Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our corporate headquarters are located in Annapolis Junction, Maryland in a facility that we lease. As of December 31, 2020, our Fabrication Technology segment had a total of five production facilities in the U.S., representing a total of 0.6 million and 0.7 million square feet of owned and leased space, respectively, and 33 production facilities outside the U.S., representing a total of 7.1 million and 2.0 million square feet of owned and leased space, respectively, in 17 countries in Australia, Central and Eastern Europe, Central and South America and Asia. As of December 31, 2020, our Medical Technology segment had a total of four production facilities in the U.S., representing a total of 0.1 million and 0.2 million square feet of owned and leased space, respectively, and two production facilities outside the U.S., representing a total of 0.3 million square feet of leased space in two countries in Central America and Africa.

Item 3. ***Legal Proceedings***

Discussion of legal matters is incorporated by reference to Part II, Item 8, Note 18, “Commitments and Contingencies,” in the Notes to Consolidated Financial Statements.

Item 4. ***Mine Safety Disclosures***

None.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Set forth below are the names, ages, positions and experience of our executive officers. All of our executive officers hold office at the pleasure of our Board of Directors.

Name	Age	Position
Matthew L. Trerotola	53	President and Chief Executive Officer and Director, Colfax Corporation
Christopher M. Hix	58	Executive Vice President, Finance, Chief Financial Officer
Daniel A. Pryor	52	Executive Vice President, Strategy and Business Development
Shyam Kambeyanda	50	Executive Vice President, President and CEO of ESAB
Brady R. Shirley	55	Chief Executive Officer of DJO
Bradley J. Tandy	62	Senior Vice President, General Counsel and Corporate Secretary
Patricia Lang	57	Senior Vice President, Chief Human Resources Officer

Matthew L. Trerotola has been President and Chief Executive Officer since July 2015. Prior to joining Colfax, Mr. Trerotola was an Executive Vice President and a member of DuPont's Office of the Chief Executive, responsible for DuPont's Electronics & Communications and Safety & Protection segments. Mr. Trerotola also had corporate responsibility for DuPont's Asia-Pacific business. Many of Mr. Trerotola's roles at DuPont involved applying innovation to improve margins and accelerate organic growth in global businesses. Prior to rejoining DuPont in 2013, Mr. Trerotola had served in leadership roles at Danaher Corporation since 2007, and was most recently Vice President and Group Executive for Life Sciences. Previously, Mr. Trerotola was Group Executive for Product Identification from 2009 to 2012, and President of the Videojet business from 2007 to 2009. While at McKinsey & Company from 1995 to 1999, Mr. Trerotola focused primarily on helping industrial companies accelerate growth. Mr. Trerotola earned his Masters of Business Administration ("M.B.A.") from Harvard Business School and his Bachelor of Science ("B.S.") in Chemical Engineering from the University of Virginia.

Christopher M. Hix has been Executive Vice President, Finance, Chief Financial Officer since December 2019 and prior to such position served as Senior Vice President, Finance, since July 2016. Prior to joining Colfax, Mr. Hix was the Chief Financial Officer of OM Group, Inc., a global, publicly-listed diversified industrial company. Mr. Hix served within OM Group from 2012 until the company's acquisition in late 2015. Previously, Mr. Hix was the Chief Financial Officer of Robbins & Myers, a diversified industrial company, from 2006 to 2011. Prior to that, Mr. Hix spent 13 years in a variety of positions with increasing responsibility in operating, financial and strategic roles within Roper Industries, a global, diversified industrial and technology company that underwent rapid growth and transition from private to public ownership during his tenure. Mr. Hix earned his M.B.A. from St. Mary's College of California and his B.S. in Business Administration from the University of Southern California.

Daniel A. Pryor has been Executive Vice President, Strategy and Business Development since July 2013. Mr. Pryor was Senior Vice President, Strategy and Business Development from January 2011 through July 2013. Prior to joining Colfax, he was a Partner and Managing Director with The Carlyle Group, a global alternative asset manager, where he focused on industrial leveraged buyouts and led numerous portfolio company and follow-on acquisitions. While at The Carlyle Group, he served on the boards of portfolio companies Veyance Technologies, Inc., John Maneely Co., and HD Supply Inc. Prior to The Carlyle Group, he spent 11 years at Danaher Corporation in roles of increasing responsibility, most recently as Vice President - Strategic Development. Mr. Pryor earned his M.B.A. from Harvard Business School and his Bachelor of Arts in Economics from Williams College.

Shyam Kambeyanda has been Executive Vice President since December 2019 and President and Chief Executive Officer of ESAB since May 2016. Prior to joining Colfax, Mr. Kambeyanda most recently served as the President Americas for Eaton Corporation's Hydraulics Group. Mr. Kambeyanda joined Eaton in 1995 and has held a variety of positions of increasing responsibility in engineering, quality, e-commerce, product strategy, and operations management in the U.S., Mexico, Europe and Asia. Mr. Kambeyanda maintains a keen international perspective on driving growth and business development in emerging markets. Mr. Kambeyanda holds bachelor's degrees in Physics and General Science from Coe College in Iowa and in Electrical Engineering from Iowa State University. Mr. Kambeyanda also earned his M.B.A from Kellogg School of Management at Northwestern University and is a Six Sigma Green Belt.

Brady Shirley was appointed DJO Chief Executive Officer in November 2016. Prior to this, Mr. Shirley served as the President of the DJO Surgical business, a position he was appointed to in March of 2014. From 2009 to 2013, Mr. Shirley was the CEO and Director of Innovative Medical Device Solutions ("IMDS"), a company that provides comprehensive product development, manufacturing and supply chain management solutions for medical device companies within the orthopedic medical device industry. At IMDS, Mr. Shirley managed the integration of four companies, consolidated the capital structure and led a successful sale of the business in 2013. From December 1992 to August 2009, Mr. Shirley had several key leadership positions with Stryker Corporation, including President of Stryker Communications and Senior Vice President of Stryker Endoscopy. Mr. Shirley received a Bachelor of Business Administration in Finance from the University of Texas, Austin.

Bradley Tandy has been Senior Vice President, General Counsel since July 2019 and was appointed as Corporate Secretary in February 2020. From February 2019 through June 2019, he served as our interim general counsel. Mr. Tandy also served in his capacity as Executive Vice President, General Counsel and Secretary of DJO. Prior to joining DJO, Mr. Tandy served as Senior Vice President, General Counsel and Secretary of Biomet, Inc. from 2006 through 2014. Prior to serving as General Counsel, Mr. Tandy served as Vice President, Assistant General Counsel and Chief Compliance Officer of Biomet from 1999 through 2006. He joined Biomet as Assistant General Counsel in 1992. Prior to his employment at Biomet, Mr. Tandy was a partner in the law firm of Rasor, Harris, Lemon & Reed in Warsaw, Indiana, focusing his practice on representation of medical device and healthcare companies. He was an elected public official in Kosciusko County, Indiana, serving as a County Councilman for 22 years. He received his undergraduate degree in Political Science from DePauw University and earned his Doctorate of Jurisprudence at Indiana University School of Law in Bloomington, Indiana.

Patricia Lang was appointed Senior Vice President, Chief Human Resources Officer in January 2019. Most recently Ms. Lang was the Chief People Officer for Diebold Nixdorf and was responsible for managing employee-focused initiatives across the organization. Prior to joining Diebold Nixdorf, Ms. Lang held a number of human resource and operations leadership positions at companies such as Mylan Pharmaceuticals, Consol Energy, Mercer Consulting and Cigna. Ms. Lang holds a business degree with a concentration in information technology and management from Duquesne University. Additionally, she holds various certifications in human capital management, mergers and acquisitions, global employee benefits including C.E.B.S, as well as complex project management, lean manufacturing business systems and the Toyota production system.

