707,643
Less: current portion	651,718	612,248
Total liabilities held for sale, less current portion	$ —	$ 95,395

Cash provided by operating activities of discontinued operations related to the sale of the Air and Gas Handling business for the nine months ended September 27, 2019 and September 28, 2018 was $18.0 million and $71.7 million, respectively. Cash used in investing activities of discontinued operations related to the sale of the Air and Gas Handling business was $27.5 million and $35.3 million for the nine months ended September 27, 2019 and September 28, 2018, respectively.

Sale of Fluid Handling Business

The Company sold its Fluid Handling business to CIRCOR International, Inc. ("CIRCOR") on December 11, 2017. After certain post-closing adjustments, total consideration for the sale was $860.6 million, consisting of $551.0 million of cash, 3.3 million shares of CIRCOR common stock ("CIRCOR Shares"), and assumption of $168.0 million of net retirement liabilities. All cash consideration was collected as of June 29, 2018.

During the second quarter of 2018, the Company sold its CIRCOR Shares for $139.5 million, net of $5.8 million of underwriters' fees. The related loss of $10.1 million on the disposition of the shares was recorded in Loss on short-term investments in the Consolidated Statements of Operations for the nine months ended September 28, 2018 and was reflected in the Company's continuing operations.

The key components of Loss from discontinued operations related to the Fluid Handling business for the three and nine months ended September 27, 2019 and September 28, 2018 were as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Selling, general and administrative expense[1]	$ 2,637	$ 2,668	$ 7,645	$ 7,262
Divestiture-related expense, net[2]	—	1,013	—	3,371
Operating loss	(2,637)	(3,681)	(7,645)	(10,633)
Loss on disposal	—	—	—	(4,337)
Loss from discontinued operations before income taxes	(2,637)	(3,681)	(7,645)	(14,970)
Income tax (benefit) expense[3]	(641)	(985)	(259)	16,292
Loss from discontinued operations, net of taxes	$ (1,996)	$ (2,696)	$ (7,386)	$ (31,262)

(1) Pursuant to the purchase agreement, the Company retained its asbestos-related contingencies and insurance coverages. However, as the Company did not retain an interest in the ongoing operations of the business subject to the contingencies, the Company has classified asbestos-related activity in its Condensed Consolidated Statements of Operations as part of Loss from discontinued operations. See Note 15, “Commitments and Contingencies” for further information.
(2) Primarily related to professional and consulting fees associated with the divestiture including due diligence and preparation of regulatory filings, as well as employee benefit arrangements and other disposition-related activities.
(3) Income tax expense for the nine months ended September 28, 2018 includes incremental tax expense due to changes in the estimated gain allocation by jurisdiction which was recognized during the three months ended June 29, 2018.

The Company did not have material cash flows for discontinued operations related to the sale of the Fluid Handling business during the nine months ended September 27, 2019 and September 28, 2018.

4. Acquisition

On February 22, 2019, Colfax completed the purchase of DJO Global, Inc. ("DJO") pursuant to the previously disclosed Agreement and Plan of Merger (the "Merger Agreement"), dated November 19, 2018. Colfax paid an aggregate net purchase price of$3.15 billion, subject to certain adjustments set forth in the Merger Agreement (the "Purchase Price"). See Note 8, "Equity" and Note 11, "Debt" for a discussion of the respective financing components of the DJO acquisition.

DJO is a global leader in orthopedic solutions, providing orthopedic devices, reconstructive implants, software and services spanning the full continuum of patient care, from injury prevention to rehabilitation. DJO has approximately 5,000 employees across 18 locations around the world. The acquisition is expected to evolve the Company to higher margins, faster growth, and lower cyclicality, while providing opportunities for significant bolt-on and adjacent acquisitions over time. The value included as Goodwill for this acquisition is reflective of these expected benefits in conjunction with anticipated synergies as the Company uses Colfax Business System ("CBS") to drive further operating improvement, margin expansion, and long-term growth. CBS is the Company's business management system, combining a comprehensive set of tools and repeatable, teachable processes, that the Company uses to create superior value for its customers, shareholders and associates.

During the three and nine months ended September 27, 2019, the Company incurred $0.7 million and $56.7 million, respectively, of advisory, legal, audit, valuation and other professional service fees in connection with the DJO acquisition, which are included in Selling, general and administrative expense in the Condensed Consolidated Statement of Operations. As of September 27, 2019, there was $0.8 million related to these expenses included in Accrued liabilities in the Condensed Consolidated Balance Sheet.

The DJO acquisition was accounted for using the acquisition method of accounting and accordingly, the Condensed Consolidated Financial Statements include the financial position and results of operations from the date of acquisition. The following unaudited proforma financial information presents Colfax's consolidated financial information assuming the acquisition had taken place on January 1, 2018. These amounts are presented in accordance with GAAP, consistent with the Company's accounting policies.

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(Unaudited, in thousands)			
Net sales	$ 846,519	$ 818,073	$ 2,608,251	$ 2,509,669
Net income (loss) from continuing operations attributable to Colfax Corporation	7,676	(3,025)	72,857	39,582

The following table summarizes the Company's current estimate of the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition. These amounts, including inventories, deferred taxes, intangible assets, useful lives of the intangible assets, and property, plant and equipment, are determined based upon certain valuations and studies that have yet to be finalized. Accordingly, the assets acquired and liabilities assumed, as detailed below, are subject to adjustment once the detailed analyses are completed, which could be material. Substantially all of the Goodwill recognized is not expected to be deductible for income tax purposes.

	February 22, 2019
	(In thousands)
Trade receivables	$ 160,234
Inventories	208,619
Property, plant and equipment	170,601
Goodwill	1,301,451
Intangible assets	1,737,000
Accounts payable	(108,540)
Other assets and liabilities, net	(337,402)
Total	3,131,963
Less: net assets attributable to noncontrolling interest	(1,861)
Consideration, net of cash acquired	$ 3,130,102

The following table summarizes preliminary Intangible assets acquired, excluding Goodwill, as of February 22, 2019:

	Intangible Asset	Weighted-Average Amortization Period
	(In thousands)	(Years)
Trademarks	$ 479,000	16
Customer relationships	954,000	14
Acquired technology	304,000	12
Intangible assets	$ 1,737,000	

5. Revenue

The Company's Fabrication Technology segment formulates, develops, manufactures and supplies consumable products and equipment. Substantially all revenue from the Fabrication Technology business is recognized at a point in time. The Company disaggregates its Fabrication Technology revenue into the following product groups:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Equipment	$ 162,531	$ 143,130	$ 525,148	$ 441,994
Consumables	376,697	380,892	1,167,199	1,176,158
Total	$ 539,228	$ 524,022	$ 1,692,347	$ 1,618,152

Contracts with customers in the consumables product grouping generally have a shorter fulfillment period than equipment contracts.

The Company's Medical Technology segment provides products and services spanning the full continuum of patient care, from injury prevention to rehabilitation. The Company's Medical Technology sales are primarily derived from three sales channels including dealers and distributors, insurance, and direct to consumers and hospitals. Substantially all its revenue from the Medical Technology business is recognized at a point in time. The Company disaggregates its Medical Technology revenue into the following product groups:

	Three Months Ended September 27, 2019	Nine Months Ended September 27, 2019
	(In thousands)	
Prevention & Rehabilitation	$ 221,314	$ 533,986
Reconstructive	85,977	212,752
Total	$ 307,291	$ 746,738

Given the nature of the Fabrication Technology and Medical Technology businesses, the total amount of unsatisfied performance obligations with an original contract duration of greater than one year as of September 27, 2019 is immaterial.

The nature of the Company's contracts gives rise to certain types of variable consideration, including rebates, implicit price concessions, and other discounts. The Company includes estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue.

In some circumstances for both over-time and point-in-time contracts, customers are billed in advance of revenue recognition, resulting in contract liabilities. As of December 31, 2018 and 2017, total contract liabilities were $13.0 million and $17.3 million, respectively. During the three and nine months ended September 27, 2019, revenue recognized that was included in the contract liability balance at the beginning of the year was $4.8 million and $13.0 million, respectively. During the three and nine months ended September 28, 2018, revenue recognized that was included in the contract liability balance at the beginning of the year was $0.9 million and $17.3 million, respectively. As of September 27, 2019 and September 28, 2018, total contract liabilities were $15.6 million and $19.5 million, respectively.

6. Net Income (Loss) Per Share from Continuing Operations

Net income (loss) per share from continuing operations was computed as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	**September 28, 2018**	**September 27, 2019**	**September 28, 2018**
	(In thousands, except share data)			
Computation of Net income (loss) per share from continuing operations:				
Net income (loss) from continuing operations attributable to Colfax Corporation [(1)]	$ 2,901	$ 16,231	$ (18,636)	$ 83,520
Weighted-average shares of Common stock outstanding - basic	136,121,017	117,709,725	135,440,566	121,283,339
Net income (loss) per share from continuing operations - basic	$ 0.02	$ 0.14	$ (0.14)	$ 0.69
Computation of Net income (loss) per share from continuing operations - diluted:				
Net income (loss) from continuing operations attributable to Colfax Corporation [(1)]	$ 2,901	$ 16,231	$ (18,636)	$ 83,520
Weighted-average shares of Common stock outstanding - basic	136,121,017	117,709,725	135,440,566	121,283,339
Net effect of potentially dilutive securities - stock options and restricted stock units	929,143	747,211	—	518,179
Weighted-average shares of Common stock outstanding - diluted	137,050,160	118,456,936	135,440,566	121,801,518
Net income (loss) per share from continuing operations - diluted	$ 0.02	$ 0.14	$ (0.14)	$ 0.69

(1) Net income (loss) from continuing operations attributable to Colfax Corporation for the respective periods is calculated using Net income (loss) from continuing operations less the continuing operations component of the income attributable to noncontrolling interest, net of taxes of $0.9 million and $3.1 million for the three and nine months ended September 27, 2019 and $0.4 million and $1.7 million for the three and nine months ended September 28, 2018, respectively.

For the three and nine months ended September 27, 2019, the weighted-average shares of Common stock outstanding - basic includes the impact of 18.4 million shares related to the issuance of Colfax's tangible equity units. See Note 8, "Equity" for details.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the three and nine months ended September 27, 2019 excludes 4.4 million and 4.6 million, respectively, of outstanding stock-based compensation awards as their inclusion would be anti-dilutive.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the three and nine months ended September 28, 2018 excludes 3.5 million of outstanding stock-based compensation awards as their inclusion would be anti-dilutive.

7. Income Taxes

During the three and nine months ended September 27, 2019, Income (loss) from continuing operations before income taxes was $2.4 million and $(8.7) million, respectively, while the income tax (benefit) provision was $(1.4) million and $6.8 million, respectively. The effective tax rates were (56.0)% and (78.5)% for the three and nine months ended September 27, 2019, respectively. The effective tax rate for the three months ended September 27, 2019 differed from the 2019 U.S. federal statutory rate of 21% mainly due to a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2019, and non-deductible deal costs. The effective tax rate for the nine months ended September 27, 2019 differed from the 2019 U.S. federal statutory rate of 21% mainly due to losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2019, $16.7 million of non-deductible deal costs, and an aggregate $9.2 million unfavorable discrete U.S. income tax expense due to a change in valuation allowance and state tax expense as a result of the DJO acquisition, offset in part by a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction.

During the three and nine months ended September 28, 2018, Income from continuing operations before income taxes was $23.4 million and $81.2 million, respectively, while the income tax provision (benefit) was $6.8 million and $(4.1) million, respectively. The effective tax rates were 28.9% and (5.0)% for the three and nine months ended September 28, 2018, respectively. The effective tax rate for the three months ended September 28, 2018 differs from the 2018 U.S. federal statutory rate of 21% mainly due to losses in certain tax jurisdictions where a tax benefit is not expected to be realized in 2018, the net impact of foreign earnings taxed at a higher rate offset in part by the expected realization of U.S. tax credits. The effective tax rate for the nine months ended September 28, 2018 differs from the 2018 U.S. statutory rate of 21% mainly due to the effective settlement of uncertain tax positions, an enacted tax rate change in a foreign jurisdiction, valuation allowance reversals and the expected realization of certain U.S. tax credits, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2018. The Provision for income taxes for the three and nine months ended September 28, 2018 includes $4.4 million and $29.8 million of net discrete tax benefits, respectively.

8. Equity

Share Repurchase Program

On February 12, 2018, the Company's Board of Directors authorized the repurchase of up to $100 million of the Company's Common stock from time-to-time on the open market or in privately negotiated transactions. The Board of Directors increased the repurchase authorization by an additional $100 million on June 6, 2018. On July 19, 2018, the Board of Directors increased the repurchase authorization by another $100 million. The timing, amount and method of shares repurchased is determined by management based on its evaluation of market conditions and other factors.

