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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): November 9, 2017

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

DELAWARE	001-14962	04-3477276
(State or Other Jurisdiction of Incorporation or Organization)	(Commission file number)	(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

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

Emerging Growth Company o

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. o

Item 7.01. Regulation FD Disclosure.

In connection with its previously announced agreement to acquire the fluid handling business of Colfax Corporation (the “Transaction”), CIRCOR International, Inc. (the “Company”) will provide certain financial and other information, including the information attached as Exhibits 99.1, 99.2, and 99.3 to this Current Report on Form 8-K, to prospective lenders for the $785 million secured term loan facility and $150 million revolving credit facility to be entered into by the Company in connection with the Transaction.

The information contained herein includes financial measures of the Company that are not calculated in accordance with accounting principles generally accepted in the United States (“GAAP”). The Company’s management believes that these non-GAAP financial measures provide supplemental information that enhances management’s, investors’ and prospective lenders’ ability to evaluate the Company’s operating results and ability to repay its obligations.

These non-GAAP financial measures are not intended to be used in isolation and should not be considered a substitute for any other performance measure determined in accordance with GAAP. Investors and potential investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool, including that other companies may calculate similar non-GAAP financial measures differently than as defined in the attached materials, limiting their usefulness as a comparative tool. The Company compensates for these limitations by providing specific information regarding the GAAP amounts excluded from the non-GAAP financial measures. The Company further compensates for the limitations of its use of non-GAAP financial measures by presenting comparable GAAP measures. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures contained herein.

The information in this Item 7.01 of Current Report on Form 8-K and Exhibits 99.1, 99.2, and 99.3 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibit
99.1	Excerpts from materials to be provided to prospective lenders
99.2	Colfax’s fluid handling business audited financial statements
99.3	Colfax’s fluid handling business interim financial statements

Forward-Looking Statements

This Current Report on Form 8-K and Exhibit 99.1 attached hereto contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may often be identified by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “should,” “will,” “potential,” and similar terms and expressions. Reliance should not be placed on forward-looking statements because they involve unknown risks, uncertainties and other factors, which are, in some cases, beyond the control of the Company. Any statements in this Current Report on Form 8-K that are not statements of historical fact are forward-looking statements, including, but not limited to, statements regarding the Company’s proposed debt financing, the benefits and synergies of the proposed Transaction, including the effect of the Transaction on revenue, cost savings, cash flow and operating margin; the expected timing for completing the Transaction; and the Company’s expected product offerings, market position and market opportunities. The following important factors and uncertainties, among others, could cause actual events, performance or results to differ materially from the anticipated events, performance or results expressed or implied by such forward-looking statements: the ability to satisfy the conditions to closing of the proposed Transaction, on the expected timing or at all; the ability to obtain required regulatory approvals for the proposed Transaction, on the expected timing or at all; the occurrence of any event that could give rise to the termination of the purchase agreement relating to the Transaction; higher than expected or unexpected costs associated with or relating to the Transaction; the risk that expected benefits, synergies and growth prospects of the Transaction may not be achieved in a timely manner, or at all; the risk that the fluid handling business may not be successfully integrated with the Company’s business following the closing of the Transaction; the risk that the Company will be unable to retain and hire key personnel; and the risk that disruption from the Transaction may adversely affect the Company’s business and relationships with its customers, suppliers or employees. For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please refer to the Company’s filings with the Securities and Exchange Commission, including the risk factors contained in the Company’s most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

SIGNATURES

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

CIRCOR INTERNATIONAL, INC.

Date: November 9, 2017

By: /s/ Rajeev Bhalla

Name: Rajeev Bhalla

Title: Executive Vice President and Chief Financial Officer


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CIRCOR
Public Lender Presentation
November 2017

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may often be identified by the use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," "will," "potential," and similar terms and expressions. Reliance should not be placed on forward-looking statements because they involve unknown risks, uncertainties and other factors, which are, in some cases, beyond the control of CIRCOR. Any statements in this presentation that are not statements of historical fact are forward-looking statements, including, but not limited to, statements regarding the benefits and synergies of the proposed acquisition of the Fluid Handling business, including the effect of the transaction on revenue, cost savings, earnings and operating margin; the expected timing for completing the transaction; CIRCOR's expected product offerings, market position and market opportunities; and the availability of debt financing for the transaction. The following important factors and uncertainties, among others, could cause actual events, performance or results to differ materially from the anticipated events, performance or results expressed or implied by such forward-looking statements: the ability to satisfy the conditions to closing of the proposed transaction, on the expected timing or at all; the ability to obtain required regulatory approvals for the proposed transaction, on the expected timing or at all; the occurrence of any event that could give rise to the termination of the acquisition agreement; higher than expected or unexpected costs associated with or relating to the transaction; the risk that expected benefits, synergies and growth prospects of the transaction may not be achieved in a timely manner, or at all; the risk that the Fluid Handling business may not be successfully integrated with CIRCOR's business following the closing; the risk that CIRCOR will be unable to retain and hire key personnel; and the risk that disruption from the transaction may adversely affect CIRCOR's business and relationships with its customers, suppliers or employees. For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please refer to our filings with the Securities and Exchange Commission, including the risk factors contained in our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Measures

Adjusted operating income, Adjusted operating margin, Adjusted net income, Adjusted earnings per share (diluted), EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, pro forma combined figures, net debt, net leverage and free cash flow are non-GAAP financial measures. These non-GAAP financial measures are used by management in our financial and operating decision making because we believe they better reflect our ongoing business and allow for meaningful period-to-period comparisons. We believe these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the Company's current operating performance and future prospects in the same manner as management does, if they so choose. These non-GAAP financial measures also allow investors and others to compare the Company's current financial results with the Company's past financial results in a consistent manner. For example:

- *We exclude costs and tax effects associated with restructuring activities, such as reducing overhead and consolidating facilities. We believe that the costs related to these restructuring activities are not indicative of our normal operating costs*
- *We exclude certain acquisition-related costs, including significant transaction costs and amortization of inventory step-ups and the related tax effects. We exclude these costs because we do not believe they are indicative of our normal operating costs.*
- *We exclude the expense and tax effects associated with the non-cash amortization of acquisition-related intangible assets because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have lives of 5 to 20 years. Exclusion of the non-cash amortization expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses and with both acquisitive and non-acquisitive peer companies*
- *We also exclude certain gains/losses and related tax effects, which are either isolated or cannot be expected to occur again with any predictability, and that we believe are not indicative of our normal operating gains and losses. For example, we exclude gains/losses from items such as the sale of a business, significant litigation-related matters and lump-sum pension plan settlements.*

CIRCOR's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring the Company's operating performance and comparing such performance to that of prior periods and to the performance of our competitors. We use such measures when publicly providing our business outlook, assessing future earnings potential, evaluating potential acquisitions and dispositions and in our financial and operating decision-making process, including for compensation purposes.

Investors and potential investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with accounting principles generally accepted in the United States. Reconciliations of forward-looking non-GAAP measures, including net debt-to-EBITDA ratio, to their most directly comparable GAAP measures are not being provided in this presentation because future operating results, cash flows and debt levels cannot be reasonably calculated or predicted at this time. Accordingly, such reconciliations are not available without unreasonable effort.

None of Colfax, its affiliates or their respective representatives have any responsibility for the content of this presentation and disclaim all responsibility therefor.

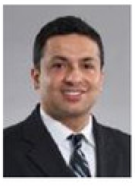
Special Notice regarding Publicly Available Information

THE COMPANY HAS REPRESENTED THAT THE INFORMATION CONTAINED IN THIS LENDER PRESENTATION REGARDING THE COMPANY OTHER THAN PROJECTIONS, FINANCIAL ESTIMATES, FORECASTS AND OTHER FORWARD-LOOKING INFORMATION IS CONFIDENTIAL, SENSITIVE AND PROPRIETARY BUT DOES NOT CONTAIN MATERIAL NON-PUBLIC INFORMATION WITHIN THE MEANING OF UNITED STATES FEDERAL SECURITIES LAW WITH RESPECT TO THE COMPANY OR ITS SECURITIES. THE RECIPIENT OF THIS LENDER PRESENTATION HAS STATED THAT IT DOES NOT WISH TO RECEIVE MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY OR ITS SECURITIES AND ACKNOWLEDGES THAT OTHER LENDERS HAVE RECEIVED A LENDER PRESENATION THAT CONTAINS ADDITIONAL INFORMATION WITH RESPECT TO THE COMPANY OR ITS SECURITIES THAT MAY BE MATERIAL. NOTWITHSTANDING THE RECIPIENT'S DESIRE TO ABSTAIN FROM RECEIVING MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY AND THE ABSENCE OF MATERIAL NON-PUBLIC INFORMATION IN THIS LENDER PRESENTATION, THE RECIPIENT ACKNOWLEDGES THAT (1) ALL INDIVIDUALS LISTED AS CONTACTS ARE ON THE PRIVATE SIDE OF THE INFORMATION WALL AND THAT IF THE RECIPIENT CHOOSES TO COMMUNICATE WITH ANY SUCH INDIVIDUAL THE RECIPIENT ASSUMES THE RISK OF RECEIVING MATERIAL NON-PUBLIC INFORMATION CONCERNING THE COMPANY AND ITS RELATED PARTIES, OR THE SECURITIES THEREOF, (2) INFORMATION OBTAINED AS A RESULT OF BECOMING A LENDER MAY INCLUDE SUCH MATERIAL NON-PUBLIC INFORMATION AND (3) THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS. RECIPIENT FURTHER ACKNOWLEDGES THAT OTHER LENDERS HAVE RECEIVED A LENDER PRESENTATION THAT CONTAINS ADDITIONAL INFORMATION WITH RESPECT TO THE COMPANY OR ITS SECURITIES THAT MAY BE MATERIAL. NEITHER THE COMPANY NOR THE LEAD ARRANGERS TAKE ANY RESPONSIBILITY FOR THE RECIPIENT'S DECISION TO LIMIT THE SCOPE OF THE INFORMATION IT HAS OBTAINED IN CONNECTION WITH ITS EVALUATION OF THE COMPANY AND THE FACILITIES.

Today's Presenters

Scott Buckhout
Chief Executive Officer

Rajeev Bhalla
Chief Financial Officer



AJ Sharma
Senior Vice President, Business Development

Tanya Dawkins
Corporate Treasurer

Agenda

Section 1	Transaction Overview Chris Blum – Deutsche Bank
Section 2	Company Overview Scott Buckhout – CEO AJ Sharma – SVP, Business Development
Section 3	Key Credit Highlights Scott Buckhout – CEO AJ Sharma – SVP, Business Development
Section 4	Financial Overview Rajeev Bhalla – CFO Tanya Dawkins – Corporate Treasurer
Section 5	Syndication Overview Ryan Corning – Deutsche Bank

CIRCOR

Section 1

Transaction Overview

Transaction Overview

CIRCOR

Background	▪ On September 24, 2017, CIRCOR International, Inc. entered into a definitive agreement to acquire the Fluid Handling business ("FH") from Colfax ("CFX") for $855 million (the "Transaction") or $765 million, net of $90 million anticipated tax benefits associated with the Transaction – CIRCOR provides flow and motion control solutions for the oil & gas, aerospace & defense, power process, and industrial markets, and operates through two segments: Energy and Advanced Flow Solutions. CIRCOR's LTM Q3 2017 revenue and adj. EBITDA are $614 million and $69 million (11.3% margin), respectively – FH is part of the Air and Gas Handling segment of CFX, which provides pumps and related services to the industrial, oil & gas, defense and commercial marine markets. FH's LTM Q3 2017 revenue and adj. EBITDA are $466 million and $67 million (14.3% margin), respectively ▪ Transaction is expected to close in December 2017 (subject to customary closing conditions including regulatory approvals)
Purchase Price	▪ Purchase price of $855 million consisting of $542 million cash, ~3.3 million CIRCOR shares valued at $163 million[(a)] and $150 million of assumed net pension liabilities ▪ CFX will own ~16% of CIRCOR's fully diluted pro forma shares outstanding – Lock-up period of 6 months
Debt Financing	▪ The acquisition financing for the Transaction will consist of the following structure: – $150 million Revolving Credit Facility ("RCF") – $785 million First Lien Term Loan ("TLB") – $1,047 million[(b)] pro forma market capitalization, representing a 57% equity cushion ▪ Pro forma for the financing, the Company is expected to have 4.8x net leverage at closing – Target net leverage of 3.0x by end of 2019

Note: CIRCOR financials reflect the impact of all acquisitions and divestures to date. Refer to Appendix for definition of adjusted EBITDA and a reconciliation to US GAAP net income
(a) Based on 20-day volume weighted average price of $49.48 as of September 25, 2017
(b) Market data as of September 25, 2017

Estimated Sources, Uses and Pro Forma Capitalization

CIRCOR

Sources of funds	
New revolver	$--
New 1st lien term loan	785
Cash from balance sheet	61
CIRCOR equity issued to CFX[b]	163
FH pension liability	150
Total sources	**$1,159**

Uses of funds	
Repay existing CIRCOR debt	$269
FH cash purchase consideration [a]	542
CIRCOR equity issued to CFX [b]	163
FH pension liability	150
Estimated fees, expenses & OID	35
Total uses	**$1,159**

$855mm total FH cash purchase consideration ($765mm net of tax benefits)

Pro forma capitalization

	As of Q3 2017	xEBITDA	% of total cap.	Adj.	Pro forma	xEBITDA	% of total cap.
Cash	$76			(61)	$15		
Revolver	$172	2.5x	14.9%	(172)	$--	--	--
New revolver	--	--		--	--	--	--
Term loan	97	1.4x	8.4%	(97)	--	--	--
New 1st lien term loan	--	--	--	785	785	4.9x	42.8%
Total debt	**$269**	**3.9x**	**23.3%**		**$785**	**4.9x**	**42.8%**
Net debt	**$193**	**2.8x**	**16.8%**		**$770**	**4.8x**	**42.1%**
Market capitalization [c]	884	12.7x	76.7%	163	1,047	6.6x	57.2%
Total capitalization	**$1,153**	**16.6x**	**100.0%**		**$1,832**	**11.5x**	**100.0%**
LTM Q3 2017 operating metrics							
Adjusted EBITDA	$69			90 [d]	$159		
PF interest expense	10			29	38		
Capital expenditures	12			15	27		
Credit statistics							
Adj. EBITDA / interest expense	7.2x				4.1x		
(Adj. EBITDA - capex) / interest expense	6.0x				3.4x		

Target net leverage of 3.0x by end of 2019

Note: Cash & debt balances presented as of Q3 2017
(a) Based on purchase price of ~$855 million less $163 million CIRCOR equity issuance and $150 million pension liability
(b) Based on 20-day volume weighted average price of $49.48 as of September 25, 2017
(c) Market data as of September 25, 2017
(d) Reflects $23 million of anticipated synergies and $67 million of stand-alone FH adjusted EBITDA
Source: Company disclosure

Section 2
Company Overview

What is CIRCOR?