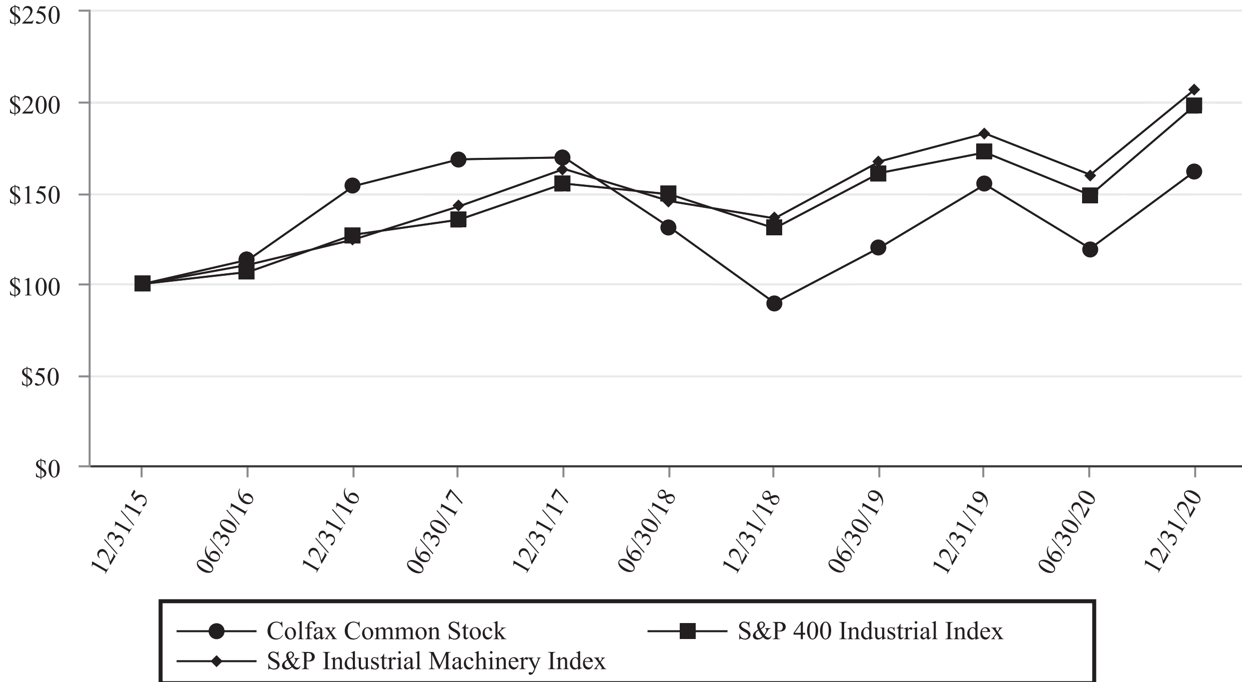
PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our Common stock began trading on the New York Stock Exchange under the symbol CFX on May 8, 2008. As of February 12, 2021, there were 201 holders of record of our Common stock. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street name" or persons, partnerships, associates, corporations or other entities identified in security position listings maintained by depositories.

Performance Graph

The graph below compares the cumulative total stockholder return on our Common stock with the cumulative total return of the Standard & Poor's ("S&P") 400 Industrial Index and the S&P Industrial Machinery Index. The graph assumes that $100 was invested on December 31, 2015 in each of our Common stock, the S&P 400 Industrial Index and the S&P Industrial Machinery Index, and that all dividends were reinvested.



Issuer Repurchase of Equity Securities

On February 12, 2018, the Company's Board of Directors authorized the repurchase of up to $100.0 million of the Company's Common stock from time-to-time on the open market or in privately negotiated transactions. The Board of Directors increased the repurchase authorization by an additional $100 million on June 6, 2018, and again for an additional $100 million on July 19, 2018. The timing and amount of shares repurchased is to be determined by management based on its evaluation of market conditions and other factors. The repurchase program has no expiration date and does not obligate the Company to acquire any specific number of shares. The repurchase program was conducted pursuant to SEC Rule 10b-18.

There were no repurchases made under the repurchase program during 2020 or 2019. The Company repurchased 6,449,425 shares of its Common stock under the repurchase program in open market transactions for $200.0 million in 2018. As of December 31, 2020, there are authorized Common stock repurchases of approximately $100 million remaining.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
10/03/20 - 10/30/20	—	$ —	—	$ 99,997,744
10/31/20 - 11/27/20	—	—	—	99,997,744
11/28/20 - 12/31/20	—	—	—	99,997,744
Total	—	$ —	—	$ 99,997,744 [1]

[1] Represents the repurchase program limit authorized by the Board of Directors of $300 million less the value of purchases made under the repurchase program.

Item 6. *Selected Financial Data*

	Year Ended and As of December 31,				
	2020	2019[1]	2018[2]	2017[3]	2016[4][5]
	(Dollars in thousands, except per share data)				
Statement of Operations Data:					
Net sales	$ 3,070,769	$ 3,327,458	$ 2,193,083	$ 1,937,282	$ 3,185,753
Operating income	162,291	203,612	151,536	135,598	236,848
Specific costs included in Operating income:					
Restructuring and other related charges	38,413	65,295	29,077	35,333	58,496
Goodwill and intangible asset impairment	—	—	—	—	238
Net income from continuing operations	64,082	18,863	121,872	46,076	154,752
Net income per share from continuing operations - diluted	0.44	0.10	1.00	0.36	1.12
Net income (loss) income per share from discontinued operations - diluted	(0.13)	(3.99)	0.16	0.86	(0.08)
Balance Sheet and Other Data:					
Cash and cash equivalents	97,068	109,632	77,153	111,674	208,814
Total assets	7,351,549	7,386,832	6,615,958	6,709,697	6,338,440
Total debt, including current portion	2,231,243	2,311,826	1,197,428	1,061,071	1,292,144
Net cash provided by operating activities	301,935	130,948	226,367	218,770	246,974

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(1) During 2019, we completed the acquisition of DJO for $3.15 billion and incurred $61 million of strategic transaction costs as well as $51 million of Restructuring and other related charges at DJO. Additionally, we completed the divestiture of our Air and Gas Handling business on September 30, 2019. The results of our Air and Gas Handling business are presented as discontinued operations and include a charge for goodwill impairment of $449 million, which did not have an associated tax benefit and contributed approximately $3.28 to the loss per share from discontinued operations. Additionally, we incurred divestiture-related expense of $49 million, interest expense of $48 million associated with the mandatory pay down of our Term Loan Facilities using net proceeds from the sale, pension settlement loss of $44 million, and income tax expense of $44 million. Refer to Note 5, "Acquisitions" and Note 4, "Discontinued Operations" in the accompanying Notes to Consolidated Financial Statements in this Form 10-K for additional information.

(2) During 2018, we repurchased approximately $200 million of our Common stock. See Note 14, "Equity" in the accompanying Notes to Consolidated Financial Statements in this Form 10-K for additional information.

(3) In 2017, we divested our Fluid Handling business for total consideration, including certain post-closing adjustments, of $861 million.

(4) During 2016, we repurchased approximately $21 million of our Common stock.

(5) In accordance with the SEC staff Financial Reporting Manual and in conjunction with the filing of the 2019 Form 10-K, we elected not to recast the selected financial data for the years 2016 and prior for the 2019 divestiture of the Air and Gas Handling segment as discontinued operations. As such, the above selected financial data for the year ended 2016 includes the results of the divested Air and Gas Handling segment.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of Company's management. This MD&A is divided into four main sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies

The following MD&A should be read together with Item 6. "Selected Financial Data", Part I, Item 1A. "Risk Factors" and the accompanying Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8. of this Form 10-K. The MD&A includes forward-looking statements. For a discussion of important factors that could cause actual results to differ materially from the results referred to in these forward-looking statements, see "Special Note Regarding Forward-Looking Statements."

Overview

Please see Part I, Item 1. "Business" for a discussion of Colfax's objectives and methodologies for delivering shareholder value.

Colfax conducts its operations through two operating segments: Fabrication Technology and Medical Technology.

- ***Fabrication Technology*** - a leading global supplier of consumable products and equipment for use in the cutting, joining and automated welding, as well as gas control equipment, providing a wide range of products with innovative technologies to solve challenges in a wide range of industries.