There were no repurchases made during the nine months ended September 27, 2019. As of September 27, 2019, the remaining stock repurchase authorization provided by the Company's Board of Directors was $100.0 million.

Accumulated Other Comprehensive Loss

The following tables present the changes in the balances of each component of Accumulated other comprehensive loss including reclassifications out of Accumulated other comprehensive loss for the nine months ended September 27, 2019 and September 28, 2018. All amounts are net of tax and noncontrolling interest, if any.

	Accumulated Other Comprehensive Loss Components			
	Net Unrecognized Pension and Other Post-Retirement Benefit Cost	**Foreign Currency Translation Adjustment**	**Unrealized Gain on Hedging Activities**	**Total**
	(In thousands)			
Balance at January 1, 2019	$ (80,794)	$ (752,989)	$ 38,238	$ (795,545)
Other comprehensive income (loss) before reclassifications:				
Foreign currency translation adjustment	859	(120,722)	(304)	(120,167)
Loss on long-term intra-entity foreign currency transactions	—	(4,197)	—	(4,197)
Gain on net investment hedges	—	—	14,258	14,258
Unrealized gain on cash flow hedges	—	—	167	167
Other comprehensive income (loss) before reclassifications	859	(124,919)	14,121	(109,939)
Amounts reclassified from Accumulated other comprehensive loss [(1)]	(22,704)	—	—	(22,704)
Noncontrolling interest share repurchase	—	(20,962)	—	(20,962)
Net Other comprehensive (loss) income	(21,845)	(145,881)	14,121	(153,605)
Balance at September 27, 2019	$ (102,639)	$ (898,870)	$ 52,359	$ (949,150)

	Accumulated Other Comprehensive Loss Components			
	Net Unrecognized Pension and Other Post-Retirement Benefit Cost	Foreign Currency Translation Adjustment	Unrealized Gain on Hedging Activities	Total
	(In thousands)			
Balance at January 1, 2018	$ (84,338)	$ (525,324)	$ 30,138	$ (579,524)
Other comprehensive income (loss) before reclassifications:				
Foreign currency translation adjustment	835	(173,041)	(466)	(172,672)
Gain on long-term intra-entity foreign currency transactions	—	6,777	—	6,777
Gain on net investment hedges	—	—	9,210	9,210
Unrealized loss on cash flow hedges	—	—	(2,191)	(2,191)
Other comprehensive income (loss) before reclassifications	835	(166,264)	6,553	(158,876)
Amounts reclassified from Accumulated other comprehensive loss [1]	2,506	—	—	2,506
Net Other comprehensive income (loss)	3,341	(166,264)	6,553	(156,370)
Balance at September 28, 2018	$ (80,997)	$ (691,588)	$ 36,691	$ (735,894)

[1] Included in the computation of net periodic benefit cost. See Note 13, “Net Periodic Benefit Cost - Defined Benefit Plans” for additional details.

Tangible equity unit (“TEU”) offering

On January 11, 2019, the Company issued $460 million in tangible equity units. The Company offered 4 million of its 5.75% tangible equity units at the stated amount of $100 per unit. An option to purchase up to an additional 600,000 tangible equity units at the stated amount of $100 per unit was exercised in full at settlement. Total cash of $447.7 million was received upon closing.

The proceeds from the issuance of the TEUs were allocated initially to equity and debt based on the relative fair value of the respective components of each TEU as follows:

	TEU prepaid stock purchase contracts	TEU amortizing notes	Total
	(In millions, except per unit amounts)		
Fair value per unit	$ 84.39	$ 15.61	$ 100.00
Gross proceeds	$ 388.2	$ 71.8	$ 460.0
Less: Issuance costs	10.4	1.9	12.3
Net proceeds	$ 377.8	$ 69.9	$ 447.7

The $377.8 million fair value of the prepaid stock purchase contracts was recorded in Additional paid-in capital in the Condensed Consolidated Balance Sheets. The fair value of the $69.9 million of TEU amortizing notes due January 2022 has both a short-term and a long-term component. Upon the issuance of the TEUs, $47.3 million was initially recorded in Long-term debt, less current portion, and $22.6 million was initially recorded in Current portion of long-term debt in the Condensed Consolidated Balance Sheets. The Company deferred certain debt issuance costs associated with the debt component of the TEUs. These amounts offset the debt liability balance in the Condensed Consolidated Balance Sheets and are being amortized over its term.

TEU prepaid stock purchase contracts

Unless previously settled at the holder's option, for each purchase contract the Company will deliver to holders on January 15, 2022 (subject to postponement in certain limited circumstances, the "mandatory settlement date") a number of shares of common stock. The number of shares of common stock issuable upon settlement of each purchase contract (the "settlement rate") will be determined using the arithmetic average of the volume average weighted price for the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding January 15, 2022 ("the Applicable Market Value") with reference to the following settlement rates:

- if the Applicable Market Value of the common stock is greater than the threshold appreciation price of $25.00, then the holder will receive 4.0000 shares of common stock for each purchase contract (the "minimum settlement rate");
- if the Applicable Market Value of the common stock is greater than or equal to the reference price of $20.81, but less than or equal to the threshold appreciation price of $25.00, then the holder will receive a number of shares of common stock for each purchase contract having a value, based on the Applicable Market Value, equal to $100; and
- if the Applicable Market Value of the common stock is less than the reference price of $20.81, then the holder will receive 4.8054 shares of common stock for each purchase contract (the "maximum settlement rate").

TEU amortizing notes

Each TEU amortizing note has an initial principal amount of $15.6099, bears interest at a rate of 6.50% per annum and has a final installment payment date of January 15, 2022. On each January 15, April 15, July 15 and October 15, commencing on April 15, 2019, the Company pays equal quarterly cash installments of $1.4375 per TEU amortizing note (except for the April 15, 2019 installment payment, which was $1.5014 per TEU amortizing note), which will constitute a payment of interest and a partial repayment of principal, and which cash payment in the aggregate per year will be equivalent to 5.75% per year with respect to the $100 stated amount per unit. The Company has paid $13.5 million representing a partial payment of principal and interest on the TEU amortizing notes in 2019. The TEU amortizing notes are the direct, unsecured and unsubordinated obligations of the Company and rank equally with all of the existing and future other unsecured and unsubordinated indebtedness of the Company.

Earnings per share

Unless the 4.6 million stock purchase contracts are redeemed by the Company or settled earlier at the unit holder's option, they are mandatorily convertible into shares of Colfax common stock at not less than 4.0 shares per purchase contract or more than 4.8054 shares per purchase contract on January 15, 2022. This corresponds to not less than 18.4 million shares and not more than 22.1 million shares at the maximum. The 18.4 million minimum shares are included in the calculation of weighted-average shares of Common stock outstanding - basic. The difference between the minimum and maximum shares represents potentially dilutive securities. The Company includes them in its calculation of weighted-average shares of Common stock outstanding - diluted on a pro rata basis to the extent the average Applicable Market Value is higher than the reference price but is less than the conversion price.

Repurchase of noncontrolling interest shares

During the first quarter of 2019, a South Africa consolidated subsidiary of the Company repurchased substantially all of the noncontrolling interest shares from existing shareholders under a general offer. During the second quarter of 2019, the Company completed the repurchase of the remaining noncontrolling interest shares. As a part of the Air and Gas Handling business, this subsidiary is reported within held for sale and its results of operations are included in discontinued operations for all periods presented.

9. Inventories, Net

Inventories, net consisted of the following:

	September 27, 2019	December 31, 2018
	(In thousands)	
Raw materials	$ 121,930	$ 120,383
Work in process	41,777	27,834
Finished goods	482,631	245,571
	646,338	393,788
Less: allowance for excess, slow-moving and obsolete inventory	(61,987)	(34,133)
Inventories, net	$ 584,351	$ 359,655

10. Leases

The Company leases certain office spaces, warehouses, facilities, vehicles, and equipment. Leases with an initial term of twelve months or less are not recorded on the balance sheet. Most leases include renewal options, which can extend the lease term into the future. The Company determines the lease term by assuming options that are reasonably certain of being renewed will be exercised. Certain of the Company's leases include rental payments adjusted for inflation. The right-of-use lease asset and lease liability are recorded on the Condensed Consolidated Balance Sheet, with the current lease liability being included in Accrued liabilities. Operating lease expense approximated cash paid for leases during the nine months ended September 27, 2019.

Quantitative information regarding the Company's leases is as follows:

	Nine Months Ended September 27, 2019
	(In thousands)
Operating lease expense	$ 28,340

	As of September 27, 2019
Future lease payments by year:	(In thousands)
2019	$ 10,468
2020	38,244
2021	30,100
2022	22,416
2023	18,584
Thereafter	65,238
Total	185,050
Less: present value discount	(25,051)
Present value of lease liabilities	$ 159,999

Weighted-average remaining lease term (in years):	
Operating leases	8.1
Weighted-average discount rate:	
Operating leases	3.5%

11. Debt

Long-term debt consisted of the following:

	September 27, 2019	December 31, 2018
	(In thousands)	
Term loans	$ 1,675,826	$ 485,959
Euro senior notes	379,030	395,420
TEU amortizing notes	59,452	—
2024 and 2026 notes	988,715	—
Revolving credit facilities and other	928,996	316,049
Total debt	4,032,019	1,197,428
Less: current portion	(29,654)	(5,020)
Long-term debt	$ 4,002,365	$ 1,192,408

Term Loan Facilities and Revolving Credit Facility

On December 17, 2018, the Company entered into a credit agreement (the "Credit Facility") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Credit Suisse Loan Funding LLC, as syndication agent, and the co-documentation agents named therein. The Credit Facility consists of a revolving credit facility which totals $1.3 billion in commitments (the "Revolver") and a Term A-1 loan in an aggregate amount of $1.2 billion (the "Five Year Term Loan"), each of which matures in five years, and a Term A-2 loan in an aggregate amount of $500 million, which matures in two years (the "Two Year Term Loan" and, together with the Five Year Term Loan, the "Term Loan Facilities"). The Revolver contains a $50 million swing line loan sub-facility.

The initial credit extensions under the Credit Facility were only made available to the Company on the date of consummation of the DJO acquisition, which occurred on February 22, 2019. See Note 4, "Acquisition" for details.

The Term Loan Facilities and the Revolver bear interest, at the Company's election, at either the base rate (as defined in the Credit Facility) or the Eurocurrency rate (as defined in the Credit Facility), in each case, plus the applicable interest rate margin. The Term Loan Facilities and the Revolver initially bear interest either at the Eurocurrency rate plus 1.75% or at the base rate plus 0.75%, and in future quarters will bear interest either at the Eurocurrency rate or the base rate plus the applicable interest rate margin based upon either, whichever results in the lower applicable interest rate margin (subject to certain exceptions), the Company's total leverage ratio and the Company's corporate family credit rating as determined by Standard & Poor's and Moody's (ranging from 1.25% to 2.00%, in the case of the Eurocurrency margin, and 0.25% to 1.00%, in the case of the base rate margin). Each swing line loan denominated in dollars bears interest at the base rate plus the applicable interest rate margin and each swing line loan denominated in any other currency available under the Credit Facility bears interest at the Eurocurrency rate plus the applicable interest rate margin.

Certain of the Company's U.S. subsidiaries agreed to guarantee the Company's obligations under the Credit Facility.

The Credit Facility contains customary covenants limiting the ability of Colfax and its subsidiaries to, among other things, incur debt or liens, merge or consolidate with others, dispose of assets, make investments or pay dividends. In addition, the Credit Facility contains financial covenants requiring Colfax to maintain (subject to certain exceptions) (i) a maximum total leverage ratio, calculated as Consolidated Total Debt (as defined in the Credit Facility) divided by EBITDA (as defined in the Credit Facility) of, initially, 6.00:1.00, with a step-down to 5.50:1.00 at the end of the second and third fiscal quarters following the consummation of the DJO acquisition, 4.75:1.00 at the end of the fourth and fifth fiscal quarters, 4.25:1.00 at the end of the sixth fiscal quarter, 4.00:1.00 at the end of the seventh fiscal quarter, and 3.50:1.00 at the end of the eighth fiscal quarter, and (ii) a minimum interest coverage ratio of 3.00:1:00. The Credit Facility also contains a "springing" collateral provision, which will require the obligations under the Credit Facility to be secured by substantially all personal property of Colfax and its U.S. subsidiaries, subject to customary exceptions, within an agreed period of time if Colfax's total leverage ratio under the Credit Facility is greater than or equal to 3.75:1.00 for two consecutive fiscal quarters following the fourth fiscal quarter ending after consummation of the DJO acquisition. The Credit Facility contains various events of default (including failure to comply with the covenants under the Credit Facility and related agreements) and upon an event of default the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term Loan Facilities and the Revolver. As of September 27, 2019, the Company is in compliance with the covenants under the Credit Facility.