Delivering smart, reliable, flow and motion control solutions for mission critical applications

Energy

1. Instrument Valves & Fittings: Process controls
2. Highly Engineered Ball Valves
3. Welded Body Valve: Gas transmission

Upstream Drilling Rig

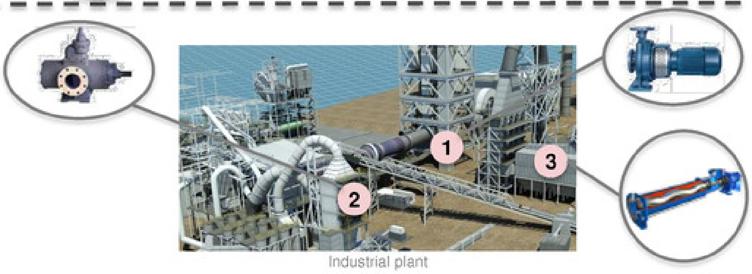
Advanced Flow Solutions

1. Sensors: Brake pedal position sensors
2. Control Valves: Park brake selector valves
3. Flight Components: Landing gear valves

Commercial Plane

Fluid Handling

1. 3 Screw Pumps: Fuel oil transfer
2. Specialty Centrifugal Pump: Water treatment
3. Progressing Cavity: Sludge removal



Industrial plant

Strategic Rationale

Combination creates $1.1bn global manufacturer of flow control products for severe service applications

Strategic Overview	▪ Fluid Handling ("FH") is a leading supplier of screw pumps – Serves severe service flow control applications in diverse end markets – Provides end-to-end engineering support to customers, ~115 FTE engineers – Leading brands in served niches ▪ Highly complementary product portfolio between valves and pumps – Common end markets – Natural and attractive adjacency in the flow control sector – Significant sourcing, manufacturing and engineering synergies – Broadens and diversifies CIRCOR's product technology portfolio ▪ The acquisition is expected to deliver strong strategic benefits – Broader portfolio of solutions for customers – Potential of sales synergy, particularly in defense and O&G markets – Builds CIRCOR into larger diversified flow control company ▪ FH products and culture are consistent with CIRCOR's focus on engineered, severe service solutions
Expected Financial Impact	▪ Operating margin and cash flow accretive in year 1 ▪ Meaningful annual tax benefit of ~$7 million from step-up available ▪ $23 million of cost synergies expected through sourcing, G&A reduction and manufacturing rationalization

Fluid Handling Consistent with Disciplined M&A Strategy

Differentiated Technology

- Severe service engineered applications in niche flow control segments
- A leader in 3-screw pumps
- A leader in 2-screw and specialty centrifugal pumps

Compelling Growth Opportunity

- Robust new product development pipeline
- Cyclical rebound in Commercial Marine and Oil & Gas
- Steady aftermarket growth

Realizable Synergies

- Sourcing savings, G&A reductions, and manufacturing rationalization
- Upside sales synergies in certain end markets

Attractive Financial Impact

- Operating margin and cash flow accretive in year 1 with upside from synergies
- Strong ROIC

Building on Track Record of Successful M&A

SCHROEDAHL we protect your business

DeltaValve

TAPCOENPRO

COLFAX Fluid Handling

Overview of CIRCOR Segments

CIRCOR

($ millions)

CIRCOR

LTM Q3 PF Revenue:	$1,080
LTM Q3 PF Adj. EBITDA:[(a)]	$159
% PF Adjusted EBITDA Margin:	*14.7%*
Employees:	~4,900

Energy

(32% of PF Revenue)

Financial Summary:

LTM Q3 Revenue	$344
LTM Q3 Adj. EBITDA	$40
% LTM Adj. EBITDA margin	*11.5%*

Key Product Categories:

- Ball Valves
- Instrumentation & Sampling
- Refinery Valves
- Pipeline Products

Key Brands:

Pibiviesse, Hoke, DeltaValve, KF

Advanced Flow Solutions

(25% of PF Revenue)

Financial Summary:

LTM Q3 Revenue	$270
LTM Q3 Adj. EBITDA	$47
% LTM Adj. EBITDA margin	*17.5%*

Key Product Categories:

- Aerospace Valves
- Defense Switches and Sensors
- Pump Protecting Valves
- Control Valves

Key Brands:

Aerodyne Controls, CIRCOR Aerospace & Defense, Leslie Controls, Inc., Schroedahl

Fluid Handling

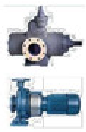
(43% of PF Revenue)

Financial Summary:

LTM Q3 Revenue	$466
LTM Q3 Adj. EBITDA	$67
% LTM Adj. EBITDA margin	*14.3%*

Key Product Categories:

- 3 Screw Pumps
- 2 Screw Pumps
- Specialty Centrifugal
- Progressing Cavity
- Reliability Services



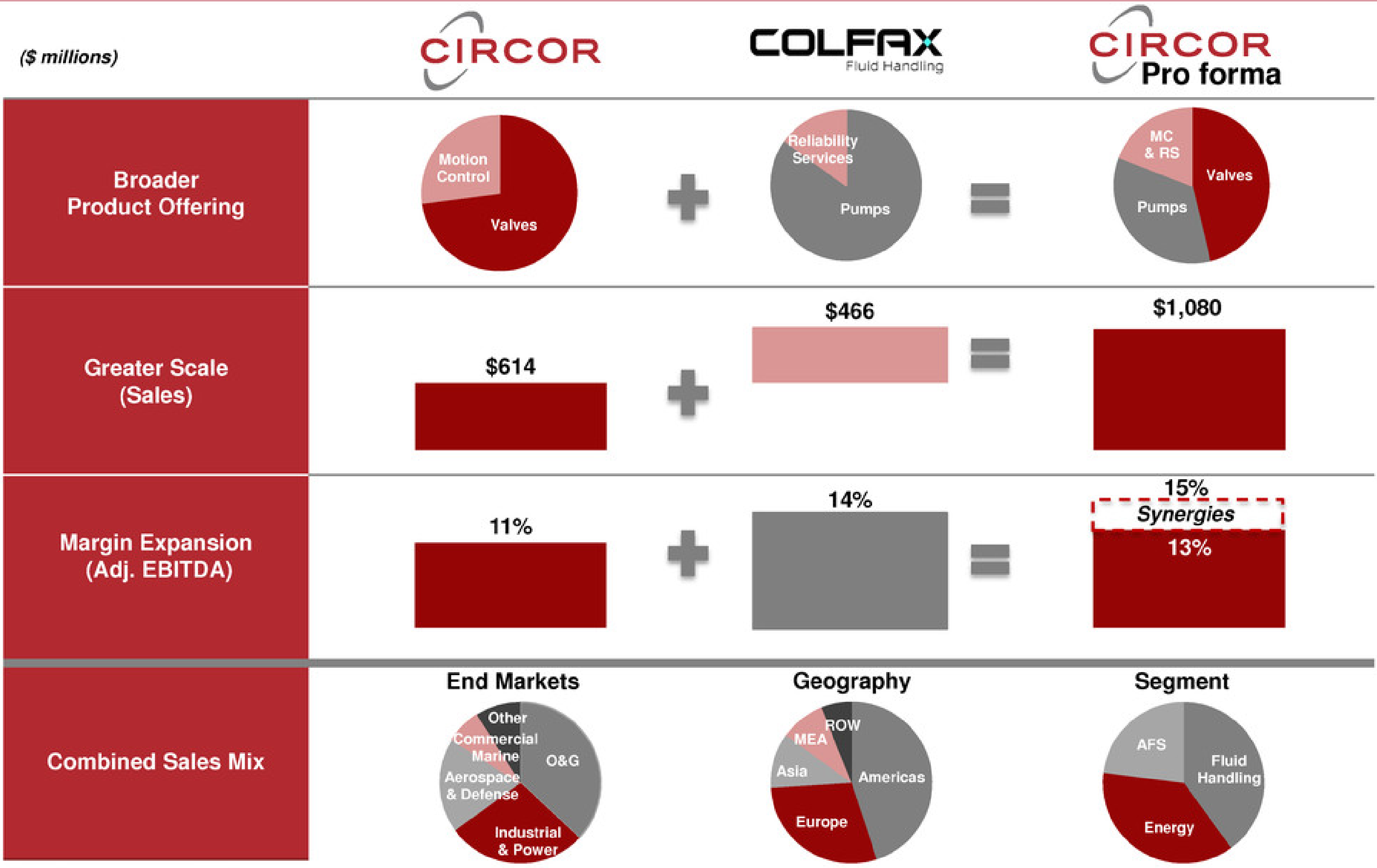
Key Brands:

Zenith Pumps, Allweiler, Tushaco Pumps, Imo Pump, Warren Pumps

Note: Amounts LTM as of Q3 2017. Combined EBITDA includes corporate expenses. Segment EBITDA and margins exclude corporate expenses and are pre-synergy. Certain Fluid Handling product lines will be merged with Energy or Advanced Flow Solutions after closing

(a) Includes $23mm in synergies

Pro forma Combined Company Profile

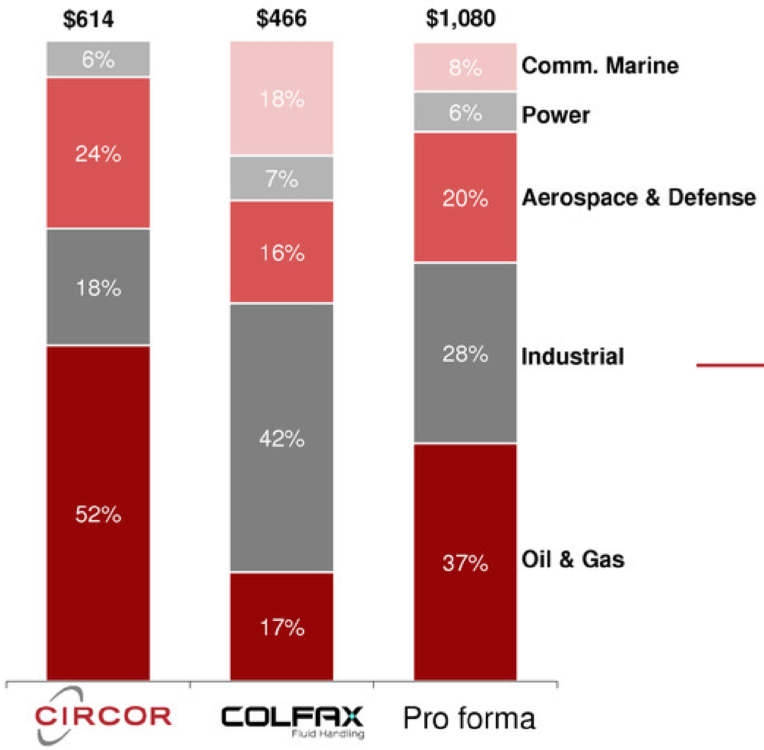


Note: Amounts presented LTM Q3 2017 with the exception of combined Sales Mix which is presented as of FY2016A

Diversified End Market Exposure and Strong Aftermarket Channels

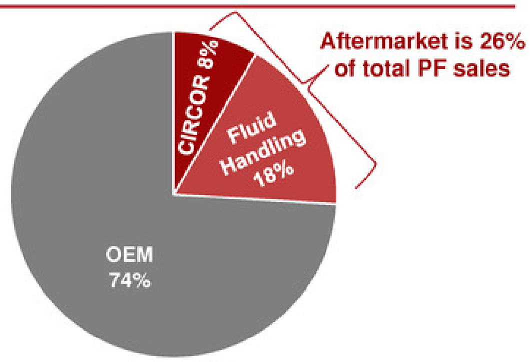
($ millions)

Sales Mix by End Market

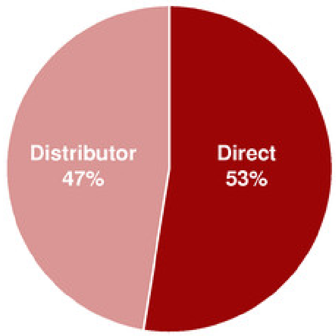


Note: Amounts presented LTM Q3 2017

Sales Mix by Aftermarket vs. OEM



Sales Mix by Channel



Pro Forma Sourcing and Supply Chain

Sourcing Initiatives

- Reduce the number of suppliers from ~4,400 to ~2,200
- Consolidate spend globally to improve pricing
- Negotiate long term agreements
  - Multi-year productivity
  - Improved payment terms
- Transition supply base to low cost countries where appropriate
- Make vs. Buy evaluation to reduce cost and focus internally on critical operations
- All critical components are dual sourced

$17 million in sourcing synergies with 35% implemented in year 1 and 100% implemented in year 2

Make vs. Buy

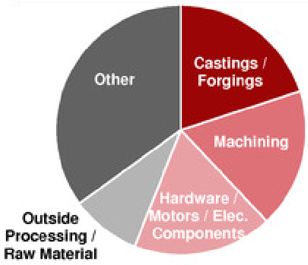
Make

- Highly technical in-house manufacturing, assembly and test
- In-house manufacturing is kept to high tolerance machinery that is critical to the performance of the product; examples include:
  - Main screw in 2 and 3-screw pumps
  - Tight tolerance and finishing for engineered ball valves
  - Exotic alloy machining for high pressure fittings
- Proprietary processes