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

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

We have a global footprint, with production facilities in Europe, North America, South America, Asia, Australia and Africa. We serve a global customer base across multiple markets through a combination of direct sales and third-party distribution channels. Our customer base is highly diversified in the medical and industrial end markets.

Integral to our operations is CBS, our business management system. CBS is our culture and includes our values and behaviors, a comprehensive set of tools, and repeatable, teachable processes that we use to drive continuous improvement and create superior value for our customers, shareholders and associates. We believe that our management team's access to, and experience in, the application of the CBS methodology is one of our primary competitive strengths.

Outlook

We believe that we are well positioned to grow our businesses organically over the long term by enhancing our product offerings and expanding our customer base. Our Medical Technology segment orthopedic business enjoys sustainable secular drivers such as aging populations that require increasing levels of medical care that should contribute to reduced cyclicality of our Company. In addition, the shift to greater outpatient surgeries at ambulatory surgical centers (ASCs) is expected to benefit our rehabilitation and recovery business as patients require proper bracing and other support during recoveries. We have seen an acceleration of shifting to ASCs allowing for increased opportunity to sell to these centers in the future. Our Fabrication Technology business mix is well balanced between sales in emerging markets and developed nations, and equipment and consumables. We intend to continue to utilize our strong global presence and worldwide network of salespeople and distributors to capitalize on growth opportunities by selling regionally-developed and/or marketed products and solutions throughout our served markets. Our geographic and end market diversity helps mitigate the effects from cyclical industrial market exposures. Given this balance, management does not use indices other than general economic trends and business initiatives to predict the overall outlook for the Company. Instead, our individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and outlook for the future.

We face a number of challenges and opportunities, including the successful integration of acquired businesses, application and expansion of our CBS tools to improve business performance, and rationalization of assets and costs.

We expect strategic acquisitions to contribute to our growth. We believe that the extensive experience of our leadership team in acquiring and effectively integrating acquisition targets should enable us to capitalize on future opportunities.

The discussion that follows includes a comparison of our results of operations, liquidity and capital resources for the fiscal years ended December 31, 2020 and 2019. For a comparison of the Company's results of operations, liquidity and capital resources for the fiscal years ended December 31, 2019 and 2018, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Results of Operations

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

Items Affecting Comparability of Reported Results

The comparability of our operating results for the year ended December 31, 2020 to the comparable 2019 period is affected by the following additional significant items:

Recent Developments

In December 2019, a novel coronavirus disease ("COVID-19") was first reported in China. On March 11, 2020, due to worldwide spread of the virus, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 global pandemic has resulted in a widespread health crisis, and the resulting impact on governments, businesses and individuals and actions taken by them in response to the situation have resulted in widespread economic disruptions, significantly affecting broader economies, financial markets, and overall demand for our products.

In an effort to protect the health and safety of our employees, we have taken actions to adopt social distancing policies at our locations around the world, including working from home, reducing the number of people in our sites at any one time, and suspending or restricting employee travel. In an effort to contain COVID-19 or slow its spread, governments around the world enacted measures in 2020, including periodically closing businesses not deemed "essential," isolating residents to their homes, limiting access to healthcare, curtailing activities including sporting events, and practicing social distancing.

We implemented a broad range of temporary actions to mitigate the effects of lower sales levels including temporarily reducing salaries, furloughing and laying-off employees, significantly curtailing discretionary expenses, re-phasing of capital expenditures, reducing supplier purchase levels and / or prices, adjusting working capital practices and other measures.

As reflected in the discussions that follow, the pandemic and actions taken in response to it have had a variety of impacts on our results of operations during 2020. The most severe financial impact occurred in the second quarter, resulting in 31.8% lower sales than the second quarter of 2019. Sales began to recover in the latter part of the second quarter and through the third and fourth quarters. Third quarter sales improved to a 4.8% decrease as compared to the third quarter of 2019 while fourth quarter sales decreased 3.9% as compared to the fourth quarter of 2019 on an equivalent sales-per-day basis and another 2.9% due to fewer selling days in 2020. The surge in COVID-19 cases in the fourth quarter contributed to certain jurisdictions putting further restrictions into place.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including national and local public health authorities, and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control that require us to further adjust our operations. As such, given the dynamic nature of this situation, we cannot reasonably estimate the full impacts of COVID-19 on our financial condition, results of operations or cash flows in the future.

Please see Part I. Item 1A. "Risk Factors" in this Form 10-K for further discussion of the Company's risks relating to the COVID-19 pandemic.

Acquisitions

We complement our organic growth plans with acquisitions and other investments. Acquisitions can significantly affect our reported results, and we report the change in our Net sales between periods both from existing and acquired businesses. The change in Net sales due to acquisitions for the periods presented in this filing represents the incremental sales as a result of acquisitions. On February 22, 2019, we completed the acquisition of DJO, creating a new growth platform in the higher-margin orthopedic solutions market.

During the year ended December 31, 2020, we completed five acquisitions in our Medical Technology segment for total consideration, net of cash received, of $67.5 million, subject to certain purchase price adjustments. This includes the acquisition of LiteCure LLC, a U.S. leader in high-powered laser rehab products for human and veterinary medical applications, in the fourth quarter for cash consideration of $39.6 million.

Global Operations

Our products and services are available worldwide. The manner in which our products and services are sold differs by region. During 2020, approximately 59% of our sales were shipped to locations outside of the U.S., mostly from locations outside the U.S. Accordingly, we are affected by market demand, economic and political factors in countries throughout the world. Our ability to grow and our financial performance will be affected by our ability to address a variety of challenges and opportunities that are a consequence of our global operations, including efficiently utilizing our global sales, manufacturing and distribution capabilities, participating in the expansion of market opportunities in emerging markets, successfully completing global acquisitions and engineering innovative new product applications for end users in a variety of geographic markets. However, we believe that our geographic, end market, customer and product diversification may limit the impact that any one country or economy could have on our consolidated results.

Foreign Currency Fluctuations

A significant portion of our Net sales, approximately 58% for 2020, is derived from operations outside the U.S., with the majority of those sales denominated in currencies other than the U.S. dollar. Because much of our manufacturing and employee costs are outside the U.S., a significant portion of our costs are also denominated in currencies other than the U.S. dollar. Changes in foreign exchange rates can impact our results of operations and are quantified when significant. For the year ended December 31, 2020 compared to 2019, fluctuations in foreign currencies had unfavorable impacts on the change in Net sales of approximately 2% and affected Gross profit and Selling, general and administrative expenses by less than 2%.

Seasonality

Our European operations typically experience a slowdown during the July, August and December vacation seasons. Sales in our Medical Technology segment typically peak in the fourth quarter. However, the business impact caused by the COVID-19 pandemic may distort the effects of historical seasonality patterns.

Material Costs

Our Fabrication Technology segment results may be sensitive to cost changes in our raw materials. Our largest material purchases are for components and raw materials including steel, iron, copper and aluminum. Our principal raw materials and components for our Medical Technology segment are foam ethylene vinyl acetate, copolymer for our bracing and vascular products and cobalt chromium alloy, stainless steel alloys, titanium alloy and ultra high molecular weight polyethylene for our surgical implant products. Historically, we have been generally successful in passing raw material cost increases on to our customers in the form of higher prices. While we seek to take actions to manage this risk, future changes in component and raw material costs may adversely impact earnings.

Sales and Cost Mix

The gross profit margins within our Fabrication Technology segment vary in relation to the relative mix of many factors, including the type of product, the location in which the product is manufactured, the end market application for which the product is designed, and the percentage of total revenue represented by consumables, which often have higher margins than equipment. Gross profit margins within our Medical Technology segment vary primarily based on the type of product and distribution channel. Reconstructive products tend to have higher margins than the prevention and rehabilitation products.