The proceeds of the loans under the Credit Facility were used by the Company to repay in full its preexisting credit agreement (the "DB Credit Agreement") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator, as well as to pay a portion of the consideration paid by the Company in connection with the DJO acquisition and other related fees.

In conjunction with the Credit Facility, the Company recorded a charge to Interest expense, net in the Condensed Consolidated Statement of Operations for the nine months ended September 27, 2019 of $0.8 million to write-off certain original issue discount and deferred financing fees associated with the DB Credit Agreement. In association with the Credit Facility, the Company recorded an aggregate $12.8 million in deferred financing fees, which is being accreted to Interest expense, net primarily using the effective interest method, over the life of the Credit Facility.

As of September 27, 2019, the weighted-average interest rate of borrowings under the Credit Facility was4.22%, excluding accretion of original issue discount and deferred financing fees, and there was $415.0 million available on the Revolver.

The Credit Facility also requires, under certain circumstances, any funds received as net proceeds from the sale of certain of the Company's assets or subsidiaries be used to repay outstanding balances on the Term Loan Facilities, as well as outstanding balances under the Revolver. Accordingly, a corresponding amount of interest associated with the Term Loan Facilities and and Revolver has been included in Loss from discontinued operations, net of taxes on the Condensed Consolidated Statement of Operations. On September 25, 2019, the Company entered into Amendment No. 1 to the Credit Facility, which clarified the pre-payment steps required to be taken with the use of any such net proceeds. Subsequent to the end of the quarter on September 30, 2019, upon the completion of the sale of its Air and Gas Handling business, the Company used $1.65 billion of the proceeds to repay a portion of the Term Loan Facilities and the Revolver.

Euro Senior Notes

On April 19, 2017, the Company issued senior unsecured notes with an aggregate principal amount of€350 million (the "Euro Senior Notes"). The Euro Senior Notes are due in April 2025 and have an interest rate of 3.25%. The proceeds from the Euro Senior Notes offering were used to repay borrowings under the DB Credit Agreement and bilateral credit facilities totaling €283.5 million, as well as for general corporate purposes, and are guaranteed by certain of the Company's domestic subsidiaries (the "Guarantees"). In conjunction with the issuance, the Company recorded $6.0 million of deferred financing fees. The Euro Senior Notes and the Guarantees have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction.

TEU Amortizing Notes

On January 11, 2019, the Company issued $460 million in tangible equity units. The Company offered 4 million of its 5.75% tangible equity units at the stated amount of $100 per unit. An option to purchase up to an additional600,000 tangible equity units at the stated amount of$100 per unit was exercised in full at settlement. Total cash of $447.7 million was received upon closing, comprised of $377.8 million TEU prepaid stock purchase contracts and $69.9 million of TEU amortizing notes due January 2022. The proceeds were used to finance a portion of the purchase price for the DJO acquisition and for general corporate purposes. For more information, refer to Note 8, "Equity."

2024 Notes and 2026 Notes

On February 5, 2019, two tranches of senior notes with aggregate principal amounts of$600 million (the "2024 Notes") and $400 million (the "2026 Notes") were issued by CFX Escrow Corporation, an unaffiliated special purpose finance entity established to issue the notes and incorporated in the State of Delaware, to finance a portion of the DJO acquisition. The 2024 Notes are due on February 15, 2024 and have an interest rate of 6.0%. The 2026 Notes are due on February 15, 2026 and have an interest rate of 6.375%. Upon closing of the DJO acquisition, the Company assumed all of CFX Escrow Corporation's obligations under the 2024 Notes and 2026 Notes. Each tranche of notes is guaranteed by certain of the Company's domestic subsidiaries.

Other Indebtedness

In addition to the debt agreements discussed above, the Company is party to various bilateral credit facilities with a borrowing capacity of$267.4 million. As of September 27, 2019, outstanding borrowings under these facilities were $35.0 million, and had a weighted average borrowing rate of 3.75%.

Additionally, as discussed in Note 8, "Equity", the Company repurchased repurchased substantially all of the noncontrolling interest shares of its South Africa consolidated subsidiary during the first quarter of 2019. During the second quarter of 2019, the Company completed the repurchase of the remaining noncontrolling interest shares. Based on local requirements, the Company was required to enter into a debt arrangement to enact the repurchases. The outstanding loan balance associated with this transaction was repaid in the the second quarter of 2019. As of September 27, 2019, there is no outstanding balance on the Company's Condensed Consolidated Balance Sheets related to this debt arrangement.

The continuing operations of the Company is also party to letter of credit facilities with total capacity of$498.2 million. Total letters of credit of $57.8 million were outstanding as of September 27, 2019.

In total, the Company had deferred financing fees of$26.7 million included in its Condensed Consolidated Balance Sheet as of September 27, 2019, which will be charged to Interest expense, net, primarily using the effective interest method, over the life of the applicable debt agreements.

12. Accrued Liabilities

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

	September 27, 2019	December 31, 2018
	(In thousands)	
Accrued compensation and related benefits	$ 98,623	$ 72,216
Accrued taxes	49,325	55,554
Accrued asbestos-related liability	63,339	56,045
Warranty liability - current portion	15,899	12,312
Accrued restructuring liability - current portion	7,857	5,475
Accrued third-party commissions	27,607	15,765
Lease liability - current portion	36,761	—
Accrued interest	14,551	2,956
Other	117,371	53,694
Accrued liabilities	$ 431,333	$ 274,017

Warranty Liability

The activity in the Company's warranty liability consisted of the following:

	Nine Months Ended	
	September 27, 2019	September 28, 2018
	(In thousands)	
Warranty liability, beginning of period	$ 12,312	$ 10,949
Accrued warranty expense	5,456	5,456
Changes in estimates related to pre-existing warranties	1,256	1,171
Cost of warranty service work performed	(7,783)	(5,900)
Acquisition-related liability	5,356	—
Foreign exchange translation effect	(427)	(478)
Warranty liability, end of period	$ 16,170	$ 11,198

Accrued Restructuring Liability

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

	Nine Months Ended September 27, 2019					
	Balance at Beginning of Period	Acquisitions	Provisions	Payments	Foreign Currency Translation	Balance at End of Period[3]
	(In thousands)					
Restructuring and other related charges:						
Fabrication Technology:						
Termination benefits[1]	$ 5,494	$ —	$ 6,414	$ (8,051)	$ (454)	$ 3,403
Facility closure costs[2]	662	—	5,849	(6,475)	27	63
Fabrication Technology subtotal	6,156	—	12,263	(14,526)	(427)	3,466
Non-cash charges[2]			702			
			12,965			
Medical Technology:						
Termination benefits[1]	—	6,096	4,734	(5,723)	—	5,107
Facility closure costs[2]	—	—	33,026	(21,640)	—	11,386
Medical Technology subtotal	—	6,096	37,760	(27,363)	—	16,493
Total	$ 6,156	$ 6,096	$ 50,023	$ (41,889)	$ (427)	$ 19,959
Non-cash charges[2]			702			
			$ 50,725			

(1) Includes severance and other termination benefits, including outplacement services.

(2) Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities. During the nine months ended September 27, 2019, the Company recorded an $0.7 million non-cash impairment charge for facilities in the Fabrication Technology segment as part of Corporate approved restructuring activities. Restructuring charges in the Medical Technology segment during the nine months ended September 27, 2019 includes costs related to product and distribution channel transformations, facilities optimization, and integration charges. Restructuring charges in the Medical Technology segment also includes $3.5 million classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the nine months ended September 27, 2019.

(3) As of September 27, 2019, $7.9 million and $0.7 million of the Company's restructuring liability was included in Accrued liabilities and Other liabilities, respectively, and $11.4 million was included in Accounts payable.

13. Net Periodic Benefit Cost - Defined Benefit Plans

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

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Pension Benefits - U.S. Plans:				
Service cost	$ 33	$ 20	$ 101	101
Interest cost	1,798	1,155	5,393	4,776
Expected return on plan assets	(2,660)	(2,969)	(7,980)	(8,247)
Amortization	776	606	2,327	2,434
Net periodic benefit income	$ (53)	$ (1,188)	$ (159)	$ (936)
Pension Benefits - Non-U.S. Plans:				
Service cost	$ 427	$ 407	$ 1,105	$ 1,154
Interest cost	2,176	2,928	6,705	9,088
Expected return on plan assets	(2,181)	(3,263)	(6,739)	(10,139)
Settlement loss	33,616	—	33,616	—
Amortization	102	259	287	801
Net periodic benefit cost	$ 34,140	$ 331	$ 34,974	$ 904
Other Post-Retirement Benefits:				
Service cost	$ 1	$ 6	$ 4	$ 19
Interest cost	122	124	366	370
Amortization	(37)	(22)	(112)	(66)
Net periodic benefit cost	$ 86	$ 108	$ 258	$ 323

During the three months ended September 27, 2019, the Company settled a non-U.S. pension plan in its Fabrication Technology segment through a third-party buyout arrangement. As a result of the settlement, the Company is no longer responsible for any liabilities under the plan and recognized a loss of $33.6 million, which is reflected in Pension settlement loss in the Consolidated Statements of Operations.

14. 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 $4.0 billion and $1.2 billion estimated fair value of the Company's debt as of September 27, 2019 and December 31, 2018, respectively, was based on current interest rates for similar types of borrowings and is in Level Two of the fair value hierarchy. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

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

	September 27, 2019			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 17,740	$ —	$ —	$ 17,740
Foreign currency contracts related to sales - not designated as hedges	—	378	—	378
Foreign currency contracts related to purchases - not designated as hedges	—	527	—	527
Deferred compensation plans	—	8,297	—	8,297
	$ 17,740	$ 9,202	$ —	$ 26,942
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	$ —	$ 23	$ —	$ 23
Foreign currency contracts related to purchases - not designated as hedges	—	809	—	809
Deferred compensation plans	—	8,297	—	8,297
	$ —	$ 9,129	$ —	$ 9,129

	December 31, 2018			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 5,388	$ —	$ —	$ 5,388
Foreign currency contracts related to sales - not designated as hedges	—	326	—	326
Foreign currency contracts related to purchases - not designated as hedges	—	325	—	325
Deferred compensation plans	—	7,154	—	7,154
	$ 5,388	$ 7,805	$ —	$ 13,193
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	$ —	$ 133	$ —	$ 133
Foreign currency contracts related to purchases - not designated as hedges	—	557	—	557
Deferred compensation plans	—	7,154	—	7,154
	$ —	$ 7,844	$ —	$ 7,844

There were no transfers in or out of Level One, Two or Three during thenine months ended September 27, 2019.

Foreign Currency Contracts

As of September 27, 2019 and December 31, 2018, the Company had foreign currency contracts with the following notional values:

	September 27, 2019	December 31, 2018
	(In thousands)	
Foreign currency contracts sold - not designated as hedges	$ 24,868	$ 43,510
Foreign currency contracts purchased - not designated as hedges	90,992	75,102
Total foreign currency derivatives	$ 115,860	$ 118,612

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

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Contracts Designated as Hedges:				
Unrealized gain on net investment hedges[1]	$ 12,807	$ 671	$ 14,258	$ 9,210
Contracts Not Designated in a Hedge Relationship:				
Foreign Currency Contracts - related to customer sales contracts:				
Unrealized gain (loss)	423	(476)	215	1,173
Realized loss	(165)	(596)	(1,232)	(49)
Foreign Currency Contracts - related to supplier purchases contracts:				
Unrealized (loss) gain	(732)	174	(81)	(1,631)
Realized gain	1	397	455	73

[1] The unrealized gain on net investment hedges is attributable to the change in valuation of Euro denominated debt.

15. Commitments and Contingencies

For further description of the Company's litigation and contingencies, reference is made to Note 17, "Commitments and Contingencies" in the Notes to the Consolidated Financial Statements in the Company's 2018 Form 10-K. Since the Company did not retain an interest in the ongoing operations of the divested Fluid Handling business, the retained asbestos-related activity has been classified in its Condensed Consolidated Statements of Operations as a component of Loss from discontinued operations, net of taxes.