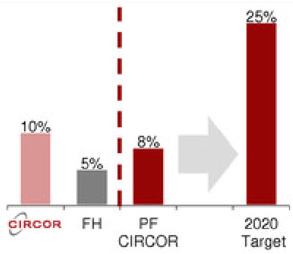
Buy

- Outsourcing strategy include products that only require rough machining; examples include:
  - Commoditized products such as generic fasteners
  - Casing component of a screw pump
  - Simple turning and deburring activities
- Improved capital deployment

Supply Chain Spend



Low Cost Manufacturing



Production Hours

CIRCOR Pro Forma Manufacturing Strategy

Manufacturing Footprint

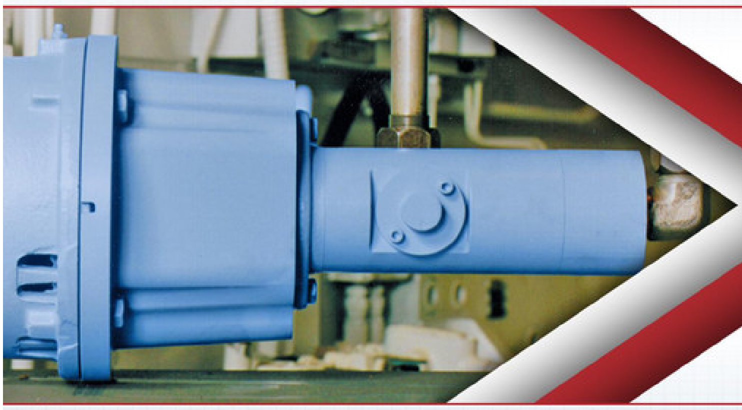
Headquarters
CIRCOR Manufacturing facility
Fluid Handling Manufacturing facility

Manufacturing Overview

- Most plants operate 1 to 1.5 shifts per day for 5 days / week
- Both CIR / FH suppliers have enough capacity to support demand
- Significant number of subscale factories in high cost regions

Manufacturing Strategy Summary

- Ongoing consolidation of manufacturing footprint
  - Economies of scale
  - Improved controls and quality
- Transition center of gravity to low cost facilities
  - Lower labor and overhead
  - Emerging centers of excellence
- Drive CIRCOR operating system
  - Productivity
  - Inventory turns



CIRCOR

Section 3

Key Credit Highlights

Key Credit Highlights

1. Mission critical products designed for severe applications with a focus on innovation ✓
2. A leader in niche segments with the further benefit of scale ✓
3. Longstanding, diverse customer base driving meaningful recurring revenues ✓
4. Diverse end markets ✓
5. Proven operator with a clearly executable strategy ✓
6. Attractive financial profile with strong free cash flow ✓
7. Best-in-class management team with proven track record ✓

1 Mission critical products designed for severe applications

CIRCOR

Process: Refinery Delayed Coking Unit

Problem: Manual unheading of high temperature coke takes 2+ hours daily; extremely unsafe environment

Product: DeltaValve™ Bottom Unheading Device (BUD)

Benefit: Reduced unheading time from 2 hours to 10 mins daily, Increased safety through remote operation

Process: Power Generation

Problem: Low flow into pumping systems leads to pump failure, causing severe damage to power generators

Product: Schroedahl™ ARV Pump Protection Valves

Benefit: Reduced risk of pump failure; Increased efficiency and uptime

Process: Mature Oil Well Development

Problem: Pressure declines in mature oil fields requires additional gas injection for production, reducing the output and increasing the cost of production

Product: CFH MR 250™ Multiphase Pump System

Benefit: ~70% increase in well production; Payback in less than 2 months

Process: Aircraft Braking Systems

Problem: Angular position sensing is critical for failsafe operation of aircraft braking systems, but sensors can be unreliable in extreme temperatures

Product: CIRCOR Aerospace BPTU Series Brake Pedal Transmitters

Benefit: Designed for failsafe performance in harsh environments (-55^{0}C to +85^{0}C)

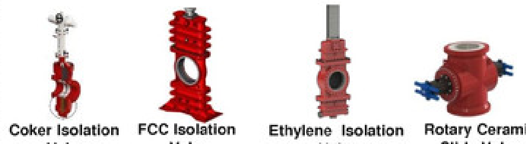
Key products covered by more than 200 patents

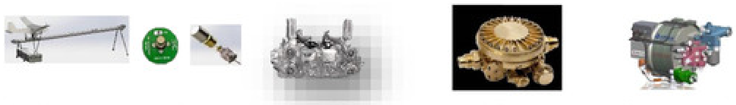
1 Mission critical products designed for severe applications

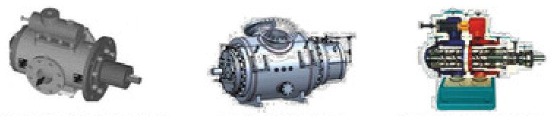
CIRCOR

New Product Development Roadmap with a Focus on Innovation

	Product Priorities	2016 / 2017 / 2018 / 2019+
Refinery Valves	• Higher efficiency-low steam consumption • Expand technology into ethylene market – bi-directional flow • Improve reliability and in-line service	Acquired 10/2016 → Coker Isolation Valve; FCC Isolation Valve; Ethylene Isolation Valve; Rotary Ceramic Slide Valve
Instrumentation & Sampling	• Higher pressure class • Severe service environment • Mistake proof installation	Soft Seat Flanged Ball Valve; Gyrolok XP Valves; Remote Hydraulic Install Tool; Medium Pressure Valves & Fittings
Aerospace	• Electromechanical valves/actuation • Miniature switches • High temp solenoid valves	UAV Launcher; Next Gen Switches; Auto-charge System/ Pressure Reducing Station; High Pressure Reducing Station; Main Hydraulic Supply
Fluid Handling	• Smart condition monitoring solutions • Continuing development in Multiphase • Lower cost of ownership	Higher Efficiency Design; Multiphase Pump Expanded Flow Rate; Validation for MTU Diesel Applications







2 A Leader in Niche Segments with the Further Benefit of Scale - Valves

CIRCOR

Product *% of CIRCOR Sales*	Low — **Differentiation** — High	**CIRCOR's Differentiation**
Ball Valves ***25% sales***	Forum Energy, Flowserve, Emerson, **CIR**, Cameron	▪ Brand Loyalty and Large Installed Base ▪ Wide Range of Dimensions and Pressure Classes for Severe Service Applications ▪ Low-noise and Energy Efficiency
Refinery Valves ***13% sales***	IMI, **CIR**	▪ Distinct Patented Advantage over IMI ▪ Only Solution for Thermal Stress Caused by Side-feed Injection ▪ Track Record of Developing and Commercializing New Products
Aerospace ***25% sales***	Meggitt, Marotta, **CIR**, ITT	▪ Worldwide Leader in Specialty Valves ▪ 90% of Revenue Designed-to-spec with Owned IP and Sole-source Position

- Diversified product portfolio with recognized brands that fulfill its customers' unique application needs
- Well positioned products in the growing flow and motion control markets
- Focused on technologically differentiated products with extreme temperature and pressure capabilities
- Products provide intelligent solutions for severe service applications

Note: Only selected competitors are identified

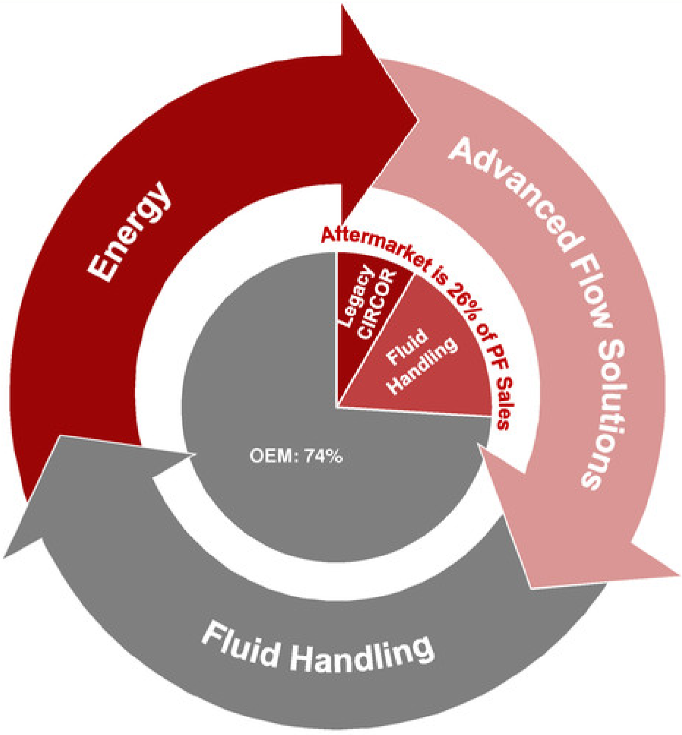
2 A Leader in Niche Segments with the Further Benefit of Scale - Pumps

Product *% of FH Sales*	Low — Differentiation — High	Fluid Handling's Differentiation
3 Screw ***39% of sales***	Kral, Leistritz, Netzsch, **FH**	▪ A Leading Global Player ▪ Largest Installed Base ▪ Leading Choice for US Navy Submarines ▪ Supports Highly Viscous and Highly Sensitive Fluids
Specialty Centrifugal ***24% of sales***	Desmi, Naniwa, PG Marine, **FH**	▪ Continuous, Pulsation-free Pumping ▪ Dynamically Balanced Impeller Reduces Vibration ▪ Withstands Wide Range of Low-viscosity Fluids
2 Screw ***6% of sales***	Leistritz, Netzsch, **FH**, ITT	▪ Premier Multi-phase Capabilities with Recent Large-scale Wins ▪ Low Total Cost of Ownership ▪ Tremendous Viscosity Range

- Portfolio breadth, application engineering and strong brand recognition are leading differentiators for FH across all end markets
- FH has the most comprehensive screw pump portfolio
- Strong manufacturing and technical expertise
- Energy efficiency and increased need for high viscosity fluids are favorable trends for screw pump technology

Note: Only selected competitors are identified

3 Longstanding, Diverse Customer Base Driving Meaningful Recurring Revenues



50% of orders are <$1 million

Top 10 Customers Represent 15% of Revenue

75% of orders are <$5 million

4 Diverse End Markets
Rebounding Outlook in Key Customer Sectors

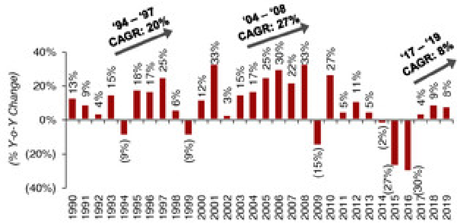
Segment	Trends	Outlook
 Oil & Gas	▪ Exceptional strength in unconventional investment in North America ▪ Moderate increase in upstream outside North America ▪ Increase in new pipelines and upgrades ▪ Refining capacity growth in Middle East and Asia Pacific ▪ Refining expansions and upgrades in the Americas	
 Industrial	▪ Chemical processing build out in Asia ▪ Global increase in wastewater processing ▪ Energy efficiency initiatives	
 Defense	▪ Global increases in defense spending ▪ Key programs to receive increased funding – Submarines / aircraft carriers – F35 Joint Strike Fighter	
 Power Generation	▪ Emerging markets fuel power investment growth ▪ Asia representing 70% of incremental power capacity	
 Aerospace	▪ Commercial aircraft build rates and backlog at historic highs ▪ Global airline passenger traffic growth over 5%	
 Commercial Marine	▪ Shipbuilding demand showing signs of recovery ▪ Expanded global fleet aging, increasing aftermarket demand ▪ Continued growth in trade import and export volume	

4 Diverse End Markets
Poised for Growth as Demonstrated by Key Indicators

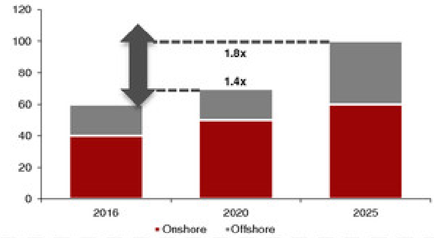
CIRCOR

Energy

Oil & Gas Capex

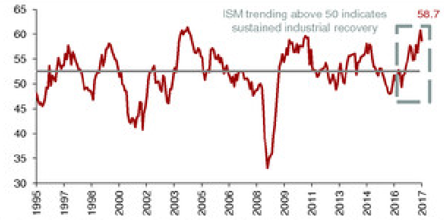


Exploration & Production Spend

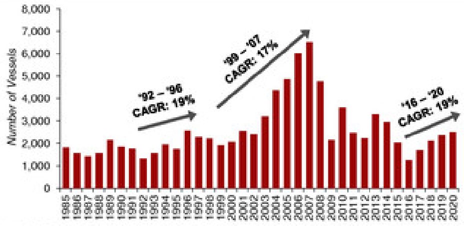


Industrial

ISM Manufacturing Index

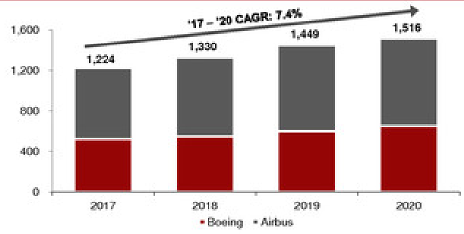


Commercial Marine New Ship Ordering Activity

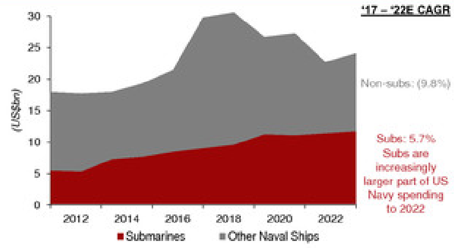


Aerospace & Defense

Build Rates: Boeing 737, Airbus A320, A350



US Defense Subs vs Others

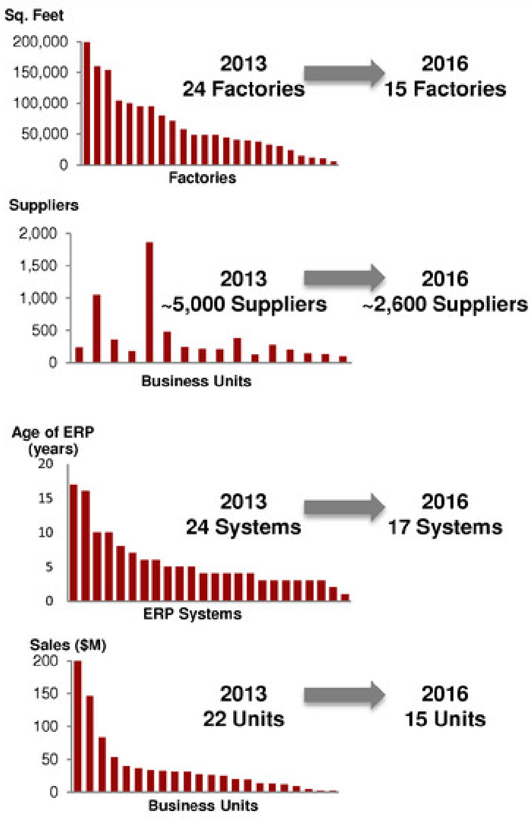


Note: Capex for integrated Oils and Independent E&Ps
Source: EIA, Rystad Energy, GlobalData, Exxon Mobil