The mix of sales was as follows for the periods presented:

	Year Ended December 31,	
Fabrication Technology Segment:	**2020**	**2019**
Equipment	31 %	31 %
Consumables	69 %	69 %
Medical Technology Segment:		
Prevention & Rehabilitation	70 %	71 %
Reconstructive	30 %	29 %

Non-GAAP Measures

Adjusted EBITA

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

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

	Year Ended December 31,	
	2020	**2019**
	(Dollars in millions)	
Net income from continuing operations (GAAP)	$ 64.1	$ 18.9
Income tax expense (benefit)	(6.1)	31.6
Interest expense, net[1]	104.3	119.5
Pension settlement loss	—	33.6
Restructuring and other related charges[2]	45.0	73.7
MDR and other costs[3]	6.9	—
Strategic transaction costs[4]	2.8	61.0
Acquisition-related amortization and other non-cash charges[5]	143.9	138.5
Adjusted EBITA (non-GAAP)	$ 361.0	$ 476.9
Net income margin from continuing operations (GAAP)	2.1 %	0.6 %
Adjusted EBITA margin (non-GAAP)	11.8 %	14.3 %

[1] The year ended December 31, 2019 includes $0.8 million of debt extinguishment charges in the first quarter of 2019 related to financing for the DJO acquisition.

[2] Restructuring and other related charges includes $6.6 million and $8.5 million of expense classified as Cost of sales on the Company's Consolidated Statements of Operations for the years ended December 31, 2020 and 2019, respectively.

[3] Primarily related to costs specific to compliance with medical device reporting regulations and other requirements of the European Union Medical Device Regulation of 2017.

[4] Includes costs incurred for the acquisition of DJO.

[5] Includes amortization of acquired intangibles and fair value charges on acquired inventory.

The following tables set forth a reconciliation of operating income (loss), the most directly comparable financial statement measure, to Adjusted EBITA by segment for the years ended December 31, 2020 and 2019.

	Year Ended December 31, 2020			
	Fabrication Technology	Medical Technology	Corporate and other	Total
	(Dollars in millions)			
Operating income (loss) (GAAP)	$ 224.4	$ (1.2)	$ (60.8)	$ 162.3
Restructuring and other related charges[1]	21.6	23.4	—	45.0
MDR and other costs[2]	—	6.9	—	6.9
Segment operating income (loss) (non-GAAP)	246.0	29.1	(60.8)	214.3
Strategic transaction costs	—	—	2.8	2.8
Acquisition-related amortization and other non-cash charges[3]	36.3	107.6	—	143.9
Adjusted EBITA (non-GAAP)	$ 282.3	$ 136.7	$ (58.0)	$ 361.0
Segment operating income margin (non-GAAP)	12.6 %	2.6 %	— %	7.0 %
Adjusted EBITA margin (non-GAAP)	14.5 %	12.2 %	— %	11.8 %

[1] Restructuring and other related charges in the Medical Technology segment includes $6.6 million of expense classified as Cost of sales on the Company's Consolidated Statements of Operations.
[2] Primarily related to costs specific to compliance with medical device reporting regulations and other requirements of the European Union Medical Device Regulation of 2017.
[3] Includes amortization of acquired intangibles and fair value charges on acquired inventory.

	Year Ended December 31, 2019			
	Fabrication Technology	Medical Technology	Corporate and other	Total
	(Dollars in millions)			
Operating income (loss) (GAAP)	$ 279.6	$ 45.5	$ (121.4)	$ 203.6
Restructuring and other related charges[1]	23.0	50.7	—	73.7
Segment operating income (loss) (non-GAAP)	302.6	96.2	(121.4)	277.4
Strategic transaction costs[2]	—	—	61.0	61.0
Acquisition-related amortization and other non-cash charges[3]	35.6	102.9	—	138.5
Adjusted EBITA (non-GAAP)	$ 338.2	$ 199.0	$ (60.4)	$ 476.9
Segment operating income margin (non-GAAP)	13.5 %	8.9 %	— %	8.3 %
Adjusted EBITA margin (non-GAAP)	15.1 %	18.4 %	— %	14.3 %

[1] Restructuring and other related charges in the Medical Technology segment includes $8.5 million of expense classified as Cost of sales on the Company's Consolidated Statements of Operations.
[2] Strategic transaction costs in the Corporate and other segment includes costs incurred for the acquisition of DJO.
[3] Includes amortization of acquired intangibles and fair value charges on acquired inventory.

Total Company

Sales

Net sales from continuing operations decreased to $3.1 billion in 2020 from $3.3 billion in 2019. The following table presents the components of changes in our consolidated Net sales.

	Net Sales	
	$	**%**
	(Dollars in millions)	
For the year ended December 31, 2019	$ 3,327.5	
Components of Change:		
Existing businesses[1]	(389.5)	(11.7)%
Acquisitions[2]	206.6	6.2 %
Foreign currency translation[3]	(73.8)	(2.2)%
	(256.7)	(7.7)%
For the year ended December 31, 2020	$ 3,070.8	

[1] Excludes the impact of foreign exchange rate fluctuations and acquisitions, thus providing a measure of growth due to factors such as price, product mix and volume.

[2] Represents the incremental sales from our acquisitions discussed previously, primarily driven by approximately two additional months of incremental reported sales compared to the corresponding prior year period as a result of the acquisition of DJO being completed on February 22, 2019.

[3] Represents the difference between prior year sales valued at the actual prior year foreign exchange rates and prior year sales valued at current year foreign exchange rates.

Net sales decreased in 2020 as compared to 2019, primarily due to the COVID-19 pandemic. Our Fabrication Technology segment decreased $218.4 million and our Medical Technology segment decreased $171.1 million for existing businesses, partially offset by a $199.5 million increase from approximately two additional months of acquisition sales in our Medical Technology segment, which represents the incremental reported sales compared to the corresponding prior year period as a result of the acquisition of DJO being completed on February 22, 2019, as well as an additional $7.1 million of sales from fourth quarter acquisitions in our Medical Technology segment. The strengthening of the U.S. dollar relative to other currencies caused a $73.8 million negative currency translation impact.

Operating Results

The following table summarizes our results from continuing operations for the comparable two-year period.

	Year Ended December 31,	
	2020	2019
	(Dollars in millions)	
Gross profit	$ 1,288.1	$ 1,401.1
Gross profit margin	41.9 %	42.1 %
Selling, general and administrative expense	$ 1,087.4	$ 1,132.1
Operating income	$ 162.3	$ 203.6
Operating income margin	5.3 %	6.1 %
Net income from continuing operations	$ 64.1	$ 18.9
Net income margin from continuing operations	2.1 %	0.6 %
Adjusted EBITA (non-GAAP)	$ 361.0	$ 476.9
Adjusted EBITA Margin (non-GAAP)	11.8 %	14.3 %
Items excluded from Adjusted EBITA:		
Restructuring and other related charges[(1)]	$ 45.0	$ 73.7
MDR and other costs[(2)]	$ 6.9	$ —
Strategic transaction costs[(3)]	$ 2.8	$ 61.0
Acquisition-related amortization and other non-cash charges[(4)]	$ 143.9	$ 138.5
Pension settlement loss	$ —	$ 33.6
Interest expense, net	$ 104.3	$ 119.5
Income tax expense (benefit)	$ (6.1)	$ 31.6

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(1) Restructuring and other related charges includes $6.6 million and $8.5 million of expense classified as Cost of sales on the Company's Consolidated Statements of Operations for the years ended December 31, 2020 and 2019, respectively.
(2) Primarily related to costs specific to compliance with medical device reporting regulations and other requirements of the European Union Medical Device Regulation of 2017.
(3) Includes costs incurred for the acquisition of DJO.
(4) Includes amortization of acquired intangibles and fair value charges on acquired inventory.

2020 Compared to 2019

Gross profit decreased $113.0 million during 2020 in comparison to 2019, primarily driven by lower sales volumes that resulted from the COVID-19 pandemic and $15.3 million of unfavorable currency translation effects, partly offset by temporary mitigating cost actions, new product initiatives, and the inclusion of $113.3 million from two additional months of Medical Technology segment sales and profit. Gross profit margins approximated the same level as 2019. Gross margins were impacted by lower sales volume related to COVID-19, offset by two additional months of higher-margin sales of our Medical Technology segment in 2020 and temporary cost reduction actions taken in response to the pandemic.