Asbestos Contingencies

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

	Nine Months Ended	
	September 27, 2019	September 28, 2018
	(Number of claims)	
Claims unresolved, beginning of period	16,417	17,737
Claims filed[1]	3,360	2,982
Claims resolved[2]	(3,604)	(4,450)
Claims unresolved, end of period	16,173	16,269

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

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

	September 27, 2019	December 31, 2018
	(In thousands)	
Current asbestos insurance receivable[1]	$ 24,826	$ —
Long-term asbestos insurance asset[2]	271,095	278,662
Long-term asbestos insurance receivable[2]	43,802	62,523
Accrued asbestos liability[3]	63,339	56,045
Long-term asbestos liability[4]	268,675	288,962

[1] Included in Other current assets in the Condensed Consolidated Balance Sheets.
[2] Included in Other assets in the Condensed Consolidated Balance Sheets.
[3] Represents current accruals for probable and reasonably estimable asbestos-related liability costs that the Company believes the subsidiaries will pay, and unpaid legal costs related to defending themselves against asbestos-related liability claims and legal action against the Company's insurers, which is included in Accrued liabilities in the Condensed Consolidated Balance Sheets.
[4] Included in Other liabilities in the Condensed Consolidated Balance Sheets.

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

Over the next year, the Company expects to be reimbursed for certain asbestos-related costs that were mainly incurred prior to certain court rulings.

Other Litigation Matters

The Company is also involved in other pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings are expected to have a material adverse effect on the financial condition, results of operations or cash flow of the Company. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, management of the Company believes that it will either prevail, has adequate insurance coverage or has established appropriate 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 Company, there could be a material adverse effect on the financial condition, results of operations or cash flow of the Company.

16. Segment Information

Prior to entering into the Purchase Agreement, the Company conducted its operations through three operating segments: Air and Gas Handling, Fabrication Technology, and Medical Technology. Subsequent to the Purchase Agreement date, the Company conducts its continuing operations through two operating segments: Fabrication Technology and Medical Technology, which also represent the Company's reportable segments.

- ***Fabrication Technology*** - a global supplier of welding equipment, cutting equipment, automated welding and cutting systems, and consumables.
- ***Medical Technology*** - a leading provider of orthopedic solutions, providing orthopedic devices, software and services spanning the full continuum of patient care, from injury prevention to rehabilitation.

Certain amounts not allocated to the two reportable segments and intersegment eliminations are reported under the heading "Corporate and other." The Company's management evaluates the operating results of each of its reportable segments based upon Net sales and segment operating income, which represents Operating income before Restructuring and other related charges.

The Company's segment results were as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Net sales:				
Fabrication Technology	$ 539,228	$ 524,022	$ 1,692,347	$ 1,618,152
Medical Technology	307,291	—	746,738	—
	$ 846,519	$ 524,022	$ 2,439,085	$ 1,618,152
Segment operating income[(1)]:				
Fabrication Technology	$ 72,999	$ 55,634	$ 224,574	$ 190,864
Medical Technology	22,456	—	37,743	—
Corporate and other	(14,285)	(13,919)	(99,864)	(46,453)
	$ 81,170	$ 41,715	$ 162,453	$ 144,411

(1) Following is a reconciliation of Income (loss) from continuing operations before income taxes to segment operating income:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(In thousands)			
Income (loss) from continuing operations before income taxes	$ 2,417	$ 23,445	$ (8,708)	$ 81,185
Loss on short-term investments	—	—	—	10,128
Pension settlement loss	33,616	—	33,616	—
Interest expense, net	31,828	11,611	86,820	33,455
Restructuring and other related charges[(1)]	13,309	6,659	50,725	19,643
Segment operating income	$ 81,170	$ 41,715	$ 162,453	$ 144,411

(1) Restructuring and other related charges includes $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

17. Subsequent Events

On September 30, 2019, the Company completed the sale of its Air and Gas Handling business to the Purchaser for $1.8 billion, including $1.67 billion of cash paid at closing and the assumption of certain liabilities and minority interests. The purchase consideration is subject to certain adjustments pursuant to the Purchase Agreement which have not been finalized. The Company does not expect a material impact from adjustments associated with finalizing the purchase consideration. On September 30, 2019, the Company used $1.65 billion of the proceeds, as required by the Credit Facility, to repay a portion of the Term Loan Facilities and the Revolver.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

The following discussion of the financial condition and results of operations of Colfax Corporation ("Colfax," "the Company," "we," "our," and "us") should be read in conjunction with the Condensed Consolidated Financial Statements and related footnotes included in Part I. Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for the quarterly period ended September 27, 2019 (this "Form 10-Q") and the Consolidated Financial Statements and related footnotes included in Part II. Item 8. "Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") filed with the Securities and Exchange Commission (the "SEC") onFebruary 21, 2019.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-Q is filed with the SEC. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding: projections of revenue, profit margins, expenses, tax provisions and tax rates, earnings or losses from operations, impact of foreign exchange rates, cash flows, pension and benefit obligations and funding requirements, synergies or other financial items; plans, strategies and objectives of management for future operations including statements relating to potential acquisitions, compensation plans or purchase commitments; developments, performance or industry or market rankings relating to products or services; future economic conditions or performance; the outcome of outstanding claims or legal proceedings including asbestos-related liabilities and insurance coverage litigation; potential gains and recoveries of costs; assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe," "anticipate," "should," "would," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," "targets," "aims," "seeks," "sees," and similar expressions. These statements are based on assumptions and assessments made by our management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the following:

- changes in the general economy, as well as the cyclical nature of the markets we serve;
- a significant or sustained decline in commodity prices, including oil;
- our ability to identify, finance, acquire and successfully integrate attractive acquisition targets;
- our exposure to unanticipated liabilities resulting from acquisitions;
- our ability and the ability of our customers to access required capital at a reasonable cost;
- our ability to accurately estimate the cost of or realize savings from our restructuring programs;
- the amount of and our ability to estimate our asbestos-related liabilities;
- the solvency of our insurers and the likelihood of their payment for asbestos-related costs;
- material disruptions at any of our manufacturing facilities;
- noncompliance with various laws and regulations associated with our international operations, including anti-bribery laws, export control regulations and sanctions and embargoes;
- risks associated with our international operations, including risks from trade protection measures and other changes in trade relations;

- risks associated with the representation of our employees by trade unions and work councils;
- our exposure to product liability claims;
- potential costs and liabilities associated with environmental, health and safety laws and regulations;
- failure to maintain, protect and defend our intellectual property rights;
- the loss of key members of our leadership team;
- restrictions in our principal credit facility that may limit our flexibility in operating our business;
- impairment in the value of intangible assets;
- the funding requirements or obligations of our defined benefit pension plans and other postretirement benefit plans;
- significant movements in foreign currency exchange rates;
- availability and cost of raw materials, parts and components used in our products;
- new regulations and customer preferences reflecting an increased focus on environmental, social and governance issues, including new regulations related to the use of conflict minerals;
- service interruptions, data corruption, cyber-based attacks or network security breaches affecting our information technology infrastructure;
- risks arising from changes in technology;
- the competitive environment in our industry;
- changes in our tax rates or exposure to additional income tax liabilities, including the effects of the U.S. Tax Cuts and Jobs Act;
- our ability to manage and grow our business and execution of our business and growth strategies;
- the level of capital investment and expenditures by our customers in our strategic markets;
- our financial performance;
- difficulties and delays in integrating the DJO acquisition or fully realizing projected cost savings and benefits of the DJO acquisition; and
- other risks and factors, listed in Item 1A. “Risk Factors” in Part I of our2018 Form 10-K and in this Form 10-Q.

Any such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. These forward-looking statements speak only as of the date this Form 10-Q is filed with the SEC. We do not assume any obligation and do not intend to update any forward-looking statement except as required by law. See Part I. Item 1A. “Risk Factors” in our 2018 Form 10-K for a further discussion regarding some of the reasons that actual results may be materially different from those that we anticipate.

Overview

In February 2019, we completed our acquisition of DJO Global Inc. (“DJO”) for$3.15 billion in cash. The acquisition of DJO has transformed Colfax by creating a new growth platform: Medical Technology.

On May 15, 2019, the Company entered into a definitive equity and asset purchase agreement (the “Purchase Agreement”) with Granite Holdings US Acquisition Co., a Delaware corporation, and Brillant 3047, GmbH, a company organized under the laws of Germany (collectively, the “Purchaser”), which are affiliates of KPS Capital Partners, LP (“KPS”), pursuant to which the Purchaser agreed to purchase certain subsidiaries and assets comprising Colfax’s Air and Gas Handling business. On September 30, 2019, Colfax completed the sale of its Air and Gas Handling business to KPS for an aggregate purchase price of $1.8 billion, including $1.67 billion cash paid at closing, subject to certain adjustments pursuant to the Purchase Agreement, and the assumption of certain liabilities and minority interests.

The Purchase Agreement contains customary representations, warranties and covenants by each party. The covenants relate to, among other things, our ability to compete with the business for a limited period following the closing. We and the Purchaser have agreed to indemnify one another for losses arising from certain breaches of covenants of the parties under the Purchase Agreement and for certain other potential liabilities, subject to certain limitations.

The accounting requirements for reporting the sale of the Air and Gas Handling business as a discontinued operation were met in the second quarter of 2019. Accordingly, the results of operations for the Air and Gas Handling segment have been excluded from the discussion of our results of operations for all periods presented. Refer to Note 3, “Discontinued Operations” in the accompanying Notes to Condensed Consolidated Financial Statements for more information.

Based on the above, we now conduct our continuing operations through two segments: Fabrication Technology and Medical Technology, which also represent our reportable segments.

- ***Fabrication Technology*** - a global supplier of consumable products and equipment for use in the cutting, joining, and automated welding of steel, aluminum, and other metals and metal alloys.

- ***Medical Technology*** - a leading provider of orthopedic solutions, providing orthopedic devices, software and services spanning the full continuum of patient care, from injury prevention to joint replacement to rehabilitation.

Certain amounts not allocated to the two reportable segments and intersegment eliminations are reported under the heading “Corporate and other.”

We have sales, engineering, administrative and production facilities throughout the world. Through our reportable segments, we serve a global customer base across multiple markets through a combination of direct sales and third-party distribution channels. Our customer base is highly diversified in the medical and industrial end markets.

During the third quarter of 2018, Argentina became a highly inflationary economy, resulting in the remeasurement of our Argentinian operations into Brazilian real, the functional currency of its direct parent. Gains and losses from the remeasurement are reflected in earnings. Future impacts to earnings of applying highly inflationary accounting for Argentina on our Consolidated Financial Statements will be dependent upon movements in the applicable exchange rates. As of and for the nine months ended September 27, 2019, the Argentina operation represented approximately 1% of our Total assets and Net sales. The devaluation of the Argentinian peso resulted in a loss of $2.3 million and $3.7 million recognized in the Fabrication Technology segment operating income during the three and nine months ended September 27, 2019, respectively.

Integral to our operations is Colfax Business System (CBS). CBS is our business management system, combining a comprehensive set of tools and repeatable, teachable processes, that we use to create superior value for our customers, shareholders and associates. Rooted in our core values, it is our culture. We believe our management team’s access to, and experience in, the application of CBS is one of our primary competitive strengths.

Results of Operations

The following discussion of Results of Operations addresses the comparison of the periods presented. Our management evaluates the operating results of each of its reportable segments based upon Net sales, Segment operating income, which represents Operating income before Restructuring and other related charges, and Adjusted EBITA as defined in the "Non-GAAP Measures" section.

Items Affecting Comparability of Reported Results

The comparability of our results from continuing operations forthree and nine months ended September 27, 2019 to the comparable 2018 periods is affected by the following additional significant items:

Strategic Acquisitions

We complement our organic growth plans with strategic acquisitions. Acquisitions can significantly affect our reported results, and we report the change in our Net sales between periods both from existing and acquired businesses. The change in Net sales due to acquisitions for the periods presented in this filing represents the incremental sales as a result of acquisitions. During the first quarter of 2019, we completed the acquisition of DJO, creating a new growth platform in the high-margin orthopedic solutions market. This acquisition is the natural next step to make our company less cyclical and provide consistent, growing cash flows to execute our strategy for compounding value creation. During the last quarter of 2018, we completed one acquisition in our Fabrication Technology segment.

Foreign Currency Fluctuations

A significant portion of our Net sales, approximately 57% and 60% for the three and nine months ended September 27, 2019, respectively, were derived from operations outside the U.S., with the majority of those sales denominated in currencies other than the U.S. dollar. Because much of our manufacturing and employee costs are outside the U.S., a significant portion of our costs are also denominated in currencies other than the U.S. dollar. Changes in foreign exchange rates can impact our results of operations and are quantified when significant. Applying the current year foreign exchange rates to the prior year period results reduced reported third quarter of 2018 Net sales and Income from continuing operations before income taxes by approximately3% and 4%, respectively, and reduced reported nine months ended September 28, 2018 Net sales and Income from continuing operations before income taxes by approximately5% and 12%, respectively. The changes in foreign exchange rates since December 31, 2018 also decreased net assets by approximately 4% as of September 27, 2019.