5 Proven Operator with a Clearly Executable Strategy Simplification

CIRCOR

CIRCOR Simplification Since 2013



Note: CIRCOR 2013 – 2016 excludes acquisitions

Opportunities with Fluid Handling

Manufacturing

Description	Opportunity
▪ 5 factories in high-cost locations (95% of hours) ▪ 1 in India and 1 in China ▪ 4 system integration shops ▪ Vertically integrated	▪ Rationalization ▪ Make-to-buy opportunities ▪ Transition to low-cost

Supply Chain

Description	Opportunity
▪ ~630 suppliers	▪ Consolidation
▪ >95% of suppliers in high-cost locations	▪ Transition to low-cost

OPEX

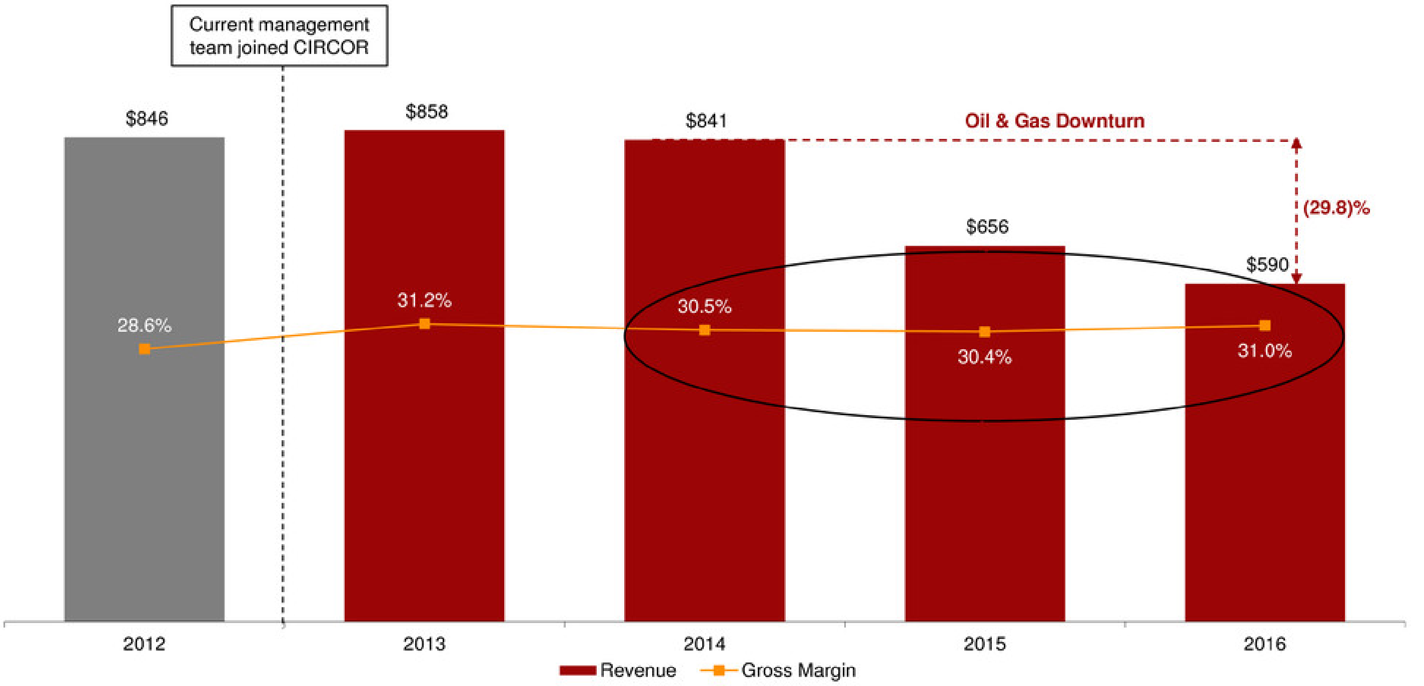
Description	Opportunity
▪ Duplicative OPEX infrastructure	▪ Leverage existing CIRCOR shared services and overhead

5 Proven Operator with a Clearly Executable Strategy
CIRCOR Historical Financials Over Time

CIRCOR

($ millions)

Reported Revenue and Gross Margin Through the Cycle



Despite downturn in end markets, CIRCOR has consistently held gross margins steady at ~30%

Note: All financials are reported CIRCOR numbers
Source: Company disclosure

5 Proven Operator with a Clearly Executable Strategy

CIRCOR

($ millions)

Synergy Roadmap

Anticipate $23 million in synergies with ~90% implementation by year 2

Cost Synergies

Anticipated Synergy Detail

Sourcing

- Shifting of FH casting suppliers from higher cost countries to low cost countries
- Outsourcing of non-core machining work to 3rd party suppliers in low cost countries
- 35% implemented in year 1 and 100% implemented in year 2

G&A Reduction

- Elimination of duplicative headcount at FH
- 75% implemented in year 1 and 100% in year 2

Manufacturing Rationalization

- Headcount and overhead savings from manufacturing footprint optimization
- 100% implemented in year 3

5 Proven Operator with a Clearly Executable Strategy

CIRCOR

Integration Overview

Scott Buckhout
Chief Executive Officer

AJ Sharma
Senior Vice President, Business Development

Darryl Mayhorn
Group President, Fluid Handling

Integration Team

- Dedicated team of 10
- Expertise to deliver synergies: sourcing, G&A and manufacturing
- Works with business leaders to support delivery of financials
- Special focus on ensuring high employee engagement
- Centrally managed functional integration

Fluid Handling Team

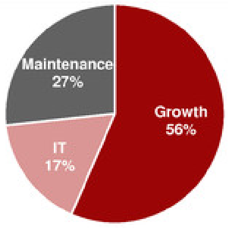
- Largely operates as a stand-alone 3rd group of CIRCOR
- Group is fully staffed, with all functions represented
- Strong leadership team in place with successful track record
- Existing leadership team stays in their respective roles

Teams responsible for delivery of financials, synergies, and growth

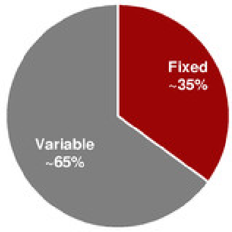
6 Attractive Financial Profile with Attractive Free Cash Flow

- Asset-light business model with a flexible cost structure
  - Significant mitigation of margin erosion during market declines due to facility consolidations, supplier rationalization and strategic sourcing
  - Historical total capex of ~2% of annual sales with maintenance & IT capex of ~1% of sales
- Through-the-cycle cash flow
  - Sound financial policies guided by a seasoned management team and board of directors comprised of senior executives with deep industry backgrounds
  - Consistent positive free cash flow even during periods of cyclical downturns
  - Average of ~$90 million actual annual free cash flow generation(a)
  - Projected cash tax rate at ~28%
- LTM Q3 2017 pro forma unlevered free cash flow conversion(c) is 83.2%

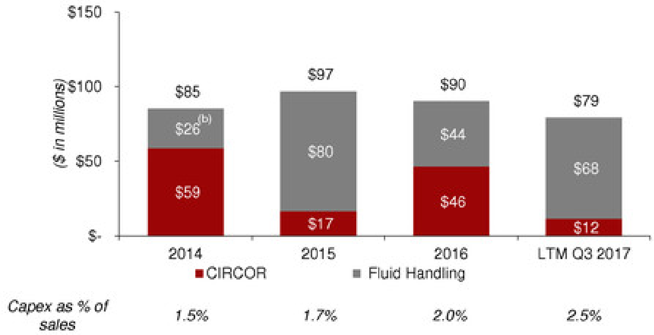
Flexible Capex Investments



Flexible Cost Structure



Actual Free Cash Flow(a)



Attractive business model with strong cash flow generation in challenging end-market conditions

(a) CIR free cash flow defined as cash from operating activities less net capital expenditure; FH free cash flow defined as cash from operating activities plus asbestos related expenses and allocated expenses from CFX and less capital expenditure
(b) Excludes cash payments in excess of expenses related to asbestos
(c) Defined as of pro forma combined adjusted EBITDA less capex, divided by pro forma combined EBITDA (inclusive of run-rate synergies)

7 Best-in-Class Management Team with Proven Track Record

CIRCOR

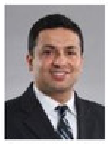
Strong senior management team with relevant leadership experience

- United Technologies
- COLFAX
- Honeywell
- DANAHER
- EATON
- SPX
- DRS Technologies
- LOCKHEED MARTIN
- AkerSolutions
- BAE SYSTEMS

CIRCOR Leadership

Scott Buckhout
President,
Chief Executive Officer

Rajeev Bhalla
Executive Vice President,
Chief Financial Officer



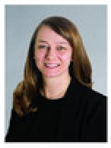
AJ Sharma
Senior Vice President,
Business Development

Erik Wiik
Group President,
CIRCOR Energy

Sumit Mehrota
Group President,
Advanced Flow Solutions

Darryl Mayhorn
Group President,
Fluid Handling

Josh Raha
VP, Product Manufacturing &
Engineering



Jennifer Allen
Senior Vice President,
General Counsel

James Lapointe
Global Operations &
Supply Chain

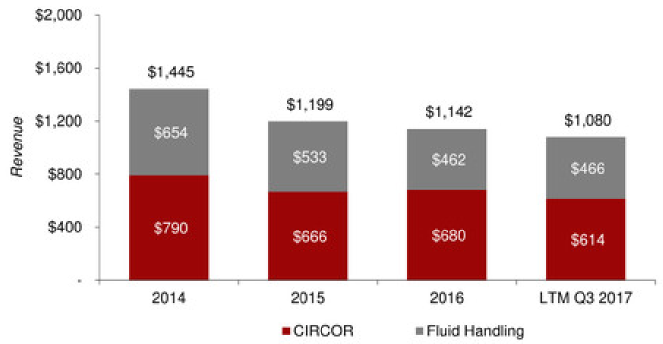
Section 4

Financial Overview

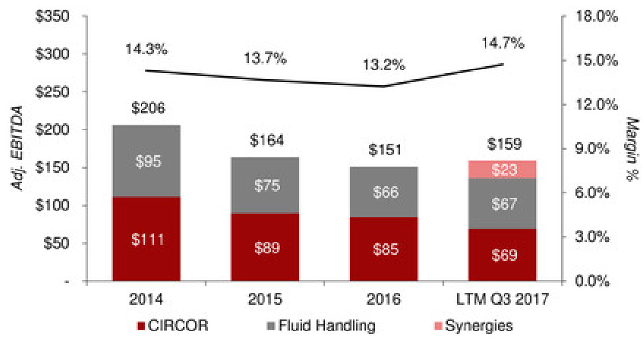
Historical Financial Overview

($ millions)

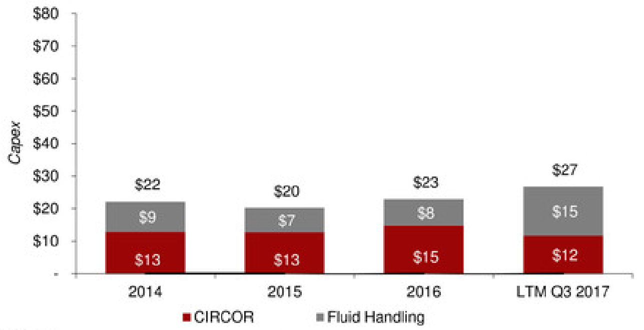
Revenue



Pro forma Adj. EBITDA

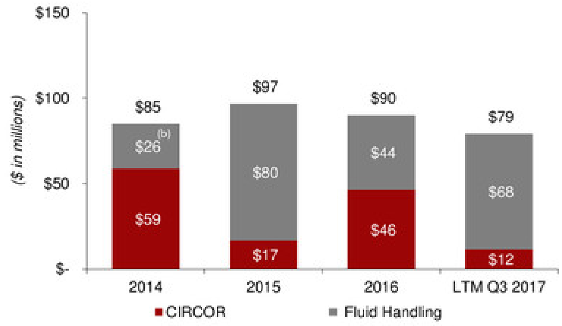


Capital Expenditure



Capex as % of sales	1.5%	1.7%	2.0%	2.5%

Actual Free Cash Flow[(a)]



Note: CIRCOR financials reflect the impact of all acquisitions and divestures to date. Refer to Appendix for definition of adjusted EBITDA and a reconciliation to US GAAP net income

(a) CIR free cash flow defined as cash from operating activities less net capital expenditure; FH free cash flow defined as cash from operating activities plus asbestos related expenses and allocated expenses from CFX and less capital expenditure