Selling, general and administrative expense decreased $44.7 million mainly due to a $58.2 million decrease in strategic transaction costs and temporary cost reductions that peaked in the second quarter, partially offset by two additional months of results of our Medical Technology segment. Restructuring and other related charges decreased by $28.7 million due to completing certain Medical Technology segment restructuring programs.

Interest expense, net decreased by $15.2 million, primarily attributable to lower interest rates and a lower debt balance.

The effective tax rate for Net income from continuing operations during 2020 was (10.4)%, which was lower than the 2020 U.S. federal statutory tax rate of 21% mainly due to the net impact of U.S. tax credits, a benefit from U.S. state tax losses, a discrete tax benefit associated with the filing of timely elected changes to U.S. Federal tax returns to credit rather than to deduct foreign taxes and release of valuation allowance on U.S. federal net operating losses. These favorable impacts were partially offset by the impact of additional U.S. tax on international operations, withholding taxes, and certain non-deductible expenses.

The effective tax rate for 2019 was 62.6%, which was higher than the 2019 U.S. federal statutory tax rate of 21% mainly due to taxation of foreign earnings, non-deductible transaction costs and unfavorable changes to the realization of deferred tax assets. These unfavorable adjustments were partially offset by lower effective tax rates of foreign jurisdictions, U.S. R&D and foreign tax credits, and the realization of deferred tax assets that previously had valuation allowances.

Net income from continuing operations increased in 2020 compared to 2019, largely due to decreases in strategic transaction and restructuring costs and the pension settlement loss incurred during 2019. These were offset by a decrease in Gross profit from COVID-19 impacts, mitigated by the reductions in Selling, general and administrative expense from our temporary cost reduction programs. Net income margin from continuing operations increased by 150 basis points for the same reasons that Net income from continuing operations increased.

The lower Adjusted EBITA was driven by COVID-19 impacts, partially offset by the inclusion of two additional months of results of our Medical Technology segment in 2020 and the reductions in Selling, general and administrative expense from our temporary cost reduction programs. Adjusted EBITA margin decreased by 250 basis points for largely the same reasons.

Business Segments

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

Fabrication Technology

We formulate, develop, manufacture and supply consumable products and equipment, including cutting, joining, and automated welding products, as well as gas control equipment. Our fabrication technology products are marketed under several brand names, most notably ESAB, providing a wide range of products with innovative technologies to solve challenges in virtually any industry. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes using a wide range of specialty and other materials, and cutting consumables including electrodes, nozzles, shields and tips. ESAB's fabrication technology equipment ranges from portable welding machines to large customized automated cutting and welding systems. ESAB also offers a range of digital software and solutions to help its customers increase their productivity, remotely monitor their welding operations and digitize their documentation. Products are sold into a wide range of end markets, including infrastructure, wind power, marine, medical / life sciences, pipelines, mobile/off-highway equipment, oil, gas, and mining.

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

	Year Ended December 31,	
	2020	2019
	(Dollars in millions)	
Net sales	$ 1,950.1	$ 2,247.0
Gross profit	$ 684.5	$ 798.2
Gross profit margin	35.1 %	35.5 %
Selling, general and administrative expense	$ 438.5	$ 495.6
Segment operating income	$ 246.0	$ 302.6
Segment operating income margin	12.6 %	13.5 %
Adjusted EBITA (non-GAAP)	$ 282.3	$ 338.2
Adjusted EBITA margin (non-GAAP)	14.5 %	15.1 %
Items excluded from Adjusted EBITA:		
Restructuring and other related charges	$ 21.6	$ 23.0
Acquisition-related amortization and other non-cash charges	$ 36.3	$ 35.6
Pension settlement loss	$ —	$ 33.6

Net sales in our Fabrication Technology segment decreased $296.9 million during 2020 compared to 2019 due to lower sales volumes related to COVID-19 and a $78.6 million unfavorable foreign currency translation impact. Despite the $113.7 million decrease in Gross profit due to lower sales, Gross profit margin was substantially maintained at the prior year level due to temporary cost reductions and restructuring benefits. Selling, general and administrative expense decreased in the period due to benefits from restructuring initiatives and temporary cost reduction programs. Lower sales levels related to COVID-19 resulted in a decline in Segment operating income, Adjusted EBITA, and related margins over the same period.

Medical Technology

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

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

	Year Ended December 31, 2020	From February 22, 2019 to December 31, 2019
	(Dollars in millions)	
Net sales	$ 1,120.7	$ 1,080.4
Gross profit	$ 604.8	$ 604.2
Gross profit margin	54.0 %	55.9 %
Selling, general and administrative expense	$ 589.3	$ 516.5
Segment operating income	$ 29.1	$ 96.2
Segment operating income margin	2.6 %	8.9 %
Adjusted EBITA (non-GAAP)	$ 136.7	$ 199.0
Adjusted EBITA margin (non-GAAP)	12.2 %	18.4 %
Items excluded from Adjusted EBITA:		
Restructuring and other related charges[1]	$ 23.4	$ 50.7
MDR and other costs	$ 6.9	$ —
Acquisition-related amortization and other non-cash charges	$ 107.6	$ 102.9

[1] Restructuring and other related charges includes $6.6 million and $8.5 million of expense classified as Cost of sales on the Company's Consolidated Statements of Operations for the years ended December 31, 2020 and 2019, respectively.

Net sales increased for our Medical Technology segment during 2020 compared with 2019 due to $199.5 million from approximately two additional months of acquisition-related sales in 2020, partially offset by a decrease in sales volume related to COVID-19. Gross profit was consistent with 2019 and benefited early in the year from an additional two months of sales in 2020 and a $15.2 million decrease in inventory fair value charges. These gross profit increases were offset by COVID-19 volume declines as well as higher freight costs and production inefficiencies related to COVID-19. Gross profit margin declined primarily as a result of COVID-19 effects on sales volumes and supply chain inefficiencies. Selling, general and administrative expense also increased $72.8 million due to including two additional months of activity in results, partially offset by temporary expense reductions. Segment operating income, Adjusted EBITA, and related margins all declined as a result of the aforementioned factors. Restructuring and other related charges decreased by $27.3 million due to completing certain projects.

Liquidity and Capital Resources

Overview

We finance our long-term capital and working capital requirements through a combination of cash flows from operating activities, various borrowings and the issuances of equity. We expect that our primary ongoing requirements for cash will be for working capital, funding of acquisitions, capital expenditures, restructuring, asbestos-related cash outflows, and debt service and required amortization of principal. We believe we could raise additional funds in the form of debt or equity if it was determined to be appropriate for strategic acquisitions or other corporate purposes.

Equity Capital

On February 12, 2018, our Board of Directors authorized the repurchase of up to $100 million of our Common stock from time-to-time on the open market or in privately negotiated transactions. The Board of Directors increased the repurchase authorization by an additional $100 million on June 6, 2018, and again for an additional $100 million on July 19, 2018. There were $200.0 million repurchases made during the year ended December 31, 2018. There were no repurchases made in 2019 and 2020. As of December 31, 2020, the remaining stock repurchase authorization provided by our Board of Directors was $100.0 million. The timing, amount, and method of shares repurchased is determined by management based on its evaluation of market conditions and other factors. There is no term associated with the remaining repurchase authorization.

Term Loan and Revolving Credit Facility

Our credit agreement (the “Credit Facility”) by and among the Company, as the borrower, certain U.S. subsidiaries of the Company, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A., as syndication agent, and the co-documentation agents named therein consists of a $975 million revolving credit facility (the “Revolver”) and a Term A-1 loan in an initial aggregate principal amount of $825 million (the “Term Loan”), each with a maturity date of December 6, 2024. The Revolver contains a $50 million swing line loan sub-facility. On May 1, 2020, the Company entered into an amendment to its Credit Facility (the “Amendment”). During the third quarter of 2020, the Company made a voluntary $40 million principal payment on the Term Loan. Refer to Note 10, “Debt” in the accompanying Notes to the Consolidated Financial Statements for more information regarding the Amendment.