Seasonality

Our European operations typically experience a slowdown during the July, August and December vacation seasons. Sales in our Medical Technology segment typically peak in the fourth quarter. General economic conditions may, however, impact future seasonal variations.

Non-GAAP Measures

Adjusted EBITA

Adjusted EBITA, a non-GAAP performance measure, is included in this report because it is a key metric used by management to assess our operating performance. Adjusted EBITA excludes from Net income (loss) from continuing operations the effect of restructuring and other related charges, acquisition-related intangible asset amortization and other non-cash charges, and strategic transaction costs, as well as provision (benefit) for income taxes, loss on short term investments, interest expense, net and pension settlement loss. We also present Adjusted EBITA margin, which is subject to the same adjustments as Adjusted EBITA. Further, we present Adjusted EBITA (and Adjusted EBITA margin) on a segment basis, where we exclude the impact of restructuring, strategic transaction costs, and acquisition-related amortization and other non-cash charges from segment operating income. Adjusted EBITA assists Colfax management in comparing its operating performance over time because certain items may obscure underlying business trends and make comparisons of long-term performance difficult, as they are of a nature and/or size that occur with inconsistent frequency or relate to discrete restructuring plans that are fundamentally different from the ongoing productivity improvements of the Company. Colfax management also believes that presenting these measures allows investors to view its performance using the same measure that the Company uses in evaluating its financial and business performance and trends.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. The following tables set forth a reconciliation of Net income (loss) from continuing operations, the most directly comparable GAAP financial measure, to Adjusted EBITA.

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(Dollars in millions)			
Net income (loss) from continuing operations (GAAP)	$ 3.8	$ 16.7	$ (15.5)	$ 85.3
Provision (benefit) for income taxes	(1.4)	6.8	6.8	(4.1)
Loss on short-term investments[1]	—	—	—	10.1
Interest expense, net[2]	31.8	11.6	86.8	33.5
Pension settlement loss	33.6	—	33.6	—
Restructuring and other related charges[3]	13.3	6.7	50.7	19.6
Strategic transaction costs[4]	0.9	—	56.7	—
Acquisition-related amortization and other non-cash charges[5]	43.7	8.7	124.1	28.1
Adjusted EBITA (non-GAAP)	$ 125.8	$ 50.4	$ 343.2	$ 172.5
Net income (loss) margin from continuing operations (GAAP)	0.4%	3.2%	(0.6)%	5.3%
Adjusted EBITA margin (non-GAAP)	14.9%	9.6%	14.1 %	10.7%

(1) Loss related to the sale of the Company's CIRCOR shares during the second quarter of 2018.
(2) The nine months ended September 27, 2019 includes $0.8 million of debt extinguishment charges in the first quarter of 2019.
(3) Restructuring and other related charges includes $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.
(4) Includes costs incurred for the acquisition of DJO.
(5) Includes amortization of acquired intangibles and fair value charges on acquired inventory.

The following tables set forth a reconciliation of operating income (loss), the most directly comparable financial statement measure, to Adjusted EBITA by segment for the three and nine months ended September 27, 2019 and three and nine months ended September 28, 2018.

	Three Months Ended September 27, 2019				Nine Months Ended September 27, 2019			
	Fabrication Technology	Medical Technology	Corporate and other	Total	Fabrication Technology	Medical Technology	Corporate and other	Total
	(Dollars in millions)							
Operating income (loss) (GAAP)	$ 68.4	$ 13.7	$ (14.3)	$ 67.9	$ 211.6	$ —	$ (99.9)	$ 111.7
Restructuring and other related charges[(1)]	4.6	8.7	—	13.3	13.0	37.8	—	50.7
Segment operating income (loss)	73.0	22.5	(14.3)	81.2	224.6	37.8	(99.9)	162.5
Strategic transaction costs	—	—	0.9	0.9	—	—	56.7	56.7
Acquisition-related amortization and other non-cash charges	9.2	34.5	—	43.7	26.9	97.2	—	124.1
Adjusted EBITA (non-GAAP)	$ 82.2	$ 56.9	$ (13.4)	$ 125.8	$ 251.4	$ 135.0	$ (43.2)	$ 343.2
Segment operating income (loss) margin (GAAP)	13.5%	7.3%	—%	9.6%	13.3%	5.1%	—%	6.7%
Adjusted EBITA margin (non-GAAP)	15.2%	18.5%	—%	14.9%	14.9%	18.1%	—%	14.1%

(1) Restructuring and other related charges in the Medical Technology segment includes $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

	Three Months Ended September 28, 2018				Nine Months Ended September 28, 2018			
	Fabrication Technology	Medical Technology	Corporate and other	Total	Fabrication Technology	Medical Technology	Corporate and other	Total
	(Dollars in millions)							
Operating income (loss) (GAAP)	$ 49.0	$ —	$ (13.9)	$ 35.1	$ 171.2	$ —	$ (46.5)	$ 124.8
Restructuring and other related charges	6.7	—	—	6.7	19.6	—	—	19.6
Segment operating income (loss)	55.6	—	(13.9)	41.7	190.9	—	(46.5)	144.4
Acquisition-related amortization and other non-cash charges	8.7	—	—	8.7	28.1	—	—	28.1
Adjusted EBITA (non-GAAP)	$ 64.3	$ —	$ (13.9)	$ 50.4	$ 219.0	$ —	$ (46.4)	$ 172.5
Segment operating income (loss) margin (GAAP)	10.6%	—%	—%	8.0%	11.8%	—%	—%	8.9%
Adjusted EBITA margin (non-GAAP)	12.3%	—%	—%	9.6%	13.5%	—%	—%	10.7%

Total Company

Sales

Net sales for the three and nine months ended September 27, 2019 increased as compared with the three and nine months ended September 28, 2018. The following table presents the components of changes in our consolidated Net sales.

	Three Months Ended		Nine Months Ended	
	Net Sales	%	Net Sales	%
	(Dollars in millions)			
For the three and nine months ended September 28, 2018	$ 524.0		$ 1,618.2	
Components of Change:				
Existing Businesses[1]	(3.2)	(0.6)%	41.0	2.5 %
Acquisitions[2]	340.4	65.0 %	856.0	52.9 %
Foreign Currency Translation[3]	(14.7)	(2.8)%	(76.1)	(4.7)%
	322.5	61.5 %	820.9	50.7 %
For the three and nine months ended September 27, 2019	$ 846.5		$ 2,439.1	

[1] Excludes the impact of foreign exchange rate fluctuations and acquisitions, thus providing a measure of growth due to factors such as price, product mix and volume.
[2] Represents the incremental sales as a result of our acquisitions discussed previously.
[3] Represents the difference between prior year sales valued at the actual prior year foreign exchange rates and prior year sales valued at current year foreign exchange rates.

The increase in Net sales during the third quarter of 2019 compared to the third quarter of 2018 is primarily attributed to Net sales from acquisitions. Net sales from our newly-acquired Medical Technology segment were $307.3 million during the third quarter of 2019. Net sales from acquisitions in our Fabrication Technology segment were $33.1 million. Net sales from existing businesses decreased $3.2 million in our Fabrication Technology segment. Fluctuation of foreign currency translation rates had a negative impact of $14.7 million during the quarter due largely to the strengthening of the U.S. dollar relative to other currencies.

The increase in Net sales during the nine months ended September 27, 2019 compared to nine months ended September 28, 2018 is mainly driven by acquisitions and foreign currency translation effects. Acquisitions contributed $746.7 million to the Medical Technology segment and $109.2 million of sales to our Fabrication Technology segment. Net sales from existing businesses increased $41.0 million in our Fabrication Technology segment. Fluctuation of foreign currency translation rates had a negative impact of $76.1 million during the nine months ended September 27, 2019 due largely to the strengthening of the U.S. dollar relative to other currencies.

Operating Results

The following table summarizes our results of continuing operations for the comparable periods.

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(Dollars in millions)			
Gross profit	$ 368.1	$ 171.3	$ 1,005.2	$ 547.8
Gross profit margin	43.5%	32.7%	41.2 %	33.9%
Selling, general and administrative expense	$ 290.5	$ 129.6	$ 846.3	$ 403.4
Operating income	$ 67.9	$ 35.1	$ 111.7	$ 124.8
Operating income margin	8.0%	6.7%	4.6 %	7.7%
Net income (loss) from continuing operations	$ 3.8	$ 16.7	$ (15.5)	$ 85.3
Net income (loss) margin from continuing operations	0.4%	3.2%	(0.6)%	5.3%
Adjusted EBITA (non-GAAP)	$ 125.8	$ 50.4	$ 343.2	$ 172.5
Adjusted EBITA Margin (non-GAAP)	14.9%	9.6%	14.1 %	10.7%
Items excluded from Adjusted EBITA:				
Restructuring and other related charges[(1)]	$ 13.3	$ 6.7	$ 50.7	$ 19.6
Strategic transaction costs	$ 0.9	$ —	$ 56.7	$ —
Acquisition-related amortization and other non-cash charges	$ 43.7	$ 8.7	$ 124.1	$ 28.1
Pension settlement loss	33.6	—	33.6	—
Loss on short-term investments	$ —	$ —	$ —	$ 10.1
Interest expense, net	$ 31.8	$ 11.6	$ 86.8	$ 33.5
Provision (benefit) for income taxes	$ (1.4)	$ 6.8	$ 6.8	$ (4.1)

(1) Restructuring and other related charges includes $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

Third Quarter of 2019 Compared to Third Quarter of 2018

The $196.8 million increase in Gross profit during the third quarter of 2019 in comparison to the third quarter of 2018 was primarily attributable to our newly-acquired Medical Technology segment, which contributed Gross profit of $174.0 million during the third quarter of 2019. Gross profit in our Fabrication Technology segment grew $22.8 million during the third quarter of 2019 in comparison to the third quarter of 2018 due to acquisition-related growth of $11.8 million as well as improved price and restructuring benefits offset slightly by softening of sales volume. Improved Gross profit margin in the third quarter of 2019 compared to third quarter of 2018 was primarily attributed to higher gross margin from our newly-acquired Medical Technology segment.

The $160.9 million increase in Selling, general and administrative expense in the third quarter of 2019 as compared to the third quarter of 2018 was mainly due to the inclusion of $155.1 million in our newly-acquired Medical Technology segment. The $35.0 million increase in acquisition-related amortization and other non-cash charges in the third quarter of 2019 as compared to the third quarter of 2018 was mainly related to the incremental amortization of intangibles and inventory step-up charges, based on preliminary estimates, in our new Medical Technology segment. Restructuring and other related charges increased during the third quarter of 2019 in comparison to the third quarter of 2018, mainly due to restructuring activities in our Medical Technologies segment.

Interest expense, net for the third quarter of 2019 increased by $20.2 million compared to the third quarter of 2018, primarily attributable to increases in debt related to our acquisition of DJO.

The effective tax rate for Income from continuing operations during the third quarter of 2019 was (56.0)%, which was lower than the 2019 U.S. federal statutory tax rate of 21% mainly due to a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2019 and non-deductible deal costs. The effective tax rate for the third quarter of 2018 was 28.9%, which was higher than the 2018 U.S. federal statutory tax rate of 21% mainly due to losses in certain tax jurisdictions where a tax benefit is not expected to be realized in 2018, the net impact of foreign earnings taxed at a higher rate offset in part by the expected realization of U.S. tax credits.

Net income from continuing operations decreased in the third quarter of 2019 as compared to the third quarter of 2018 for the reasons discussed above. Net income margin from continuing operations decreased by 280 basis points during the third quarter of 2019 in comparison to the third quarter of 2018.

The higher Adjusted EBITA in the third quarter of 2019 as compared to the third quarter of 2018 was primarily driven by the contribution from our newly-acquired Medical Technology segment. Adjusted EBITA margin increased by 530 basis points during the third quarter of 2019 in comparison to the third quarter of 2018, mainly attributable to the Adjusted EBITA margin of 18.5% in our Medical Technology segment and margin growth in our Fabrication Technology segment.

Nine Months Ended September 27, 2019 Compared to Nine Months Ended September 28, 2018

The $457.4 million increase in Gross profit during the nine months ended September 27, 2019 in comparison to the nine months ended September 28, 2018 was primarily attributable to our newly-acquired Medical Technology segment, which contributed Gross profit of $410.9 million during the nine months ended September 27, 2019. Gross profit in our Fabrication Technology segment grew $46.5 million during the nine months ended September 27, 2019 in comparison to the nine months ended September 28, 2018 mainly due to acquisition-related growth of $39.7 million. These improvements were partially offset by negative foreign currency exchange translation of $24.4 million. The U.S. dollar strengthened during the nine months ended September 27, 2019 against certain currencies including the United Kingdom Pound, the Euro, and the Brazil Real. Improved Gross profit margin in the nine months ended September 27, 2019 compared to nine months ended September 28, 2018 was primarily attributed to higher gross margin in our newly-acquired Medical Technology segment.