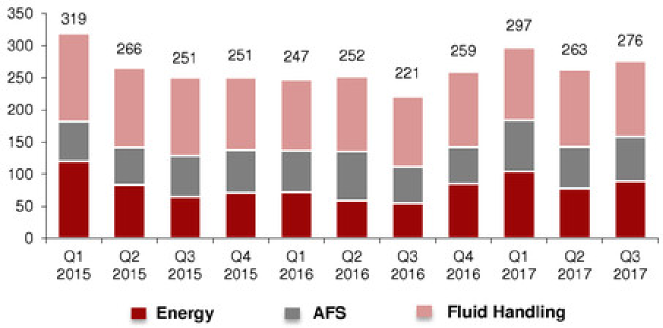
(b) Excludes cash payments in excess of expenses related to asbestos

Source: Company disclosure

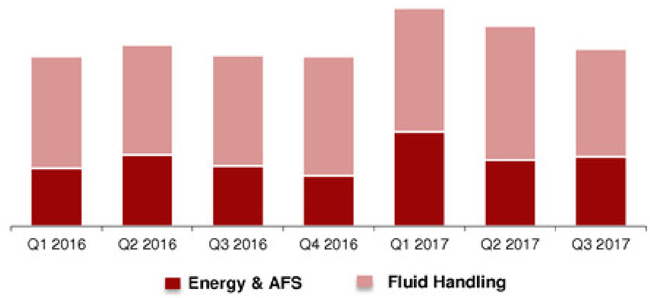
Order and Backlog Overview

($ millions)

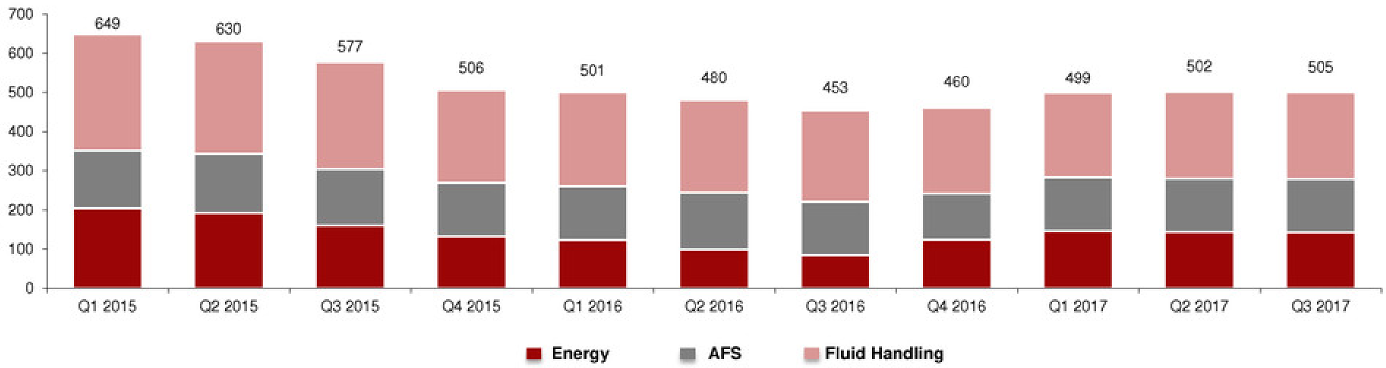
Orders



Quoting Activity



Backlog



CIRCOR's Financial Policy

CIRCOR's continued success is guided by sound financial policy

- CIRCOR is focused on generating organic EBITDA growth and robust cash flow
- Capital structure provides ample liquidity and financial flexibility
  - $150 million cash flow revolver
  - Minimal amortization requirements on the Term Loan
  - Significant free cash flow to fund de-leveraging and growth
  - 3.3 million shares issued to CFX as part of the acquisition, increasing overall equity cushion beneath the debt
- Focus on generating free cash flow and de-leveraging to ~4.0x by the end of 2018 and ~3.0x by the end of 2019
  - EBITDA margin expansion from restructuring actions and market growth
  - Limited capex requirements (~2% of sales) with maintenance and IT capex of ~1% of sales
  - Significant tax benefits from the transaction and a 28% cash tax rate
  - Working capital improvements largely from improved velocity in inventory
- Minimal dividend policy of $0.15/share per annum and no increase since inception
- Long-term incentive plan consists of stock options (50%) and performance-based restricted stock units (PSUs) for 50%
  - PSU's linked to three year average performance
    - 50% for Adjusted Return on Invested Capital and 50% for Adjusted Operating Margin

CIRCOR

Section 5

Syndication Overview

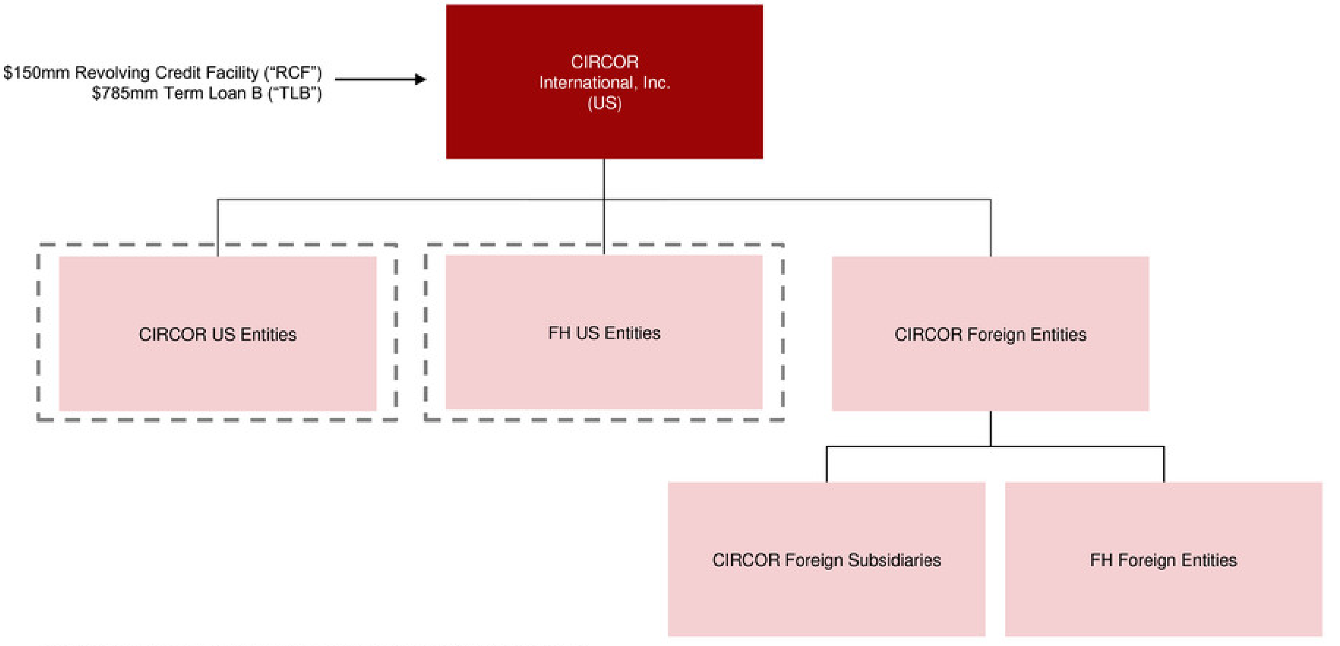
Summary of Terms

Borrower	▪ CIRCOR International, Inc. (the "Borrower")
Guarantees	▪ The Senior Secured Credit Facilities shall be unconditionally guaranteed on a senior secured basis by each of the Borrower's direct and indirect material domestic restricted subsidiaries
Security	▪ The Senior Secured Credit Facilities shall be secured by a first priority interest in substantially all tangible and intangible assets (including capital stock of certain subsidiaries) of the Borrower and the Guarantors
Facility	(see table below)
Accordion	▪ Greater of \$150m and LTM EBITDA plus unlimited up to 5.0x Net First Lien Leverage Ratio ▪ 50bps MFN for 18 months
Amortization	▪ RCF: None ▪ TLB: 1.0% per annum; bullet at maturity
Optional redemption	▪ RCF: Prepayable at par at anytime ▪ TLB: 101 soft call for 6 months
Mandatory prepayments	▪ 100% of proceeds from certain asset sales and insurance proceeds; 100% of net proceeds from issuances of certain debt; and 50% of annual excess cash flow with step downs to 25% and 0% subject to compliance with Net First Lien Leverage Ratio of 0.5x and 1.0x below Closing Net First Lien Leverage
Financial covenants	▪ RCF: Springing maximum leverage ratio covenant set at 6.5x net first lien leverage ratio (25% usage trigger) ▪ TLB: None (covenant lite)
Other covenants	▪ Other covenants customary for transactions of this nature, including but not limited to: (i) limitations on debt, (ii) limitations on mergers and acquisitions, (iii) limitations on restricted payments, (iv) limitations on asset sales, (v) limitations on liens, and (vi) limitations on transactions with affiliates

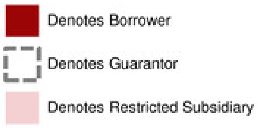
Facility

Tranche	Amount	Spread	OID	LIBOR floor	Tenor
Revolving Credit Facility ("RCF")	\$150m	TBD	TBD	0.00%	5 years
First Lien Term Loan B ("TLB")	\$785m	TBD	TBD	1.00%	7 years

Pro Forma Organization Structure

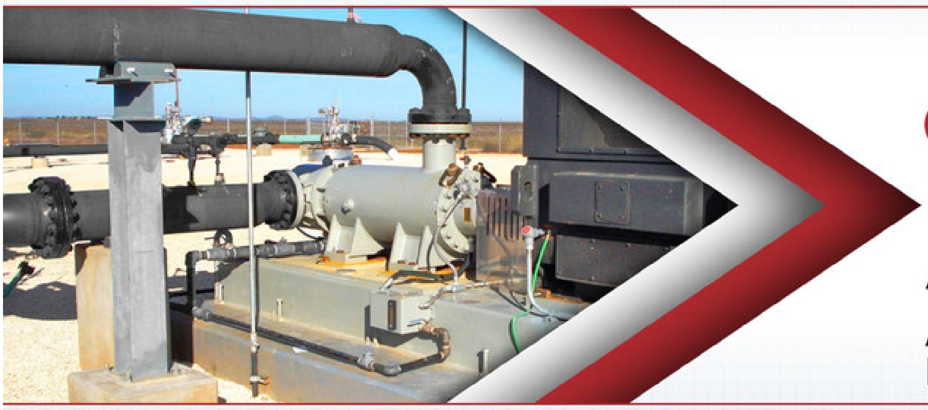


Disclaimer: the chart above is a draft and subject to change



Questions and Answers

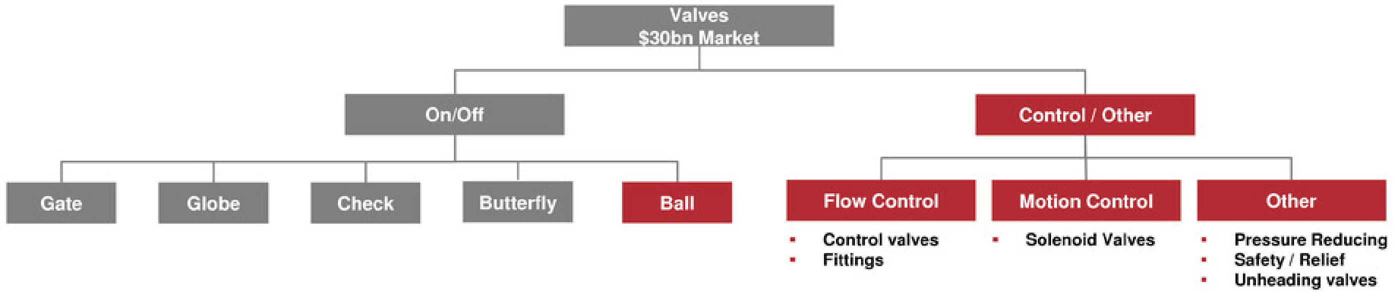
1. Mission critical products designed for severe applications with a focus on innovation ✓
2. A leader in niche segments with the further benefit of scale ✓
3. Longstanding, diverse customer base driving meaningful recurring revenues ✓
4. Diverse end markets ✓
5. Proven operator with a clearly executable strategy ✓
6. Attractive financial profile with strong free cash flow ✓
7. Best-in-class management team with proven track record ✓



Appendix I

Additional Segment and Product Detail

Global Valve Market Overview



General Valve Market (~60-70% of Total Market)

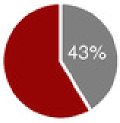
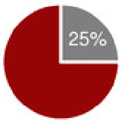
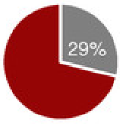
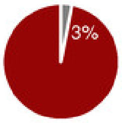
- Lower priced, commoditized
- Basic design and function to open/close
- Simple liquids like water
- Stock and sell business model, limited application know how
- Typical operating parameters
  - Ambient conditions (Low temperature and pressure)
- Serves a broad range of applications, typically non critical balance of plant secondary processes:
  - Building / Construction (Residential, commercial)
  - Residential (heating, water)
  - Public Utilities (water treatment, transport)
  - Industrial processes (Water, oil applications in steel mills, textiles, manufacturing)

CIRCOR Target Market (~25% of Total Market)

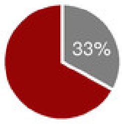
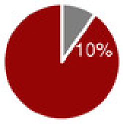
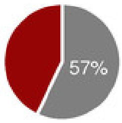
- Severe service and critical process flow control
- Ball valves and control valves engineered to meet specific application requirements
- Typical operating parameters
  - High temperatures (Power plant turbines, Refinery fractionators)
  - High pressures (superheated steam, subsea, downhole)
  - Aggressive liquids (upstream crude, refinery distillates)
  - Special system specs (critical to high value equipment like turbines, cokers, submarines, aircraft braking systems)
  - Precision control (commercial and military jet steering, landing gear actuation systems)