As of December 31, 2020, we are in compliance with the covenants under the Credit Facility. As of December 31, 2020, the weighted-average interest rate of borrowings under the Credit Facility was 1.90%, excluding accretion of original issue discount and deferred financing fees, and there was $975 million available on the Revolver.

Euro Senior Notes

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

2022 Tangible Equity Units

On January 11, 2019, we issued $460 million in tangible equity units. We offered 4 million of the 5.75% tangible equity units at the stated amount of $100 per unit and an option to purchase up to an additional 600,000 tangible equity units at the stated amount of $100 per unit, which was exercised in full at settlement. Total cash of $447.7 million was received upon closing, comprised of $377.8 million TEU prepaid stock purchase contracts and $69.9 million of TEU amortizing notes due January 2022. The proceeds were used to finance a portion of the purchase price for the DJO acquisition and for general corporate purposes. Refer to Note 14, “Equity” in the accompanying Notes to Consolidated Financial Statements for more information.

2024 Notes and 2026 Notes

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

Other Indebtedness

In addition, we are party to various bilateral credit facilities with a borrowing capacity of $195.0 million. As of December 31, 2020, there were no outstanding borrowings under these facilities.

We are also party to letter of credit facilities with an aggregate capacity of $340.5 million. Total letters of credit of $76.4 million were outstanding as of December 31, 2020.

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

Cash Flows

As of December 31, 2020, we had $101.1 million of Cash and cash equivalents and restricted cash, a decrease of $8.5 million from $109.6 million as of December 31, 2019. See Note 2, "Summary of Significant Accounting Policies - Restricted Cash" for further information. The following table summarizes the change in Cash and cash equivalents during the periods indicated:

	Year Ended December 31,	
	2020	2019
	(Dollars in millions)	
Net cash provided by operating activities	$ 301.9	$ 130.9
Purchases of property, plant and equipment	(114.8)	(125.4)
Proceeds from sale of property, plant and equipment	9.6	7.8
Acquisitions, net of cash received	(69.8)	(3,151.1)
Proceeds from sale of business, net	—	1,635.9
Net cash used in investing activities	(175.1)	(1,632.8)
Proceeds from (repayments of) borrowings, net	(122.9)	1,085.4
Proceeds from issuance of common stock, net	3.5	11.9
Payment for noncontrolling interest share repurchase	—	(93.5)
Proceeds from prepaid stock purchase contracts	—	377.8
Other	(12.3)	(12.1)
Net cash provided by (used in) financing activities	(131.7)	1,369.5
Effect of foreign exchange rates on Cash and cash equivalents	(3.8)	(3.1)
Decrease in Cash and cash equivalents	$ (8.6)	$ (135.4)

Cash used in operating activities related to the discontinued operations of the divested Air and Gas Handling business for the years ended December 31, 2020 and 2019 was $9.4 million and $18.1 million, respectively. Cash used in investing activities related to the discontinued operations of the divested Air and Gas Handling business was $27.5 million for the year ended December 31, 2019.

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

- Net cash received or paid for asbestos-related costs, net of insurance proceeds, including the disposition of claims, defense costs and legal expenses related to litigation against our insurers, creates variability in our operating cash

flows. We had net cash outflows of $2.2 million and $3.2 million during 2020 and 2019, respectively. Net cash outflows for 2020 and 2019 were net of $79.6 million and $59.8 million, respectively, of reimbursements from insurance companies on our asbestos insurance asset balances.

- Funding requirements of our defined benefit plans, including pension plans and other post-retirement benefit plans, can vary significantly from period to period due to changes in the fair value of plan assets and actuarial assumptions. For 2020 and 2019, cash contributions for defined benefit plans were $11.0 million and $11.7 million, respectively.

- During 2020 and 2019, cash payments of $39.2 million and $74.6 million, respectively, were made related to our restructuring initiatives.

- During 2020 and 2019, cash paid for strategic transaction costs were $5.1 million and $58.7 million, respectively.

- Year ended December 31, 2020 results include $52.3 million of inflows from working capital due to lower sales and operational improvements. Year ended December 31, 2019 results included a $83.1 million outflow, due to an increase in Net Sales, an estimated $40 million one-time effort to bring DJO suppliers into payment terms consistent with our normal practices, and the elimination of a DJO accounts receivable factoring program. We define working capital as Trade receivables, net and Inventories, net, both reduced by Accounts payable and customer advances and billings in excess of costs incurred.

Cash flows used in investing activities during 2020 includes $69.8 million of cash used for 5 acquisitions and three investments in our Medical Technology segment. Cash flows used by investing activities during 2019 included $3.2 billion of cash used for acquisitions and $1.6 billion in proceeds from the sale of the Air and Gas Handling business.

Cash flows provided by financing activities in 2019 included $1.1 billion of proceeds from borrowings, net and $377.8 million of proceeds from the issuance of tangible equity units.

Our Cash and cash equivalents as of December 31, 2020 include $50.3 million held in jurisdictions outside the U.S. Cash repatriation of non-U.S. cash into the U.S. may be subject to taxes, other local statutory restrictions and minority owner distributions.

Contractual Obligations

The following table summarizes our future contractual obligations as of December 31, 2020.

	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years	Total
	(Dollars in millions)				
Debt	$ 27.1	$ 6.5	$ 1,813.2	$ 400.0	$ 2,246.8
Interest payments on debt[1]	93.3	183.3	150.1	30.1	456.8
Operating leases	42.5	60.7	33.1	71.8	208.1
Purchase obligations[2]	239.8	31.2	4.4	1.5	276.9
Total	$ 402.7	$ 281.7	$ 2,000.8	$ 503.4	$ 3,188.6

(1) Variable interest payments are estimated using a static rate of 1.90%.
(2) Excludes open purchase orders for goods or services that are provided on demand, the timing of which is not certain.

We have funding requirements associated with our pension and other post-retirement benefit plans as of December 31, 2020, which are estimated to be $6.9 million for the year ending December 31, 2021. Other long-term liabilities, such as those for asbestos and other legal claims, employee benefit plan obligations, deferred income taxes and liabilities for unrecognized income tax benefits, are excluded from the above table since they are not contractually fixed as to timing and amount.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that provide liquidity, capital resources, market or credit risk support that expose us to any liability that is not reflected in our Consolidated Financial Statements at December 31, 2020 other than outstanding letters of credit of $76.4 million and unconditional purchase obligations with suppliers of $276.9 million.

The Company and its subsidiaries have in the past divested certain of its businesses and assets. In connection with these divestitures, certain representations, warranties and indemnities were made to purchasers to cover various risks or unknown liabilities. We cannot estimate the potential liability, if any, that may result from such representations, warranties and indemnities because they relate to unknown and unexpected contingencies; however, we do not believe that any such liabilities will have a material adverse effect on our financial condition, results of operations or liquidity.

Critical Accounting Policies

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

We believe the following accounting policies are the most critical in that they are important to the financial statements and they require the most difficult, subjective or complex judgments in the preparation of the financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 2, "Summary of Significant Accounting Policies" in the accompanying Notes to Consolidated Financial Statements in this Form 10-K.

Asbestos Liabilities and Insurance Assets

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

We sold our Fluid Handling business in 2017, and pursuant to the purchase agreement, we retained the asbestos-related contingencies and insurance coverages. However, as we did not retain an interest in the ongoing operations of the business subject to the contingencies, we have classified asbestos-related activity in our Consolidated Statements of Operations as part of Income (loss) from discontinued operations, net of taxes. See Note 4, "Discontinued Operations" for further information.