The $442.9 million increase in Selling, general and administrative expense in the nine months ended September 27, 2019 as compared to the nine months ended September 28, 2018 was mainly due to the inclusion of $376.7 million in our newly-acquired Medical Technology segment and $56.7 million of strategic transaction costs included in our Corporate costs in the nine months ended September 27, 2019. The strategic transaction costs mainly relate to our DJO acquisition. The $96.0 million increase in acquisition-related amortization and other non-cash charges in the nine months ended September 27, 2019 as compared to the nine months ended September 28, 2018 was mainly related to the incremental amortization of intangibles and inventory step-up charges, based on preliminary estimates, in our new Medical Technology segment. Restructuring and other related charges increased during the nine months ended September 27, 2019 in comparison to the nine months ended September 28, 2018, mainly due to restructuring activities in our Medical Technologies segment.

Interest expense, net for the nine months ended September 27, 2019 increased by $53.3 million compared to the nine months ended September 28, 2018, primarily attributable to increases in debt related to our acquisition of DJO.

The loss on short term investments during the nine months ended September 28, 2018 was due to the change in fair value and subsequent sale of the CIRCOR Shares received in connection with the Fluid Handling business sale.

The effective tax rate for Loss from continuing operations during the nine months ended September 27, 2019 was (78.5)%, which was lower than the 2019 U.S. federal statutory tax rate of 21% mainly due to losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2019, $16.7 million of non-deductible deal costs, and an aggregate $9.2 million unfavorable discrete U.S. income tax expense due to a change in valuation allowance and state tax expense as a result of the DJO acquisition offset in part by a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction. The effective tax rate for the nine months ended September 28, 2018 was (5.0)%, which was lower than the 2018 U.S. federal statutory tax rate of 21% mainly due to the effective settlement of uncertain tax positions, an enacted tax rate change in a foreign jurisdiction, valuation allowance reversals and the expected realization of certain U.S. tax credits, offset in part by losses in certain jurisdictions where a tax benefit is not expected to be recognized in 2018.

Net (loss) income from continuing operations in the nine months ended September 27, 2019 as compared to the nine months ended September 28, 2018 decreased for the reasons discussed above. Net (loss) income margin from continuing operations decreased by 590 basis points for the nine months ended September 27, 2019 as compared to the nine months ended September 28, 2018.

The higher Adjusted EBITA in the nine months ended September 27, 2019 as compared to the nine months ended September 28, 2018 was primarily driven by the contribution from our newly-acquired Medical Technology segment. Adjusted EBITA margin increased by 340 basis points during the nine months ended September 27, 2019 in comparison to the nine months ended September 28, 2018, mainly attributable to the Adjusted EBITA margin of 18.1% in our Medical Technology segment and margin growth in our Fabrication Technology segment.

Business Segments

As discussed further above, we report results in two reportable segments: Fabrication Technology and Medical Technology.

Fabrication Technology

We formulate, develop, manufacture and supply consumable products and equipment for use in the cutting, joining and automated welding of steel, aluminum and other metals and metal alloys. Our fabrication technology products are marketed under several brand names, most notably ESAB, which we believe is well known in the global cutting and welding industry. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires and fluxes using a wide range of specialty and other materials, and cutting consumables including electrodes, nozzles, shields and tips. ESAB's fabrication technology equipment ranges from portable welding machines to large customized automated cutting and welding systems. Products are sold into a wide range of end markets, including infrastructure, wind power, marine, pipelines, mobile/off-highway equipment, oil, gas, and mining.

The following table summarizes selected financial data for our Fabrication Technology segment:

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	(Dollars in millions)			
Net sales	$ 539.2	$ 524.0	$ 1,692.3	$ 1,618.2
Gross profit	$ 194.1	$ 171.3	$ 594.3	$ 547.8
Gross profit margin	36.0%	32.7%	35.1%	33.9%
Selling, general and administrative expense	$ 121.1	$ 115.6	$ 369.7	$ 356.9
Segment operating income	$ 73.0	$ 55.6	$ 224.6	$ 190.9
Segment operating income margin	13.5%	10.6%	13.3%	11.8%
Adjusted EBITA (Non-GAAP)	$ 82.2	$ 64.3	$ 251.4	$ 219.0
Adjusted EBITA Margin (Non-GAAP)	15.2%	12.3%	14.9%	13.5%
Items excluded from Adjusted EBITA:				
Restructuring and other related charges	$ 4.6	$ 6.7	$ 13.0	$ 19.6
Acquisition-related amortization and other non-cash charges	$ 9.2	$ 8.7	$ 26.9	$ 28.1
Pension settlement loss	$ 33.6	$ —	$ 33.6	$ —

Net sales increased $15.2 million in the third quarter of 2019 compared to the third quarter of 2018. This growth included $33.1 million of acquisition-related growth and a negative foreign currency translation impact of $14.7 million. The growth rate from existing businesses decreased slightly by0.6% due to modest softening of sales volume offset by increased customer prices that addressed higher material and other inflation costs. Gross profit increased in the third quarter of 2019 as compared to the third quarter of 2018 mainly due to acquisition-related growth as well as improved price and restructuring benefits, offset slightly by lower sales volumes. Gross profit margin increased when compared to the same period in 2018, mainly due to the impact of favorable price increases and restructuring benefits offset partially by inflation and a less favorable product mix. Selling, general and administrative expense increased in the third quarter of 2019 compared to the third quarter of 2018, mainly attributable to $10.4 million of acquisition-related growth partially offset by foreign currency translation impact. The higher Segment operating

income and Adjusted EBITA in the third quarter of 2019 compared to third quarter of 2018 were mainly the result of higher Gross profit partially offset by the increase in Selling, general and administrative expense. Segment operating income margin and Adjusted EBITA margin both increased due to favorable price increases and restructuring benefits. Restructuring and other related charges decreased during the third quarter of 2019 in comparison to the third quarter of 2018, as a result of a different pace of our cost reduction programs.

Net sales increased $74.1 million in the nine months ended September 27, 2019 compared to the nine months ended September 28, 2018. This growth included $41.0 million from existing businesses across all regions, $109.2 million of acquisition-related growth and a negative foreign currency translation impact of $76.1 million. The growth rate from existing businesses included 3.7% from increased customer prices to address higher material and other inflation costs slightly offset by modest softening of sales volume. Gross profit increased in the nine months ended September 27, 2019 as compared to the nine months ended September 28, 2018 mainly due to acquisition-related growth. Gross profit margin increased slightly when compared to the same period in 2018, mainly due to the impact of favorable price increases being partially offset by negative foreign currency translation impact, inflation, and a less favorable mix of products sold. Selling, general and administrative expense increased in the nine months ended September 27, 2019 compared to the nine months ended September 28, 2018, mainly attributable to $28.3 million of acquisition-related growth partially offset by foreign currency translation impact. The higher Segment operating income and Adjusted EBITA in the nine months ended September 27, 2019 compared to nine months ended September 28, 2018 were mainly the result of higher Gross profit partially offset by the increase in Selling, general and administrative expense. Segment operating income margin and Adjusted EBITA margin both increased due to favorable price increases and lower Selling, general and administrative expenses as a percentage of Net sales. Restructuring and other related charges decreased during the nine months ended September 27, 2019 in comparison to the nine months ended September 28, 2018, as a result of a different pace of our cost reduction programs.

During the third quarter of 2019, we settled a non-U.S. pension plan in the Fabrication Technology segment through a third-party buyout arrangement. As a result of the settlement, a loss of $33.6 million was recognized.

Medical Technology

We develop, manufacture and distribute high-quality medical devices and services across the continuum of patient care from injury prevention to joint replacement to rehabilitation after surgery, injury or from degenerative disease, enabling people to regain or maintain their natural motion. Our products are used by orthopedic specialists, spine surgeons, primary care physicians, pain management specialists, physical therapists, podiatrists, chiropractors, athletic trainers and other healthcare professionals. Our products primarily include orthopedic braces, rehabilitation devices, footwear, surgical implants, and bone growth stimulators.

The following table summarizes the selected financial data for our Medical Technology segment:

	Three Months Ended September 27, 2019	From February 22, 2019 to September 27, 2019
	(Dollars in millions)	
Net sales	$ 307.3	$ 746.7
Gross profit	174.0	410.9
Gross profit margin	56.6%	55.0%
Selling, general and administrative expense	$ 155.1	$ 376.7
Segment operating income	$ 22.5	$ 37.8
Segment operating income margin	7.3%	5.1%
Adjusted EBITA (Non-GAAP)	$ 56.9	$ 135.0
Adjusted EBITA Margin (Non-GAAP)	18.5%	18.1%
Items excluded from Adjusted EBITA:		
Restructuring and other related charges[(1)]	$ 8.7	$ 37.8
Acquisition-related amortization and other non-cash charges	$ 34.5	$ 97.2

(1) Restructuring and other related charges includes $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

Net sales for our Medical Technology segment in the third quarter of 2019 and on a year-to-date basis since the acquisition date compared to the same periods in 2018 increased primarily due to organic growth which we have estimated to approximate 4.5% for the three months ended September 27, 2019. Year over year comparison of the other selected financial data above is not practical. Profit margins in the third quarter of 2019 compared to second quarter of 2019 have improved as a result of cost reductions and productivity improvements beginning to take hold. Third quarter of 2019 and year-to-date acquisition-related amortization and other non-cash charges includes inventory fair value charges of $1.4 million and $20.1 million, respectively.

Liquidity and Capital Resources

Overview

We have financed our capital and working capital requirements through a combination of cash flows from operating activities, various borrowings and the issuances of equity. We expect that our primary ongoing requirements for cash will be for working capital, funding of acquisitions, capital expenditures, restructuring, and asbestos-related cash outflows. We believe we could raise additional funds in the form of debt or equity if it was determined to be appropriate for strategic acquisitions or other corporate purposes. Subsequent to the end of the quarter on September 30, 2019, the sale of our Air and Gas Handling business was completed and we used $1.65 billion of the proceeds, as required by the Credit Facility, to repay a portion of the Term Loan Facilities and the Revolver.

Equity Capital

On February 12, 2018, the Company's Board of Directors authorized the repurchase of up to $100 million of our Common stock from time-to-time on the open market or in privately negotiated transactions. The Board of Directors increased the repurchase authorization by an additional $100 million on June 6, 2018, and again for an additional $100 million on July 19, 2018. The timing, amount, and method of shares repurchased is determined by management based on its evaluation of market conditions and other factors.

There were no repurchases made during the nine months ended September 27, 2019. As of September 27, 2019, the remaining stock repurchase authorization provided by our Board of Directors was $100.0 million.

Term Loan Facilities and Revolving Credit Facility

On December 17, 2018, we entered into a credit agreement (the "Credit Facility") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Credit Suisse Loan Funding LLC, as syndication agent, and the co-documentation agents named therein. The Credit Facility consists of a revolving credit facility which totals $1.3 billion in commitments (the "Revolver") and a Term A-1 loan in an aggregate amount of $1.2 billion (the "Five Year Term Loan"), each of which matures in five years, and a Term A-2 loan in an aggregate amount of $500 million, which matures in two years (the "Two Year Term Loan" and, together with the Five Year Term Loan, the "Term Loan Facilities"). The Revolver contains a $50 million swing line loan sub-facility.

The initial credit extensions under the Credit Facility were only made available to us on the date of consummation of the DJO acquisition, which occurred on February 22, 2019. See Note 4, "Acquisition" in the accompanying Notes to Condensed Consolidated Financial Statements for details.

We used the proceeds of the loans under the Credit Facility to repay in full our preexisting credit agreement (the "DB Credit Agreement") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company identified therein, as guarantors, each of the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swing line lender and global coordinator, as well as to pay a portion of the consideration paid by the Company in connection with the DJO acquisition and other related fees.

The Credit Facility also requires that any funds received as net proceeds from the sale of any of the Company's subsidiaries be used to repay outstanding balances on the Term Loan Facilities and Revolver. Accordingly, a corresponding amount of interest associated with the Term Loan Facilities and Revolver has been included in Loss from discontinued operations, net of taxes on the Condensed Consolidated Statement of Operations. On September 25, 2019, the Company entered into Amendment No. 1 to the Credit Facility, which outlined pre-payment steps that are required to be taken with the use of any proceeds. Subsequent to the end of the quarter on September 30, 2019, upon the completion of the sale of its Air and Gas Handling business, the Company used $1.65 billion of the proceeds to repay a portion of the Term Loan Facilities and Revolver.