CIRCOR Technologies

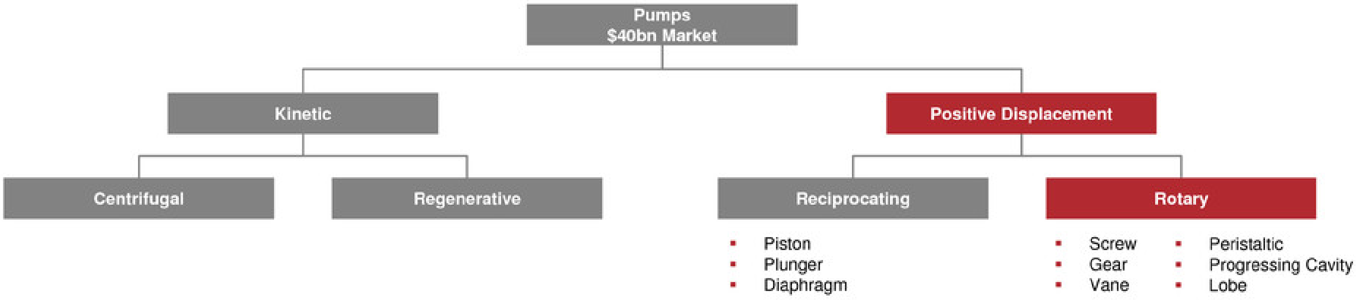
Energy: Product Portfolio Overview

Products	Applications	% of Q3 LTM 2017 Energy Sales	Severity of Application	Key Differentiators
Ball Valves 	▪ Blowdown ▪ Compressor Stations ▪ Gas transmission and separation systems		High	▪ Full range 1” – 60” ▪ Temp range -320ºF to +1470ºF ▪ Operating pressure up to 20,000 PSI ▪ Very high energy dissipation
Refinery Valves 	▪ Refining ▪ Delayed cooking process		Extreme	▪ Fully sealed housing providing totally enclosed system ▪ Fully automated remote operation ▪ 20 year operational life ▪ Patented dynamic seat technology
Instrument Valves and Fittings 	▪ Process controls		Medium	▪ High tolerance NPT thread ▪ Durable in harsh conditions ▪ Ability to remake fitting ▪ Controlled ferrule drive prevents overstressing of connection
Cleaning Assessment Tool 	▪ Pipeline cleaning		High	▪ Caliper system and process data logging ▪ Measure debris of 1mm or less

Advanced Flow Solutions: Product Portfolio Overview

Products	Applications	% of Q3 LTM 2017 AFS Sales	Severity of Application	Key Differentiators
Control Valves and Actuators 	▪ Steam boilers ▪ Paper manufacture ▪ Water treatment		Medium	▪ Converts angular position into a DC voltage ▪ Operates in harsh conditions ▪ Reversible direction of action ▪ 3-point step control ▪ Customizable for special applications
Pump Protection Valve 	▪ Boiler systems ▪ Condensate systems ▪ Main steam system		High	▪ Protects pumps from overheating ▪ Up to eight stage pressure reduction
Aerospace Valves and Controls 	▪ Aircraft ▪ Brake pedal position sensor		High	▪ Converts angular position into a DC voltage ▪ Operates in harsh conditions

Global Pump Market Overview



General Pump Market (~60-70% of Total Market)

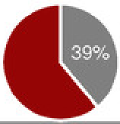
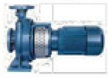
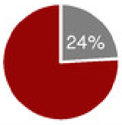
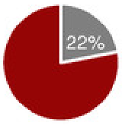
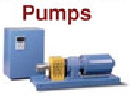
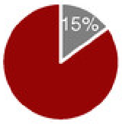
- Less expensive (commoditized)
- Moving basic fluids like fresh water
- Mostly Centrifugal pumps
- Typical operating parameters
  - Ambient temperatures
  - Low viscosity
  - Low pressure
- Serves a broad range of applications
  - Recreation (Pools, aquariums, fountains)
  - Agriculture (Irrigation, application)
  - Residential (heating, wells)
  - Public Utilities (firefighting, portable water)

Fluid Handling Target Market (~15% of Total Market)

- High demand mission critical applications
- Positive displacement or specialty centrifugal
- Typical operating parameters
  - High temperatures (heat exchangers, hot oil)
  - Caustic fluids (saltwater, acids)
  - Viscosity extremes (asphalt, polymers, gums)
  - Special system specs (sensitive to shear or pulsation, non-Newtonian)
  - Low noise (submarines, elevators)
  - High pressures (up to 10,00 PSI, 690 bar)
  - Precision metering (medical tubing extrusion, additives, labs)
  - Fluids with abrasives (fluids with titanium oxide)

Fluid Handling Technologies

Fluid Handling: Differentiated Product Portfolio

Products	Applications	% of 2016 FH Sales	Severity of Application	Key Differentiators
3 Screw Pump 	▪ Fuel oil transfer ▪ Machinery lubrication ▪ Hydraulic systems		High	▪ Highest efficiency ▪ Ultra-quiet pumps ▪ World-class manufacturer ▪ Global reach
Specialty Centrifugal Pump 	▪ Marine engine room and other ship applications ▪ Chemical processing ▪ Water treatment		High	▪ Wide range of low viscosity fluid applications ▪ Low vibration ▪ Continuous pumping, pulsation-free
Progressing Cavity 	▪ Sludge removal ▪ Chemical slurries and coagulants ▪ Drilling mud		Extreme	▪ Extreme high viscosity capabilities ▪ Handles shear-sensitive fluids ▪ A leader in industrial / wastewater
2 Screw Pump 	▪ Fuel loading / unloading ▪ Tank stripping ▪ Multiphase flows		Extreme	▪ High temperature compatibility ▪ High fluid contaminant capability ▪ Versatile self-priming pumps ▪ Lubricating / non-lubricating liquids
Precision Metering Pumps 	▪ Chemical dosing ▪ Pipeline and process injection ▪ Food and beverage filling		High	▪ Broadest portfolio in capacity range ▪ Highest accuracy metering ▪ Handles difficult applications ▪ Long product life
Reliability Services 	▪ Oil purification ▪ Chemical cleaning		N/A	▪ Co-locations near large customers ▪ Proprietary oil mist systems ▪ Specialized to clean / recondition

CIRCOR

Appendix II

Additional Financial Detail

CIRCOR Adjusted EBITDA Reconciliation

	$ in millions	FY-14	FY-15	FY-16	LTM Q3 2017
	Net income	**$50.4**	**$9.9**	**$10.1**	**$15.4**
	Income tax expense	12.9	12.6	(0.4)	(1.8)
	Interest expense	2.7	2.8	3.3	7.8
	Depreciation and amortization	19.6	23.9	25.6	28.8
	EBITDA	**$85.5**	**$49.2**	**$38.6**	**$50.1**
	Energy and AFS restructuring initiatives				
1	Inventory adjustment	8.0	2.5	0.8	0.8
2	Facility related expenses (recoveries)	0.7	(0.1)	4.5	3.4
3	Employee related expenses	4.5	4.8	4.5	4.2
4	Non-cash pension settlement	-	-	4.5	4.5
5	Divestiture charges (recoveries)	3.4	(1.0)	-	3.8
6	Contingent consideration	4.1	0.4	-	(12.2)
	Total energy and AFS initiatives	**$20.7**	**$6.5**	**$14.3**	**$4.6**
	Brazilian facility closure				
7	Brazilian facility closure	-	22.1	4.9	0.9
	Other one-time US GAAP related non-cash addbacks				
8	Legal and professional fees	-	0.9	0.8	2.9
9	Amortization of inventory step-up	-	-	1.4	1.4
10	Impairment charges	0.7	-	0.2	-
	Adjusted EBITDA	**$106.9**	**$78.7**	**$60.2**	**$59.9**
11	Run-rate acquisitions	(3.0)	4.0	19.0	5.5
12	Stock based compensation	7.2	6.6	5.5	4.0
	PF Adjusted EBITDA	**$111.1**	**$89.3**	**$84.7**	**$69.4**

1 Expenses associated with streamlining and restructuring activities including reducing overhead, consolidating facilities and the associated revaluation (write-off) of inventory

2 Costs (or gains) associated with closing facilities related to announced restructuring initiatives

3 Severance expense for terminated employees under restructuring programs

4 Non-cash pension settlement charge for terminated and vested participants

5 On Jan 6, 2015, the Company announced the divestiture of two non-core businesses as part of a simplification strategy. The Energy divestiture was substantially completed in Q4 2014 with the related charge recorded in 2014. During Q1 2015, the Advanced Flow Solutions divestiture was substantially completed. During Q2 2017, the Advanced Flow Solutions segment divested the French build-to-print business (Chemille)

6 Includes executive retirement charges, settlements, and contingent consideration for the Critical Flow Solution acquisition

7 Costs associated with exiting Brazilian operations

8 Costs associated with the Critical Flow Solutions (Oct 12, 2016) and Schroedahl (Apr 15, 2015) acquisitions

9 Non-cash charge associated with the increase in fair value arising from CFS acquisition

10 Non-cash impairments taken for intangible assets with no use

11 Excludes the historical impact of Cambridge Fluid Systems (2014), Sagebrush Pipeline (2014) and Chemille (2017) divestitures, and includes the run-rate impact of the acquisitions of Schroedahl (2015) and Critical Flow Solutions (2016)

12 Non-cash expense add-back related to stock issued to employees

Fluid Handling Adjusted EBITDA Reconciliation

CIRCOR

	$ in millions	FY-14	FY-15	FY-16	LTM Q3 2017
	Net Income	**$6.4**	**$18.6**	**($15.0)**	**$14.1**
	Income tax expense	13.2	6.9	1.5	12.1
	Interest expense	(0.6)	1.3	1.4	2.3
	Depreciation and amortization	18.4	14.3	12.8	11.5
	EBITDA	**$37.4**	**$41.1**	**$0.8**	**$39.9**
1	Restructuring adjustments	4.9	3.4	1.2	0.5
2	Stand-alone entity adjustments				
	Management charges	4.8	6.1	3.9	5.1
	Stand alone costs	(1.4)	(1.4)	(1.4)	(0.7)
3	Impairment of acquired intangibles	13.4	2.9	1.4	-
4	Non-recurring inventory reserves	-	-	4.6	0.5
5	Out of period PDVSA inventory write-offs	1.2	8.4	0.9	-
	Acquistion/Divestiture/Severance Related Items				
6	Venezuela Deconsolidation	-	-	1.9	-
7	Headcount reduction	6.9	6.6	18.7	(3.2)
	Other adjustments				
8	Other non-recurring items	11.9	16.1	20.9	10.0
9	Group adjustments	0.7	(18.6)	0.7	0.1
10	Defined benefit plans	4.4	4.4	3.3	3.3
11	Stock compensation	1.4	1.7	2.0	0.5
12	Allocated corporate overhead	6.1	4.3	7.8	8.4
13	Other	(0.2)	(0.3)	(0.2)	2.2
	Adjusted EBITDA	**$95.4**	**$74.5**	**$66.4**	**$66.6**

1 Costs associated with closing the Baric Systems, FH Middle East and Lubritech Venezuela entities

2 Colfax Corporation charges for Group corporate allocations (recorded as Management fees) in addition to expected costs to CIR to run the go-forward pro forma business

3 Non-cash impairment expenses of certain assets (i.e., trade names and customer lists) related to certain acquired assets (i.e., Baric Systems)

4 Non-recurring, non-cash inventory reserves for the Sicelub Mexico entity, the Marine business segments, Shark and 2-Screw products

5 Inventory reserves from discontinued counterparty PDVSA (Petroleos de Venezuela, SA), the state-owned oil and natural gas company of Venezuela

6 In FY-16, the Venezuela business was deconsolidated from Group reporting and the intercompany balances were required to be settled

7 Includes non-recurring severance expense (associated with restructuring plans across various entities, mainly in the EMEA region) and normal course severance

8 Includes add back for asbestos related expenses; all asbestos related liabilities and expenses will remain with Colfax parent and will not be transferred to CIRCOR as part of the sale

9 Consists of the forgiveness of a related party loan arrangement (FY-15), intercompany royalties and intercompany differences

10 EBITDA normalization to reflect the future cost of servicing existing participants and reducing any underfunded pension plan (interest / actuarial gain/loss)

11 Non-cash expense related to stock issued to employees

12 Includes corporate administrative expense, employee-related costs including benefits for corporate and shared employees, and fees for other corporate and support services charged by Colfax parent to FH

13 Includes foreign exchange losses related to Venezuela, bonus normalization, equity earnings and other income

Combined Company Pro Forma Adjusted EBITDA Reconciliation

CIRCOR

$ in millions	Twelve Months Ended Q3 2017 CIRCOR	Fluid Handling	Pro Forma Combined
Revenue, as reported	**$614**	**$466**	**$1,080**
Net Income	$15	$14	$29
Interest Expense	8	2	10
Income Taxes	(2)	12	10
Depreciation & Amortization	29	11	40
Stock Compensation Expense	4	1	5
Restructuring, Special & Other Charges	10	22	32
Disposed Business	6	-	6
Diligence Adjustments	-	4	4
Adjusted EBITDA	**$69**	**$67**	**$136**
Adj. EBITDA margin %	*11.3%*	*14.3%*	*12.6%*
Synergies			23
Pro Forma Adjusted EBITDA			**$159**
Pro Forma Adj. EBITDA margin %			*14.7%*
Total Pro Forma capital expenditures			$27
Pro Forma combined adj. EBITDA - Capex			**$132**
Unlevered free cash flow conversion[(a)]			*83.2%*

(a) Defined as of pro forma combined adjusted EBITDA less capex, divided by pro forma combined EBITDA (inclusive of run-rate synergies)

CIR and FH Free Cash Flow Reconciliation

CIR Free Cash Flow Reconciliation

$ in millions	FY-14	FY-15	FY-16	LTM Q3 2017
CIR cash flow from operating activities (CFO)	$70.8	$27.1	$59.4	$22.5
Less: Purchase of property, plant and equipment	(12.8)	(12.7)	(14.7)	(11.6)
Plus: Sale of property, plant and equipment	0.8	2.2	1.7	0.8
CIR net capital expenditures	**($12.0)**	**($10.5)**	**($13.0)**	**($10.8)**
CIR Free Cash Flow	**$58.8**	**$16.6**	**$46.4**	**$11.6**