We have projected future asbestos-related liability costs with regard to pending and future unasserted claims based upon the Nicholson methodology. The Nicholson methodology is a standard approach used by experts and has been accepted by numerous courts. This methodology is based upon risk equations, exposed population estimates, mortality rates, and other demographic statistics. In applying the Nicholson methodology for each subsidiary we performed: (1) an analysis of the estimated population likely to have been exposed or claim to have been exposed to products manufactured by the subsidiaries based upon national studies undertaken of the population of workers believed to have been exposed to asbestos; (2) a review of epidemiological and demographic studies to estimate the number of potentially exposed people that would be likely to develop asbestos-related diseases in each year; (3) an analysis of the subsidiaries' recent claims history to estimate likely filing rates for these diseases and (4) an analysis of the historical asbestos liability costs to develop average values, which vary by disease type, jurisdiction and the nature of claim, to determine an estimate of costs likely to be associated with currently pending and projected asbestos claims. Our projections, based upon the Nicholson methodology, estimate both claims and the estimated cash outflows related to the resolution of such claims for periods up to and including the endpoint of asbestos studies referred to in item (2) above. It is our policy to record a liability for asbestos-related liability costs for the longest period of time that we can reasonably estimate. Accordingly, no accrual has been recorded for any costs which may be paid after the next 15 years.

Projecting future asbestos-related liability costs is subject to numerous variables that are difficult to predict, including, among others, the number of claims that might be received, the type and severity of the disease alleged by each claimant, the latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in the claims, funds available in post-bankruptcy trusts, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, including fluctuations in the timing of court actions and rulings, and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any projections with respect to these variables are subject to even greater uncertainty as the projection period lengthens. These trend factors have both positive and negative effects on the dynamics of asbestos litigation in the tort system and the related best estimate of our asbestos liability, and these effects do not move in linear fashion but rather change over multiple year periods. Accordingly, we monitor these trend factors over time and periodically assess whether an alternative forecast period is appropriate. Taking these factors into account and the inherent uncertainties, we believe that we can reasonably estimate the asbestos-related liability for pending and future claims that will be resolved in the next 15 years and have recorded that liability as our best estimate. While it is reasonably possible that the subsidiaries will incur costs after this period, we do not believe the reasonably possible loss or range of reasonably possible loss is estimable at the current time. Accordingly, no accrual has been

recorded for any costs which may be paid after the next 15 years. Defense costs associated with asbestos-related liabilities as well as costs incurred related to litigation against the subsidiaries' insurers are expensed as incurred.

We assessed the subsidiaries' existing insurance arrangements and agreements, estimated the applicability of insurance coverage for existing and expected future claims, analyzed publicly available information bearing on the current creditworthiness and solvency of the various insurers, and employed such insurance allocation methodologies as we believed appropriate to ascertain the probable insurance recoveries for asbestos liabilities. The analysis took into account self-insurance retentions, policy exclusions, pending litigation, liability caps and gaps in coverage, existing and potential insolvencies of insurers as well as how legal and defense costs will be covered under the insurance policies.

Each subsidiary has separate insurance coverage acquired prior to our ownership of each independent entity. In our evaluation of the insurance asset, we use differing insurance allocation methodologies for each subsidiary based upon the applicable law pertaining to the affected subsidiary.

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 and collectability of claims tendered, 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 our financial condition, results of operations or cash flow.

See Note 18, "Commitments and Contingencies" in the accompanying Notes to Consolidated Financial Statements for additional information regarding our asbestos liabilities and insurance assets.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

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

We evaluate 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. Goodwill and indefinite-lived intangible assets are considered to be impaired when the carrying value of a reporting unit or asset exceeds its value.

In the evaluation of Goodwill for impairment, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting entity is less than its carrying value. If we determine that it is more likely than not for a reporting unit's fair value to be greater than its carrying value, a calculation of the fair value is not performed. If we determine that it is more likely than not for a reporting unit's fair value to be less than its carrying value, a calculation of the fair value is performed and compared to the carrying value of that reporting unit. In certain instances, we may elect to forgo the qualitative assessment and proceed directly to the quantitative impairment test. If the carrying value of a reporting unit exceeds its fair value, Goodwill of that reporting unit is impaired and an impairment loss is recorded equal to the excess of the carrying value over its fair value.

Generally, we measure fair value of reporting units based on a present value of future discounted cash flows and a market valuation approach. The discounted cash flow models indicate the fair value of the reporting units based on the present value of the cash flows that the reporting units are expected to generate in the future. Significant estimates in the discounted cash flow models include the weighted average cost of capital, revenue growth rates, long-term rate of growth, profitability of our business, tax rates, and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison against certain market information. Significant estimates in the market approach model include identifying appropriate market multiples and assessing earnings before interest, income taxes, depreciation and amortization.

Due to the sale of the Air and Gas Handling reporting unit in 2019 and the held for sale accounting treatment, we performed a quantitative analysis for impairment in the second quarter of 2019. Based on the purchase price and the carrying value of the net assets being sold, the Company recorded an impairment loss of $481 million in the second quarter of 2019, which is included in Income (loss) from discontinued operations, net of taxes in the Consolidated Statements of Operations. The impairment loss included a $449 million goodwill impairment charge and a $32 million valuation allowance charge on assets

held for sale relating to the initial estimated cost to sell the business. An accumulated other comprehensive loss of approximately $350 million associated with the Air and Gas Handling business was included in the determination of the goodwill impairment charge, which is mostly attributable to the recognition of cumulative foreign currency translation effects from the long-term strengthening of the U.S. Dollar. The Air and Gas Handling business sale was completed on September 30, 2019. Impairment charges related to the divested Air and Gas Handling business are recorded in Income (loss) from discontinued operations, net of taxes on the Consolidated Statements of Operations. See Note 4, "Discontinued Operations" in the accompanying Notes to Consolidated Financial Statements for further information.

A qualitative assessment of Goodwill was performed for the Fabrication Technology reporting unit for the years ended December 31, 2019 and 2018, which indicated no impairment existed. Additionally, we performed a qualitative assessment of Goodwill for the Medical Technology reporting unit for the year ended December 31, 2019, which indicated no impairment existed.

Due to overall market declines as a result of the COVID-19 pandemic, management decided to forgo the qualitative assessment and performed quantitative Goodwill impairment tests for both the Fabrication Technology and Medical Technology reporting units for the year ended December 31, 2020, which indicated no impairment existed. The carrying amount of Goodwill of the Fabrication Technology and Medical Technology reporting units for the year ended December 31, 2020 was $1.6 billion and $1.8 billion, respectively. We determined the fair value of each reporting unit by equally weighting a discounted cash flow approach and market valuation approach. The Fabrication Technology reporting unit quantitative impairment test resulted in a fair value that exceeded its carrying amount by approximately 50%. The Medical Technology reporting unit had a fair value that exceeded its carrying amount by approximately 12%. Determining the fair value of a reporting unit requires the application of judgment and involves the use of significant estimates and assumptions which can be affected by changes in business climate, economic conditions, the competitive environment and other factors. We base these fair value estimates on assumptions our management believes to be reasonable but which are unpredictable and inherently uncertain. Future changes in the judgment, assumptions and estimates could result in significantly different estimates of fair value in the future. An increase in discount rates, a reduction in projected cash flows or a combination of the two could lead to a reduction in the estimated fair values, which may result in impairment charges that could materially affect our financial statements in any given year. For sensitivity analysis, we estimated the fair value of the Medical Technology reporting unit if we increased the discount rate by 25 basis points or reduced the long-term revenue growth rate by 25 basis points, and the resulting excess fair value over carrying value decreased by 220 basis points and 160 basis points, respectively.

In the evaluation of indefinite-lived intangible assets for impairment, we first assess 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 we determine that it is more likely than not for the indefinite-lived intangible asset's fair value to be greater than its carrying value, a calculation of the fair value is not performed. If we determine that it is more likely than not that the indefinite-lived intangible asset's fair value is less than its carrying value, a calculation is performed 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. We measure the fair value of our 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.

A qualitative assessment was performed for the Fabrication Technology segment trade names for the years ended December 31, 2019 and 2018, which indicated no impairment existed. For the year ended December 31, 2020, due to overall market declines as a result of the COVID-19 pandemic, we performed quantitative impairment tests on all indefinite-lived trade names within our Fabrication Technology segment, which indicated no impairment existed.