As of September 27, 2019, we are in compliance with the covenants under the Credit Facility.

As of September 27, 2019, the weighted-average interest rate of borrowings under the Credit Facility was 4.22%, excluding accretion of original issue discount and deferred financing fees, and there was $415.0 million of available capacity on the Revolver.

Euro Senior Notes

On April 19, 2017, we issued senior unsecured notes with an aggregate principal amount of€350 million (the "Euro Senior Notes"). The Euro Senior Notes are due in April 2025 and have an interest rate of 3.25%. The proceeds from the Euro Senior Notes offering were used to repay borrowings under our DB Credit Agreement and bilateral credit facilities totaling €283.5 million, as well as for general corporate purposes, and are guaranteed by certain of our domestic subsidiaries (the "Guarantees"). The Euro Senior Notes and the Guarantees have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction.

2022 Tangible Equity Units

On January 11, 2019, we issued $460 million in tangible equity units. We offered 4 million of its 5.75% tangible equity units at the stated amount of $100 per unit. An option to purchase up to an additional 600,000 tangible equity units at the stated amount of $100 per unit was exercised in full at settlement. Total cash of $447.7 million was received upon closing, comprised of $377.8 million TEU prepaid stock purchase contracts and $69.9 million of TEU amortizing notes due January 2022. The proceeds were used to finance a portion of the purchase price for the DJO acquisition and for general corporate purposes. Refer to Note 8, "Equity" in the accompanying Notes to Condensed Consolidated Financial Statements for more information.

2024 Notes and 2026 Notes

On February 5, 2019, CFX Escrow Corporation, an unaffiliated special purpose finance entity established to issue the notes and incorporated in the State of Delaware, issued two tranches of senior notes with aggregate principal amounts of $600 million (the "2024 Notes") and $400 million (the "2026 Notes") to finance a portion of the DJO acquisition. The 2024 Notes are due on February 15, 2024 and have an interest rate of 6.0%. The 2026 Notes are due on February 15, 2026 and have an interest rate of 6.375%. Upon closing of the acquisition, we assumed all of CFX Escrow Corporation's obligations under the 2024 Notes and 2026 Notes. Each tranche of notes is guaranteed by certain of our domestic subsidiaries.

Other Indebtedness

In addition, we are party to various bilateral credit facilities with a borrowing capacity of$267.4 million. As of September 27, 2019, outstanding borrowings under these facilities total $35.0 million, with a weighted average borrowing rate of3.75%.

The continuing operations of the Company are also party to letter of credit facilities with total capacity of$498.2 million. Total letters of credit of $57.8 million were outstanding as of September 27, 2019.

Repurchase of Noncontrolling Interest

During the first quarter of 2019, a South Africa consolidated subsidiary of the Company repurchased repurchased substantially all of the noncontrolling interest shares from existing shareholders under a general offer. During the second quarter of 2019, we completed the repurchase of the remaining noncontrolling interest shares. Based on local requirements, the entity was required to enter into a debt arrangement to enact the repurchases. During the second quarter of 2019, the outstanding loan balance associated with this transaction was repaid.

We believe that our sources of liquidity are adequate to fund our operations for the next twelve months.

Cash Flows

As of September 27, 2019, we had $166.8 million of Cash and cash equivalents, a decrease of $78.2 million from $245.0 million as of December 31, 2018. The Cash and cash equivalents as of September 27, 2019 and December 31, 2018 include $39.7 million and $167.9 million, respectively, related to the Air and Gas Handling business, which are reported in Current portion of assets held for sale in the Condensed Consolidated Balance Sheets. The following table summarizes the change in Cash and cash equivalents during the periods indicated:

	Nine Months Ended	
	September 27, 2019	September 28, 2018
	(In millions)	
Net cash provided by operating activities	$ 65.7	$ 100.8
Purchases of property, plant and equipment, net	(100.4)	(40.2)
Proceeds from sale of property, plant and equipment	7.5	17.8
Acquisitions, net of cash received	(3,136.8)	(83.8)
Proceeds from sale of business, net	—	18.6
Sale of short term investment, net	—	139.5
Net cash (used in) provided by investing activities	(3,229.7)	51.8
Proceeds from borrowings, net	2,811.1	95.4
Payment for noncontrolling interest share repurchase	(93.1)	—
Proceeds from tangible equity units, net	377.8	—
Payments for common stock repurchases	—	(200.0)
Other	(4.9)	3.6
Net cash provided by (used in) financing activities	3,090.9	(100.9)
Effect of foreign exchange rates on Cash and cash equivalents	(5.2)	(27.8)
(Decrease) increase in Cash and cash equivalents	$ (78.3)	$ 23.9

Cash provided by operating activities of discontinued operations related to the sale of the Air and Gas Handling business for the nine months ended September 27, 2019 and September 28, 2018 was $18.0 million and $71.7 million, respectively. Cash used in investing activities of discontinued operations related to the sale of the Air and Gas Handling business for the nine months ended September 27, 2019 and September 28, 2018 was $27.5 million and $35.3 million, respectively.

We did not have material cash flows for discontinued operations related to the sale of the Fluid Handling business during the nine months ended September 27, 2019 and September 28, 2018.

Cash flows from operating activities can fluctuate significantly from period-to-period due to changes in working capital and the timing of payments for items such as pension funding and asbestos-related costs. Changes in significant operating cash flow items, inclusive of activities for our discontinued operations, are discussed below.

- During the nine months ended September 27, 2019, $56.7 million of strategic transaction costs were paid, mainly related to the DJO acquisition, which negatively impacted our operating cash flow for the period.

- Net cash received or paid for asbestos-related costs, net of insurance proceeds, including the disposition of claims, defense costs and legal expenses related to litigation against our insurers, creates variability in our operating cash flows. During the nine months ended September 27, 2019, we had net asbestos cash outflows of $18.5 million. During the nine months ended September 28, 2018, we had net asbestos cash outflows of $13.7 million.

- Funding requirements of our defined benefit plans, including pension plans and other post-retirement benefit plans, can vary significantly from period-to-period due to changes in the fair value of plan assets and actuarial assumptions. For the nine months ended September 27, 2019 and September 28, 2018, cash contributions for defined benefit plans were $6.4 million and $30.6 million, respectively.

- During the nine months ended September 27, 2019 and September 28, 2018, net cash payments of $65.5 million and $34.6 million, respectively, were made for our restructuring initiatives.

- Changes in net working capital also affected the operating cash flows for the periods presented. We define working capital as Trade receivables, net and Inventories, net reduced by Accounts payable and Customer advances and billings in excess of costs incurred. During the nine months ended September 27, 2019, net working capital consumed cash of $90.1 million, before the impact of foreign exchange. This use of cash included an estimated $40 million one-time effort to bring DJO suppliers into payment terms consistent with our normal practices, as well as to eliminate a DJO accounts receivable factoring program. The remaining cash usage primarily related to an increase in inventory levels due to growth in certain product lines, as well as strategic purchases to address global tariffs and support DJO operational transformation projects. During the nine months ended September 28, 2018, net working capital consumed cash of $83.2 million, before the impact of foreign exchange, primarily due to an increase in inventory levels and receivables, partially offset by an increase in payables, all of which resulted from an organic increase in Net sales.

- Working capital for the nine months ended September 27, 2019 and September 28, 2018 reflect normal seasonal changes.

Cash flows used in investing activities during the nine months ended September 27, 2019 include the DJO acquisition. During the nine months ended September 28, 2018, cash flows provided by investing activities reflect proceeds from the sale of CIRCOR common stock and proceeds from the divestiture of the Fluid Handling business.

Cash flows provided by financing activities for the nine months ended September 27, 2019 were impacted by proceeds from borrowings on newly-acquired debt and issuance of tangible equity units in conjunction with the DJO acquisition, partially offset by the repurchases of all noncontrolling interest shares of a subsidiary in South Africa. Cash flows used in financing activities for the nine months ended September 28, 2018 were impacted by the repurchase of approximately 6.4 million shares of our Common stock for $200.0 million.

Our Cash and cash equivalents as of September 27, 2019 include $119.5 million held in jurisdictions outside the U.S. We currently do not intend nor foresee a need to repatriate these funds. If, however, we elect to repatriate future earnings from foreign jurisdictions, such repatriation remittances may be subject to taxes, other local statutory restrictions and minority partner distributions.

Critical Accounting Policies

The methods, estimates and judgments that we use in applying our critical accounting policies have a significant impact on our results of operations and financial position. We evaluate our estimates and judgments on an ongoing basis. Our estimates are based upon our historical experience, our evaluation of business and macroeconomic trends and information from other outside sources, as appropriate. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates, and different assumptions or estimates about the future could have a material impact on our results of operations and financial position.

We adopted ASU No. 2016-02, “Leases (Topic 842)”, as of January 1, 2019, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at adoption and in comparative periods that approximates the results of a full retrospective approach without restating prior periods. In addition, we elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed historical lease classification to be carried forward. Additionally, we elected the practical expedient to consolidate less significant non-lease components into the lease component for all asset classes. We made an accounting policy election, as permitted by Topic 842 to only record a right-of-use asset and related liability for leases with an initial term in excess of 12 months. We recognize those lease payments in the Consolidated Statement of Operations on a straight-line basis over the lease term.

There have been no other significant additions to the methods, estimates and judgments included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” in our 2018 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in short-term interest rates, foreign currency exchange rates and commodity prices that could impact our results of operations and financial condition. We address our exposure to these risks through our normal operating and financing activities. We do not enter into derivative contracts for trading purposes.

Interest Rate Risk

We are subject to exposure from changes in short-term interest rates related to interest payments on our borrowing arrangements. A significant amount of our borrowings as of September 27, 2019, are variable-rate facilities based on LIBOR or EURIBOR. In order to mitigate our interest rate risk, we may enter into interest rate swap or collar agreements. A hypothetical increase in interest rates of 1.00% during the three and nine months ended September 27, 2019 would have increased Interest expense by approximately $9.6 million and $25.5 million, respectively.

Exchange Rate Risk

We have manufacturing sites throughout the world and sell our products globally. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar and against the currencies of other countries in which we manufacture and sell products and services. During the three and nine months ended September 27, 2019, approximately 57% and 60%, respectively, of our sales were derived from operations outside the U.S. We have significant manufacturing operations in European countries that are not part of the Eurozone. Sales are more highly weighted toward the Euro and U.S. dollar. We also have significant contractual obligations in U.S. dollars that are met with cash flows in other currencies as well as U.S. dollars. To better match revenue and expense as well as cash needs from contractual liabilities, we regularly enter into cross currency swaps and forward contracts.

We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries. Euro denominated borrowings under the Credit Facility and Euro Senior Notes provide a natural hedge to a portion of our European net asset position. The effect of a change in currency exchange rates on our net investment in international subsidiaries, net of the translation effect of the Company's Euro denominated borrowings, is reflected in the Accumulated other comprehensive loss component of Equity. A 10% depreciation in major currencies, relative to the U.S. dollar as of September 27, 2019 (net of the translation effect of our Euro denominated borrowings) would result in a reduction in Equity of approximately $332 million.

We also face exchange rate risk from transactions with customers in countries outside the U.S. and from intercompany transactions between affiliates. Although we use the U.S. dollar as our functional currency for reporting purposes, we have manufacturing sites throughout the world, and a substantial portion of our costs are incurred and sales are generated in foreign currencies. Costs incurred and sales recorded by subsidiaries operating outside of the U.S. are translated into U.S. dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, we have more sales in European currencies than we have expenses in those currencies. Although a significant portion of this difference is hedged, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively.

We have generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will, therefore, continue to affect the reported amount of sales, profit, assets and liabilities in our Condensed Consolidated Financial Statements.

Commodity Price Risk

We are exposed to changes in the prices of raw materials used in our production processes. Commodity futures contracts are periodically used to manage such exposure. As of September 27, 2019, our open commodity futures contracts were not material.

See Note 14, "Financial Instruments and Fair Value Measurements" in our Notes to Condensed Consolidated Financial Statements included in this Form 10-Q for additional information regarding our derivative instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 27, 2019. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report on Form 10-Q has been recorded, processed, summarized and reported as of the end of the period covered by this report on Form 10-Q.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company completed the DJO acquisition on February 22, 2019. Management considers this transaction to be material to the Company's consolidated financial statements and believes that the internal controls and procedures of DJO have a material effect on the Company's internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of DJO into our internal controls over financial reporting and extending our compliance program under the Sarbanes-Oxley Act of 2002 to include DJO. The Company will report on its assessment of the consolidated operations within the time period provided by the Exchange Act and the applicable SEC rules and regulations concerning business combinations.