FH Free Cash Flow Reconciliation

$ in millions	FY-14	FY-15	FY-16	LTM Q3 2017
FH cash flow from operating activities (CFO)	$15.5[a]	$64.7	$23.1	$52.1
Asbestos-related expenses	14.8	16.1	20.9	1.8
Allocations from Colfax Corporate	4.7	6.1	3.9	5.1
FH adjusted cash flow from operating activities	**$35.0**	**$86.9**	**$47.9**	**$59.0**
Less: Purchase of property, plant and equipment	(9.3)	(7.5)	(8.2)	(15.0)
Plus: Sale of property, plant and equipment	0.5	0.8	4.1	23.8
FH net capital expenditures	**($8.9)**	**($6.7)**	**($4.1)**	**$8.8**
FH Free Cash Flow	**$26.2**	**$80.1**	**$43.7**	**$67.7**
Combined Free Cash Flow	**$85.0**	**$96.7**	**$90.1**	**$79.3**

(a) Cash flow from operations adds back $8mm related to asbestos liability funding; the asbestos liability will not be transferred to CIRCOR as part of the acquisition of FH

Source: Company filings

CIRCOR Segment and Revenue Reconciliation

CIRCOR Segment Operating Income to Segment EBITDA LTM Q3 2017

$ in millions	Energy	AFS
Revenue, as reported	**$344**	**$270**
Segment Operating Income	$32.4	$34.8
Stock Compensation	0.4	0.4
Disposed Business	-	5.5
Other income (expense)	(0.9)	(1.2)
Depreciation & Amortization	7.7	7.8
Adjusted EBITDA	**$39.7**	**$47.2**
Adj. EBITDA margin %	*11.5%*	*17.5%*

CIRCOR Reported Revenue to Pro Forma Revenue

$ in millions	FY-14	FY-15	FY-16	LTM Q3 2017
CIR Revenue, as reported	$841.4	$656.3	$590.3	$614.4
Divested business	(51.1)	-	-	-
Adj. to reflect full year 2015 revenue from Schroedahl acquisition	-	9.2	-	-
Adj. to reflect full year 2016 revenue from Critical Flow Solutions acquisition	-	-	90.0	-
CIR Pro Forma Revenue	**$790.3**	**$665.5**	**$680.3**	**$614.4**

CIRCOR

Appendix III

Financial Overview

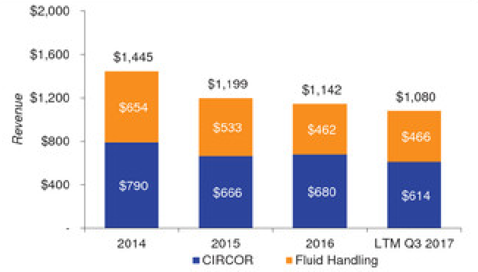
1.1. Summary historical financial information

Historical financial summary

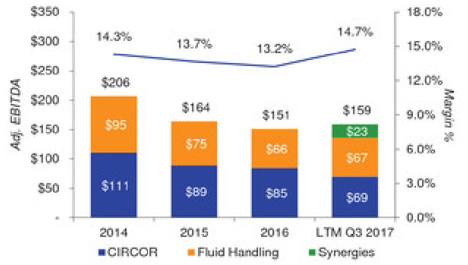
CIRCOR has a long and consistent history of cash flow generation, with a track record of stable margins, low capital expenditures and through-cycle performance resiliency.

($ in millions)

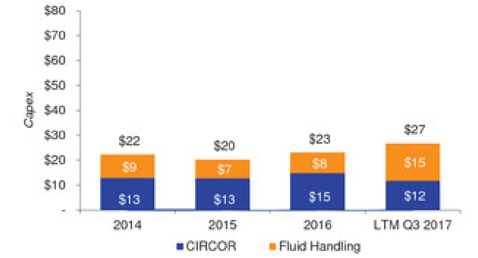
Revenue



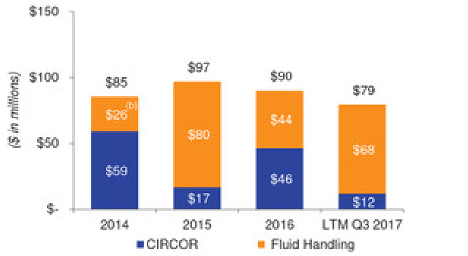
Pro forma Adj. EBITDA



Capital Expenditure



Actual Free Cash Flow(a)



Note: CIRCOR financials reflect the impact of all acquisitions and divestures to date. Refer to Appendix for definition of adjusted EBITDA and a reconciliation to US GAAP net income

(a) CIR free cash flow defined as cash from operating activities less net capital expenditure; FH free cash flow defined as cash from operating activities plus asbestos related expenses, restructuring expenses and allocated expenses from CFX and less capital expenditure

(b) Excludes cash payments in excess of expenses related to asbestos

Source: Company disclosure

Pro forma annual historical financials by segment

($ in millions)	2014A	2015A	2016A	LTM Q3 2017
Energy [a]	$513	$384	$412	$344
Advanced Flow Solutions [a]	277	282	268	270
Fluid Handling	654	533	462	466
Total revenue	**$1,445**	**$1,199**	**$1,142**	**$1,080**
Energy Adj. EBITDA	$93	$50	$61	$40
% EBITDA margin	*18.2%*	*12.9%*	*14.7%*	*11.5%*
Advanced Flow Solutions Adj. EBITDA	39	48	43	47
% EBITDA margin	*14.2%*	*16.9%*	*15.8%*	*17.5%*
Fluid Handling Adj. EBITDA	95	75	66	67
% EBITDA margin	*14.6%*	*14.0%*	*14.4%*	*14.3%*
Synergies	--	--	--	23
Corporate overhead	(22)	(8)	(18)	(18)
Pro forma adj. EBITDA	**$206**	**$164**	**$151**	**$159**
% EBITDA margin	*14.3%*	*13.7%*	*13.2%*	*14.7%*
CIR D&A	$20	$24	$26	$29
% sales	*2.5%*	*3.6%*	*3.8%*	*4.7%*
FH D&A	32	16	14	11
% sales margin	*4.9%*	*3.0%*	*3.1%*	*2.5%*
Total D&A	**$51**	**$40**	**$40**	**$40**
% total sales	*3.6%*	*3.3%*	*3.5%*	*3.7%*
CIR capex	$13	$13	$15	$12
% sales	*1.6%*	*1.9%*	*2.2%*	*1.9%*
FH capex	9	7	8	15
% sales	*1.4%*	*1.4%*	*1.8%*	*3.2%*
Total capex [b]	**$22**	**$20**	**$23**	**$27**
% total sales	*1.5%*	*1.7%*	*2.0%*	*2.5%*

Note: CIRCOR financials reflect the impact of all acquisitions and divestures to date. Refer to Appendix for definition of adjusted EBITDA and a reconciliation to US GAAP net income

(a) Adjusted on a pro forma basis

(b) Excludes the impact from the sale of property, plant and equipment

Financial performance comparison

Energy

Energy segment revenues of $344 million for the last twelve months ending Q3 2017 decreased $68 million, or 16%, as compared to the twelve months ending Q4 2016. The decrease was primarily driven by substantially lower shipment volumes within the Company's large international projects business and the refinery valves capital projects business due in large part to the deferral of capital project orders by the refineries. This was partially offset by higher shipment volumes within the North American distributed valves business. The EBITDA margin for the LTM Q3 2017 period was 11.5% and was driven primarily by volume declines especially in the large international projects business, increased costs to ramp up our North American distributed valves business, and start-up costs of the new Monterrey, Mexico manufacturing operations.

Energy segment revenues of $412 million for the twelve months ending Q4 2016 increased $28 million, or 7%, as compared to the twelve months ending Q4 2015. The increase was primarily driven by an acquisition of the refinery valves business, partially offset by lower shipment volumes in the North American short-cycle business and other oil and gas businesses. Lower orders in the North American short-cycle business were impacted by the destocking of CIRCOR distributors as well as lower production activity overall. EBITDA margin of 14.7% for the twelve months ending Q4 2016 was primarily driven by sourcing, restructuring and productivity initiatives, partially offset by lower shipment volumes for the large international projects business and a $3.2 million bad debt and inventory write-down related to Petróleos de Venezuela ("PDVSA").

Energy segment revenues of $384 million for the twelve months ending Q4 2015 decreased $130 million, or 25%, as compared to the twelve months ending Q4 2014. The decrease was primarily driven by lower shipment volumes in the North American short-cycle business and downstream instrumentation business. Lower orders in the Company's North American short-cycle business were impacted by the destocking of CIRCOR distributors as well as lower production activity overall. EBITDA margin of 12.9% for the twelve months ending Q4 2015 was primarily driven by lower shipment volumes from the North American short-cycle business, partially offset from savings from sourcing, restructuring, and productivity initiatives.

Advanced Flow Solutions

AFS segment revenues of $270 million for the LTM Q3 2017 increased $2 million, or 1%, as compared to the twelve months ending Q4 2016. The increase was primarily driven by the Company's aerospace businesses partially offset by declines in the industrial solutions businesses. EBITDA margin of 17.5% for LTM Q3 2017 was primarily driven by savings from productivity and restructuring actions, partially offset by lower margin shipments to North American power customers and mix impact in defense businesses.

AFS segment revenues of $268 million for the twelve months ending Q4 2016 decreased $14 million, or 5%, as compared to the twelve months ending Q4 2015. The decrease was primarily driven by the industrial solutions businesses. EBITDA margin of 15.8% for the twelve months ending Q4 2016 was primarily a result of the revenue declines described above. These declines were partially offset by restructuring savings and operational efficiencies in the Company's California and French businesses.

AFS segment revenues of $282 million for the twelve months endings Q4 2015 increased $5 million, or 2%, as compared to the twelve months ending Q4 2014. The increase was primarily driven by industrial solutions businesses and was partially offset by the Company's aerospace businesses where CIRCOR exited its structural landing gear product line. EBITDA margin of 16.9% for the period was driven by savings from productivity and restructuring actions, as well as benefits from exiting the structural landing gear product line.

Fluid Handling

Fluid Handling revenue grew to $466 million for the LTM Q3 2017 period primarily due to a strengthening aftermarket in oil & gas, reliability services, and general industrial market. The increase in sales was partially offset by continued weakness in the commercial marine market and timing of certain defense awards. Profitability improved due to operating leverage from additional sales volume and benefits from restructuring actions. These improvements were partially offset by higher commissions due to market mix changes, and variable compensation expense attributable to improved results.

For fiscal year 2016, total revenue declined 13.4% to $462 million from 2015 total revenue of $533 million due to the reduction in upstream capex impacting the oil & gas segment, while commercial marine revenue continued to be adversely impacted by historically low global shipyard activity. The revenue decline was partially offset by industrial segment penetration, aftermarket capture and additional US Navy share wins (share in Block IV US submarine project). Customer spending on capital projects and maintenance appeared to stabilize through the second half of 2016. Margins improved as a result of the realization of restructuring and cost saving initiatives, mostly in the EMEA operations and relocating the European headquarters to Radzolfell as the segment strategically exited from low-margin businesses and executed a disciplined contract selection process.

For fiscal year 2015, total revenue declined 18.5% to $533 million from 2014 total revenue of $654 million, primarily due to declines in the power generation, mining, and general industrial and other end markets, partially offset by growth in the marine, oil & gas, and petrochemical end markets.

Capital expenditures

On a pro forma basis, the Company's capital expenditure profile is approximately 2% of total revenue per annum. Overall split of capital expenditures is approximately 27% maintenance capex, 17% IT capex, and 56% growth capex. Maintenance and IT capital expenditures represents ~1% of total revenue which reflects a highly flexible ability to preserve cash when necessary. Capital expenditures in 2016 and LTM Q3 2017 at CIR and FH respectively were increased by growth capex to support capacity expansion and new products.

Net working capital

($ in millions)	12/31/2014	12/31/2015	12/31/2016	9/30/2017
Days in the year	365	365	366	365
CIRCOR				
Reported revenue	$841	$656	$590	$614
Reported COGS	584	457	407	423
Trade receivables	$157	$126	$133	$130
Inventories	183	178	150	180
Accounts payable [(a)]	87	64	50	64
Net working capital	**$253**	**$239**	**$233**	**$247**
Decrease / (increase)	**21**	**14**	**6**	**(14)**
DSO [(b)]	68	70	82	77
DIO [(b)]	115	142	134	156
DPO [(b)]	54	51	45	55
Cash conversion cycle	**128**	**161**	**172**	**178**
Inventory turns	3.2x	2.6x	2.7x	2.3x
Fluid Handling				
Reported revenue	$654	$533	$462	$466
Reported COGS	437	353	309	308
Trade receivables		$83	$75	$75
Inventories		45	39	53
Accounts payable		53	52	55
Net working capital		**$74**	**$62**	**$73**
Decrease / (increase)			**12**	**(10)**
DSO [(b)]		56	60	58
DIO [(b)]		46	46	63
DPO [(b)]		55	62	65
Cash conversion cycle		**48**	**44**	**56**
Inventory turns		7.9x	7.9x	5.8x
PF CIRCOR				
Net working capital		**$313**	**$295**	**$320**

Note: 2014 FH audited balance sheet is not available.

(a) Includes changes in accounts payable, accrued expenses and other liabilities

(b) DSO is defined by trade receivables divided by revenue and multiplied by day counts in the year; DIO is defined by inventories divided by COGS and multiplied by day counts in the year; DPO is defined by accounts payable divided by COGS and multiplied by day counts in the year

CIRCOR

During the LTM Q3 2017 period, net working capital consumed cash of $14 million, primarily due to an increase in inventories for the North American distributed valves business as the Company ramped-up operations and the supply chain to meet the increased demand during Q2 and Q3, 2017. CIRCOR projects to receive a $15 million working capital benefit as this trend reverses in Q4 2017.