Other than the DJO acquisition noted above, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Discussion of legal proceedings is incorporated by reference to Note 15, “Commitments and Contingencies,” in the Notes to Condensed Consolidated Financial Statements included in Part I. Item 1. “Financial Statements” of this Form 10-Q.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. Other than as a result of the sale of the Air and Gas Handling business, there have been no material changes to the risk factors included in “Part I. Item 1A. Risk Factors” in our 2018 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.01*	Amended and Restated Certificate of Incorporation.
3.02**	Colfax Corporation Amended and Restated Bylaws.
10.1	Amendment No. 1 to Credit Agreement dated as of September 25, 2019.
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - The cover page from this Quarterly Report on Form 10-Q for the quarter ended September 27, 2019 is formatted in Inline XBRL (included as Exhibit 101).

* Incorporated by reference to Exhibit 3.01 to Colfax Corporation’s Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012.

** Incorporated by reference to Exhibit 3.02 to Colfax Corporation’s Form 10-Q (File No. 001-34045) as filed with the SEC on July 23, 2015.

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 thereunto duly authorized.

Registrant: Colfax Corporation

By:

/s/ Matthew L. Trerotola	President and Chief Executive Officer	
Matthew L. Trerotola	(Principal Executive Officer)	October 31, 2019
/s/ Christopher M. Hix	Senior Vice President, Finance,	
Christopher M. Hix	Chief Financial Officer (Principal Financial Officer)	October 31, 2019
/s/ Douglas J. Pitts	Vice President	
Douglas J. Pitts	Controller and Chief Accounting Officer (Principal Accounting Officer)	October 31, 2019

Exhibit 10.1

EXECUTION VERSION

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement, dated as of September 25, 2019 (this " Amendment") is among Colfax Corporation, a Delaware corporation (the "Borrower"), the financial institutions listed on the signature pages hereof as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the " Administrative Agent"). Capitalized terms not otherwise defined herein having the definitions provided therefor in the Credit Agreement referenced below.

WHEREAS, the Borrower, the other Loan Parties party thereto, the financial institutions from time to time party thereto as Lenders, and the Administrative Agent are parties to that certain Credit Agreement, dated as of December 17, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent agree to certain amendments to the Credit Agreement; and

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

1. Amendments to the Credit Agreement.

(a) Subject to the satisfaction of the conditions precedent set forth in Section 2 below:

(i) Section 1.01 of the Credit Agreement is hereby amended to add the following new definitions thereto in the appropriate alphabetical order:

"Amendment No. 1 Effective Date" means September 25, 2019.

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Covered Party" has the meaning assigned to it in Section 9.19.

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"QFC Credit Support" has the meaning assigned to it in Section 9.19.

"Supported QFC" has the meaning assigned to it in Section 9.19.

"U.S. Special Resolution Regime" has the meaning assigned to it in Section 9.19.

(ii) Section 2.11(a) of the Credit Agreement is hereby amended to add the parenthetical "(or such shorter period of time as the Administrative Agent may agree)" immediately following the words "three (3) Business Days" appearing in clause (i) of the second sentence thereof.

(iii) Section 2.11(c) of the Credit Agreement is hereby amended and restated to read as follows:

"During the Asset Sale Prepayment Period, in the event and on each occasion that any Net Proceeds are received by or on behalf of the Borrower or any of its Subsidiaries in respect of any Prepayment Event, the Borrower shall, within five (5) Business Days after such Net Proceeds are received, prepay the Term Loans in an aggregate amount equal to 100% of such Net Proceeds or, if less, the amount of such Net Proceeds which causes the Total Leverage Ratio calculated on a pro forma basis for the most recent Measurement Period (after giving effect (including pro forma effect) to all mandatory prepayments made pursuant to this Section 2.11(c) since the end of the most recent Measurement Period) not to exceed 3.50 to 1.00; provided that, if the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that the Borrower or its relevant Subsidiaries intend to apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 365 days after receipt of such Net Proceeds, to reinvest in assets used or useful in the business of the Borrower and/or its Subsidiaries, and certifying that no Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds specified in such certificate; provided further that to the extent of any such Net Proceeds therefrom that have not been so applied by the end of such 365-day period (or within a period of 180 days thereafter if by the end of such initial 365-day period the Borrower or one or more Subsidiaries shall have entered into an agreement with an unaffiliated third party to acquire such assets with such Net Proceeds), at which time a prepayment shall be required in an amount equal to such Net Proceeds that have not been so applied. All mandatory prepayment amounts pursuant to this Sections 2.11(c) shall be applied, first, to the Term A-2 Loans, second, to installments of the Term A-1 Loans in direct order of maturity for the next four (4) scheduled payments pursuant to Section 2.10(b) and, third, to the remaining scheduled installments of the Term A-1 Loans pursuant to Section 2.10(b) on a pro rata basis. Notwithstanding the foregoing, if the Bridge Facility is funded, none of the Term Loans shall be required to be prepaid pursuant to this Section 2.11(c) to the extent the Net Proceeds of any Prepayment Event are used to repay any amounts outstanding under the Bridge Facility. For purposes of the foregoing, "Asset Sale Prepayment Period" means the period commencing on the Trigger Date and ending on the first subsequent date, if any, on which either of the following conditions is satisfied: (i) the Total Leverage Ratio is less than or equal to 3.50 to 1.00 as of the last day of any Measurement Period occurring after the Trigger Date or (ii) the Total

Leverage Ratio calculated on a pro forma basis for the most recent Measurement Period (after giving effect (including pro forma effect) to all mandatory prepayments made pursuant to this Section 2.11(c) since the end of the most recent Measurement Period) shall not exceed 3.50 to 1.00. Notwithstanding the foregoing, on and after the Amendment No. 1 Effective Date, (i) in the event and on each occasion that any Net Proceeds received by or on behalf of the Borrower or any of its Subsidiaries in respect of a Prepayment Event constituting Dispositions of the Specified Sale Process Assets, the Borrower shall, to the extent a prepayment is required pursuant to the foregoing requirements of this Section 2.11(c), within five (5) Business Days after such Net Proceeds are received, prepay the Loans and apply such Net Proceeds as follows: (x) $500,000,000 of such Net Proceeds shall be applied to the Term A-2 Loans, (y) $352,000,000 of such Net Proceeds shall be applied to the Term A-1 Loans first, to installments of the Term A-1 Loans in direct order of maturity for the next four (4) scheduled payments pursuant to Section 2.10(b) and, second, to the remaining scheduled installments of the Term A-1 Loans pursuant to Section 2.10(b) on a pro rata basis and (z) the balance of such Net Proceeds shall be applied to outstanding Revolving Borrowings as directed by the Borrower; (ii) in the event and on each occasion that any Net Proceeds received by or on behalf of the Borrower or any of its Subsidiaries in respect of a Prepayment Event constituting Dispositions of the Specified Assets, the Borrower shall, to the extent a prepayment is required pursuant to the foregoing requirements of this Section 2.11(c), within five (5) Business Days after such Net Proceeds are received, prepay the Loans and apply such Net Proceeds as elected by the Borrower to (x) the remaining scheduled installments of the Term A-1 Loans pursuant to Section 2.10(b) on a pro rata basis, or (y) the outstanding Revolving Borrowings in such order of application as directed by the Borrower, or (z) to a combination of the foregoing."

(iv) A new Section 9.19 is hereby added to the Credit Agreement to read as follows:

SECTION 9.19 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a " Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are

permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) Immediately upon the effectiveness of the amendments set forth in clause (a) above and pursuant to the permission provided in Section 9.02(f) of the Credit Agreement for the Administrative Agent and the Borrower to make amendments to cure certain mistakes or other defects, the Administrative Agent and the Borrower hereby agree that the parenthetical set forth in clause (b)(iii) of Section 9.02 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "(other than (x) any reduction of the amount of, or any extension of the payment date for, the mandatory prepayments required under Section 2.11(b), which shall only require the approval of the Required Revolving Lenders, (y) any reduction of the amount of, or any extension of the payment date for, the mandatory prepayments required under Section 2.11(c), which shall only require the approval of the Required Term Lenders, and (z) with respect to the matters set forth in clauses (ii)(x) and (ii)(y) above),"

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that:

(a) the Administrative Agent shall have received counterparts to this Amendment duly executed by the Borrower, the Required Lenders, the Required Revolving Lenders and the Administrative Agent; and

(b) the Administrative Agent shall have received payment of the Administrative Agent's and its Affiliates' expenses (including reasonable fees and expenses of counsel for the Administrative Agent) in connection with this Amendment and the other Loan Documents.

3. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as amended hereby constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and subject to the effects of general principles of equity (regardless whether considered in a proceeding in equity or at law).

(b) As of the date hereof, after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties of the Borrower set forth in the Credit Agreement are true and correct in all material respects (provided that any representation or warranty that is qualified by materiality or Material Adverse Effect is true and correct in all respects), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (provided that any representation or warranty that is qualified by materiality or Material Adverse Effect is true and correct in all respects) as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as amended hereby, each Loan Document (including, without limitation, the Security Agreements) and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a "Loan Document" under (and as defined in) the Credit Agreement.

5. Governing Law. This Amendment and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with and governed by the laws of the State of New York.

6. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

7. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, e-mailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

8. Waiver of Jury Trial. Each of the parties hereto agrees that Section 9.10 of the Credit Agreement is incorporated by reference herein, *mutatis mutandis*, and shall have the same force and effect with respect to this Amendment as if originally set forth herein.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

COLFAX CORPORATION,
as the Borrower

By: /s/ Christopher M. Hix
Name: Christopher M. Hix
Title: SVP, CFO

JPMORGAN CHASE BANK, N.A., individually as a Lender and as Administrative Agent

By: /s/ Joon Hur
Name: Joon Hur
Title: Executive Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Vipul Dhadda
Name: Vipul Dhadda
Title: Authorized Signatory

By: /s/ Brady Bingham
Name: Brady Bingham
Title: Authorized Signatory

CITIZENS BANK, N.A., as a Lender

By: /s/ William J. O'Meara
Name: William J. O'Meara
Title: Senior Vice President

BNP PARIBAS, as a Lender

By: /s/ Monica Tilani
Name: Monica Tilani
Title: Vice President

By: /s/ Richard Pace
Name: Richard Pace
Title: Vice President

BARCLAYS BANK PLC, as a Lender

By: /s/ Komal Ramkirath
Name: Komal Ramkirath
Title: Assistant Vice President

HSBC BANK USA, NATIONAL ASSOCIATION, as a Lender

By: /s/ Andrew M. Horn
Name: Andrew M. Horn
Title: Director

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Jaimie Minieri
Name: Jaimie Minieri
Title: Authorized Signatory

CITIBANK N.A., as a Lender

By: /s/ Brian Reed
Name: Brian Reed
Title: Vice President

TD BANK, N.A., as a Lender

By: /s/ Mark Hogan
Name: Mark Hogan
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Michael Grad
Name: Michael Grad
Title: Director

MUFG BANK, LTD., as a Lender

By: /s/ Dominic Yung
Name: Dominic Yung
Title: Director

BANK OF MONTREAL, as a Lender

By: /s/ Andrew Berryman
Name: Andrew Berryman
Title: Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ Stephen J. D’Elia
Name: Stephen J. D’Elia
Title: Vice President

WELLS FARGO BANK, N.A., as a Lender

By: /s/ Greg Strauss
Name: Greg Strauss
Title: Director

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Jacob Dowden
Name: Jacob Dowden
Title: Authorized Signatory

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Suzannah Valdivia
Name: Suzannah Valdivia
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Steven L Sawyer
Name: Steven L Sawyer
Title: Senior Vice President

FIFTH THIRD BANK, as a Lender

By: /s/ Will Batchelor
Name: Will Batchelor
Title: Vice President

UBS AG, as a Lender

By: /s/ Darlene Arias
Name: Darlene Arias
Title: Director

By: /s/ Houssem Daly
Name: Houssem Daly
Title: Associate Director
Banking Products Services, US

Exhibit 31.01

CERTIFICATIONS

I, Matthew L. Trerotola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2019

/s/ Matthew L. Trerotola

Matthew L. Trerotola
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.02

CERTIFICATIONS

I, Christopher M. Hix, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2019

/s/ Christopher M. Hix

Christopher M. Hix
Senior Vice President, Finance,
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.01

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Matthew L. Trerotola, as President and Chief Executive Officer of Colfax Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period endedSeptember 27, 2019 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2019

/s/ Matthew L. Trerotola

Matthew L. Trerotola
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.02

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Christopher M. Hix, as Senior Vice President, Finance, Chief Financial Officer and Treasurer of Colfax Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period endedSeptember 27, 2019 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2019

/s/ Christopher M. Hix

Christopher M. Hix
Senior Vice President, Finance,
Chief Financial Officer
(Principal Financial Officer)