During fiscal year 2016, net working capital generated cash of $6 million. The principal contributors were more efficient inventory management and an extension for payments to the Company's vendors for products and services as seen by a decline in days payable outstanding. The benefit in inventory and payables was partially offset by higher receivables due to the timing of shipments.

During fiscal year 2015, net working capital generated $14 million, primarily due to improved collections as well as a decrease in inventories. The decreases were offset in part by a decrease in payables, which was due to the timing of payments to the Company's vendors for products and services as seen by a decline in days payable outstanding.

Fluid Handling

Fluid Handling tends to have peaks in net working capital in April to May of each year driven by increased inventory during that timeframe. Working capital has been at its lowest points in December of each year due to decreased inventories.

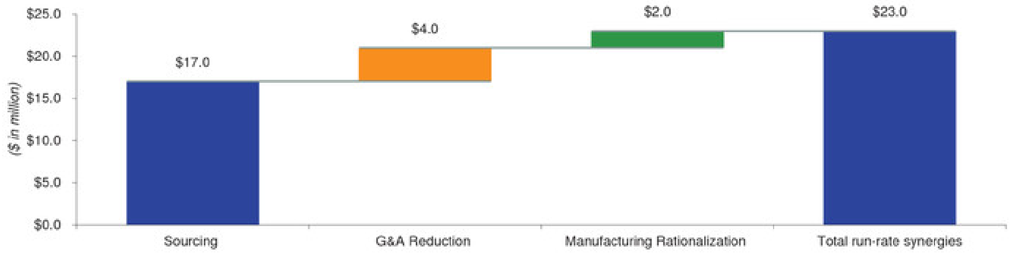
During the LTM Q3 2017 period, net working capital consumed cash of $10 million, primarily due to an increase in inventories as seen by a decline in inventory turn level. The receivables was stable while there was a decrease in days sales outstanding, which benefited from improved collections from customers.

During fiscal year 2016, net working capital generated cash of $12 million, primarily due to decreases in receivables and inventories. The principal contributors to this improvement were an improved ability to collect receivables and more efficiently managed inventory. The accounts payable was stable while there was an increase in days payable outstanding.

1.2. Synergies

Management has identified $23 million of cost synergies, ~90% of which will be implemented by year 2. Opportunities for further improvement lie both within the Fluid Handling business and through the acquisition integration. Currently, Fluid Handling has 5 vertically integrated factories in high-cost locations, greater than 95% of its ~630 suppliers in high-cost locations, and duplicative operating expense structure. The anticipated synergies can be broken down into three primary categories:

($ in millions)



Sourcing:

- Shifting of FH casting suppliers from higher cost countries to low cost countries
- Outsourcing of non-core machining work to 3rd party suppliers in low cost countries
- 35% implemented in year 1 and 100% implemented in year 2

G&A Reduction:

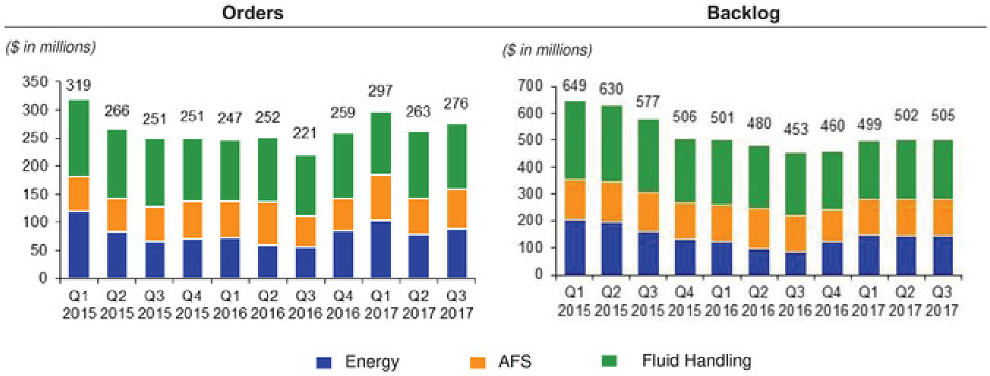
- Elimination of duplicative headcount at FH
- 75% implemented in year 1 and 100% in year 2

Manufacturing Rationalization:

- Headcount and overhead savings from manufacturing footprint optimization
- 100% implemented in year 3

1.3. Orders and backlog overview

CIRCOR has maintained consistent orders and backlog through cyclical end-market demand, with the largest impact seen in the Energy segment, which has steadily increased activity in the past three quarters. Backlog represents orders the Company believes to be firm across all business segments including future customer demand requirements on long-term aerospace product platforms within AFS where the Company is the sole source provider. The Company determines the amount of orders to include in backlog for such aircraft platforms based on 12 months demand published by its customers.



Energy:

As of Q3 2017, North American activity remains robust with rig counts continuing to increase through the third quarter result of continued strength in the Permian, Eagle Ford and Marcellus regions. Energy segment orders increased 62% year-over-year in Q3, led by strong demand in the distributed valves business and the contribution of CFS with organic orders up 26% over the same period. Backlog as of October 1, 2017 was $143 million with a signification portion of that consisting of distributed valves. Backlog at the beginning of 2017 was higher than that of the prior year, $140 million as of January 31, 2017 compared with $135 million as of January 31, 2015. The Company expects to ship all but $3.3 million of the January 31, 2017 backlog by December 31, 2017.

CIRCOR expects strong demand in the distributed valves business as the Company focuses on maintaining current production levels and realizing past-due backlog. Orders in engineered valves project business were up slightly in Q3 with an uptick in quote volume, primarily for midstream projects. This market remains challenged from a pricing perspective with most activity occurring in the Middle East and some new projects launching in Asia.

In 2016, orders decreased 20.1% to $271 million from 2015 orders as of $339 million mainly due to lower bookings in the large international projects business and in North American short-cycle business. Low orders in long-cycle, large international projects business was impacted by reduced capital expenditures for exploration and production of oil and gas as well as project deferrals, whereas low orders in North American distributed valves and instrumentation & sampling businesses were impacted by the destocking of the Company's distributors as well as lower production activity overall.

In 2015, orders decreased 33.9% to $447 million from 2014 orders as of $676 million mainly due to lower bookings in the North American short-cycle market, a business divestiture, downstream instrumentation business, and control valves. Lower orders in the North American short-cycle market were impacted by the destocking of the Company's distributors as well as lower production activity overall.

Advanced Flow Solutions:

As of Q3 2017, the Company has experienced broad-based strength with each product line showing year-over-year growth with aerospace coming in strongest at 27%. Aerospace has benefited as a result of CIRCOR's focus on growing the segment's platforms, including the Joint Strike Fighter and the A350 combined with an increased focus on aftermarket sales. Furthermore, commercial and military aircraft build rates continue to increase providing a strong platform for growth and margin expansion.

Orders for industrial solutions which serves end-markets including HVAC, maritime, and industrial, are expected to be up sequentially and year-over-year, driven by HVAC orders in the residential market and MRO orders from the U.S. Navy.

2016 orders increased 1.6% to $255 million from 2015 orders of $251 million, primarily due to Airbus and Boeing ordering products for planes. 2015 orders decreased 17.0% to $251 million from 2014 orders of $290 million mainly due to the Company's defense based actuation business and a business divestiture.

Fluid Handling:

Orders continued to be strong in oil, gas, and petrochemical, mining, and general industrial and other industrial end markets during the nine months ended September 30, 2017. The year-over-year growth in these end markets was primarily offset by declines in the marine and power generation end markets.

In 2016, orders, net of cancellations, decreased in comparison to 2015 due to a decline in all end markets except mining. Orders reached multi year lows, mainly due to commercial marine. The unfavorable domestic and international macroeconomic conditions experienced during the first half of the year were partially offset by consecutive quarters of order growth during the second half of 2016. Second half order growth was delivered in a stable, but not growing end market environment and reflected, in part, the benefits from applying Colfax Business System to improve commercial processes.

1.4. Appendix

CIRCOR Adjusted EBITDA by Segment

The following tables provide a segment-level reconciliation of EBITDA, by year (excluding corporate overhead and expenses).

$ in millions	FY-14		FY-15		FY-16		LTM Q3 2017	
CIR Segment	**Energy**	**AFS**	**Energy**	**AFS**	**Energy**	**AFS**	**Energy**	**AFS**
CIR Segment Revenue	**$513.3**	**$277.0**	**$383.7**	**$281.8**	**$412.0**	**$268.2**	**$344.3**	**$270.0**
Segment Operating Income	79.7	29.9	50.4	33.8	34.6	33.5	32.4	34.8
Stock Compensation	0.7	0.6	0.7	0.6	0.6	0.5	0.4	0.4
Disposed business	(1.0)	(2.0)	0.0	4.0	19.0	0.0	0.0	5.5
Other income (expense)	6.1	1.5	(8.6)	0.3	0.1	0.5	(0.9)	(1.2)
Depreciation & Amortization	7.9	9.4	7.1	8.8	6.3	8.1	7.7	7.8
CIR Segment Adjusted EBITDA	**$93.4**	**$39.3**	**$49.6**	**$47.5**	**$60.7**	**$42.5**	**$39.7**	**$47.2**
Adjusted EBITDA margin (%)	*18.2%*	*14.2%*	*12.9%*	*16.9%*	*14.7%*	*15.8%*	*11.5%*	*17.5%*

COMBINED FINANCIAL STATEMENTS

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

Ernst & Young LLP

Building a better
working world

INDEX TO THE COMBINED FINANCIAL STATEMENTS

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Report of Independent Auditors

The Management of Colfax Corporation

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Ernst + Young LLP

October 31, 2017

COLFAX FLUID HANDLING
COMBINED STATEMENTS OF OPERATIONS
Dollars in thousands

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

See Notes to Combined Financial Statements.

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

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

See Notes to Combined Financial Statements.

COLFAX FLUID HANDLING
COMBINED BALANCE SHEETS
Dollars in thousands

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

See Notes to Combined Financial Statements.

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

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

See Notes to Combined Financial Statements.

COLFAX FLUID HANDLING
COMBINED STATEMENTS OF CASH FLOWS
Dollars in thousands

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

See Notes to Combined Financial Statements.

1. Organization and Nature of Operations

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

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

Revenue Recognition

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

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

Taxes Collected from Customers and Remitted to Governmental Authorities

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

Research and Development Expense

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

Other Income

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

Cash and Cash Equivalents

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

Trade Receivables

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

Inventories

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

Property, Plant and Equipment

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

Goodwill and Indefinite-Lived Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Warranty Costs

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

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

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

Income Taxes

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

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

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

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

Foreign Currency Transactions and Exchange Gains and Losses

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

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

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

Interest expense, net

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

Use of Estimates

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

3. Recently Issued Accounting Pronouncements

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

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

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

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

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

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

4. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Goodwill and Intangible Assets

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

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

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

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

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

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

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

6. Property, Plant and Equipment, Net

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

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

7. Inventories, Net

Inventories, net consisted of the following:

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

8. Accrued Liabilities

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

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

Accrued Restructuring Liability

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

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

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

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

[1] Includes severance and other termination benefits, including outplacement services. The Business recognizes the cost of involuntary termination benefits at the communication date or ratably over any remaining expected future service period. Voluntary termination benefits are recognized as a liability and an expense when employees accept the offer and the amount can be reasonably estimated.
[2] Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities.
[3] As of December 31, 2015, $0.1 million of CFH's restructuring liability was included in Accrued liabilities.

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

9. Defined Benefit Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Financial Instruments and Fair Value Measurements

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

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

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

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

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

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

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

Cash Equivalents

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

Derivatives

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

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

Foreign Currency Contracts

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

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

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

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

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

Concentration of Credit Risk

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

11. Commitments and Contingencies

Asbestos and Other Product Liability Contingencies

CFH is one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers, and were not manufactured by CFH nor was CFH a producer or direct supplier of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of CFH's customers, including the U.S. Navy.

CFH settles asbestos claims for amounts it considers reasonable given the facts and circumstances of each claim. The annual average settlement payment per asbestos claimant has fluctuated during the past several years. The Business expects such fluctuations to continue in the future based upon, among other things, the number and type of claims settled in a particular period and the jurisdictions in which such claims arise. To date, the majority of settled claims have been dismissed for no payment.

Claims activity for the years ended December 31, 2016 and 2015 related to asbestos claims [(1)]:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Litigation

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

Minimum Lease Obligations

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

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

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

Off-Balance Sheet Arrangements

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

12. Components of Other Accumulated Comprehensive Income (Loss)

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

13. Related Party Transactions

Allocated Expenses

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

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

14. Subsequent Event - Divestiture Transaction

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

COMBINED INTERIM FINANCIAL STATEMENTS

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

Ernst & Young LLP

Building a better
working world

INDEX TO THE COMBINED FINANCIAL STATEMENTS

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Review Report of Independent Auditors

The Management of Colfax Corporation

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

Management's Responsibility for the Financial Information

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

Auditor's Responsibility

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

Conclusion

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

Report on Condensed Balance Sheet as of December 31, 2016

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

Ernst + Young LLP

November 2, 2017

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

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

See Notes to Condensed Combined Financial Statements.

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

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

See Notes to Condensed Combined Financial Statements.

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

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

See Notes to Condensed Combined Financial Statements.

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

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

See Notes to Condensed Combined Financial Statements.

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

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

See Notes to Condensed Combined Financial Statements.

1. General

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Recently Issued Accounting Pronouncements

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

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

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

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

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

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

3. Income Taxes

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

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

4. Inventories, Net

Inventories, net consisted of the following:

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

5. Accrued Liabilities

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

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

Warranty Liability

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

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

Accrued Restructuring Liability

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

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

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

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

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

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

6. Defined Benefit Plans

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

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

7. Financial Instruments and Fair Value Measurements

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

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

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

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

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

Foreign Currency Contracts

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

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

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

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

8. Commitments and Contingencies

Asbestos and Other Product Liability Contingencies

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

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

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

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

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

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

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

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

Other Litigation Matters

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

9. Related-Party Transactions

Allocated Expenses

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

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

10. Subsequent Events

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

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