A sustained decline in our end-markets and geographic markets could increase the risk of impairments in future years. Actual results could differ from our estimates and projections, which would also affect the assessment of impairment. As of December 31, 2020, we have Goodwill of $3.3 billion and indefinite lived trade names of $212.0 million that are subject to at least annual review for impairment. See Note 9, "Goodwill and Intangible Assets" in the accompanying Notes to Consolidated Financial Statements for further information.

Income Taxes

We account for income taxes under the asset and liability method, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we consider various factors, including the

expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in the evaluation of our valuation allowance, we record a change in valuation allowance through income tax expense in the period such determination is made.

Accounting Standards Codification 740, "Income Taxes" prescribes a recognition threshold and measurement attribute for a position taken in a tax return. Under this standard, we must presume the income tax position will be examined by a relevant tax authority and determine whether it is more likely than not that the income tax position will be sustained upon examination based on its technical merits. An income tax position that meets the more-likely-than-not recognition threshold is then measured to determine the amount of the benefit to be recognized in the financial statements. Liabilities for unrecognized income tax benefits are reviewed periodically and are adjusted as events occur that affect our estimates, such as the availability of new information, the lapsing of applicable statutes of limitations, the conclusion of tax audits and, if applicable, the conclusion of any court proceedings. To the extent we prevail in matters for which liabilities for unrecognized tax benefits have been established or are required to pay amounts in excess of our liabilities for unrecognized tax benefits, our effective income tax rate in a given period could be materially affected. We recognize interest and penalties related to unrecognized tax benefits in the Income tax expense (benefit) in the Consolidated Statements of Operations. Net liabilities for unrecognized income tax benefits, including accrued interest and penalties, were $58.0 million as of December 31, 2020 and are included in Other liabilities or as a reduction to deferred tax assets in the accompanying Consolidated Balance Sheet.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law making significant changes to the Internal Revenue Code which included how the U.S. imposes income tax on multinational corporations. Coinciding with the Tax Act enactment, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allows registrants to include a provisional amount to account for the implications of the Tax Act where a reasonable estimate can be made and requires the completion of the accounting no later than one year from the date of enactment of the Tax Act or December 22, 2018. We filed our 2017 U.S. income tax return in the fourth quarter of 2018, which changed our tax basis in temporary differences and Transition Tax estimated as of December 31, 2017, resulting in an adjustment to the tax provision to the re-measurement amount recorded in the financial statements. As a result of this tax filing, we reduced our provisional amount by $10.8 million and $0.7 million for Transition Tax and the remeasurement of U.S. deferred taxes respectively for the year ended December 31, 2018.

Revenue Recognition

We account for revenue in accordance with Topic 606, "Revenue from Contracts with Customers," which we adopted on January 1, 2018, using the full retrospective method. We recognize revenue when control of promised goods or services is transferred to the customer. The amount of revenue recognized reflects the consideration to which we expect to be entitled in exchange for transferring the goods or services. The nature of our contracts gives rise to certain types of variable consideration, including rebates and other discounts. We include estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue. Estimates are based on historical or anticipated performance and represent our best judgment at the time. Any estimates are evaluated on a quarterly basis until the uncertainty is resolved. Additionally, related to sales of our medical device products and services, we maintain provisions for estimated contractual allowances for reimbursement amounts from certain third-party payers based on negotiated contracts, historical experience for non-contracted payers, and the impact of new contract terms or modifications of existing arrangements with these customers. We report these allowances as a reduction to net sales.

We provide a variety of products and services to our customers. Most of our contracts consist of a single, distinct performance obligation or promise to transfer goods or services to a customer. For contracts that include multiple performance obligations, we allocate the total transaction price to each performance obligation using our best estimate of the standalone selling price of each identified performance obligation.

A majority of the revenue we recognize relates to contracts with customers for standard or off-the-shelf products. As control typically transfers to the customer upon shipment of the product in these circumstances, revenue is generally recognized at that point in time. For service contracts, we recognize revenue ratably over the period of performance as the customer simultaneously receives and consumes the benefits of the services provided.

Any recognized revenues in excess of customer billings are recorded as a component of Trade receivables. Billings to customers in excess of recognized revenues are recorded as a component of Accrued liabilities. Each contract is evaluated

individually to determine the net asset or net liability position. Substantially all of our revenue is recognized at a point in time, and revenue recognition and billing typically occur simultaneously.

The period of benefit for our incremental costs of obtaining a contract would generally have less than a one-year duration; therefore, we apply the practical expedient available and expense costs to obtain a contract when incurred.

Trade receivables are presented net of an allowance for credit losses. The Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as of January 1, 2020. The estimate of current expected credit losses on trade receivables considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The allowance for credit losses was $37.7 million as of December 31, 2020 compared to $36.0 million as of January 1, 2020, following the adoption of the standard.

Recently Issued Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our financial statements, see Note 3, “Recently Issued Accounting Pronouncements” in the accompanying Notes to Consolidated Financial Statements included in this Form 10-K.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

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

Interest Rate Risk

We are subject to exposure from changes in short-term interest rates related to interest payments on our borrowing arrangements. A significant amount of our borrowings as of December 31, 2020 are variable rate facilities based on LIBOR or EURIBOR. In order to mitigate our interest rate risk, we may enter into interest rate swap or collar agreements. A hypothetical increase in the interest rate of 1.00% during 2020 would have increased Interest expense for our variable-rate debt by approximately $9.0 million.

Exchange Rate Risk

We have manufacturing sites throughout the world and sell our products globally. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar and against the currencies of other countries in which we manufacture and sell products and services. During 2020, approximately 58% of our sales were derived from operations outside the U.S. We have significant manufacturing operations in European countries that are not part of the Eurozone. Sales revenues are more highly weighted toward the Euro and U.S. dollar. We also have significant contractual obligations in U.S. dollars that are met with cash flows in other currencies as well as U.S. dollars. To better match revenue and expense as well as cash needs from contractual liabilities, we regularly enter into foreign currency swaps and forward contracts.

We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries. Euro denominated borrowings under our Credit Facility and Euro Notes provide a natural hedge to a portion of our European net asset position. The effect of a change in currency exchange rates on our net investment in international subsidiaries, net of the translation effect of the Company's Euro denominated borrowings, is reflected in the Accumulated other comprehensive loss component of Equity. A 10% depreciation in major currencies, relative to the U.S. dollar as of December 31, 2020 (net of the translation effect of our Euro denominated borrowings) would result in a reduction in Equity of approximately $166 million.

We also face exchange rate risk from transactions with customers in countries outside the U.S. and from intercompany transactions between affiliates. Although we use the U.S. dollar as our functional currency for reporting purposes, we have manufacturing sites throughout the world, and a substantial portion of our costs are incurred and sales are generated in foreign currencies. Costs incurred and sales recorded by subsidiaries operating outside of the U.S. are translated into U.S. dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar.

Commodity Price Risk

We are exposed to changes in the prices of raw materials used in our production processes. In order to manage commodity price risk, we periodically enter into fixed price contracts directly with suppliers.

See Note 17, "Financial Instruments and Fair Value Measurements" in the accompanying Notes to Consolidated Financial Statements included in this Form 10-K for additional information regarding our derivative instruments.

Item 8. ***Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

Internal Control Over Financial Reporting

To the Shareholders and the Board of Directors of Colfax Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Colfax Corporation's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Colfax Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Colfax Corporation as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index 15(A)(2) and our report dated February 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, appearing in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 18, 2021

Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements

To the Shareholders and the Board of Directors of Colfax Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Colfax Corporation (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(A)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment

Description of the Matter

At December 31, 2020, the Company's goodwill allocated to the Fabrication Technology and Medical Technology reporting units was $1.6 billion and $1.8 billion, respectively. Other indefinite-lived intangible assets were $212 million at December 31, 2020. As discussed in Note 9 to the consolidated financial statements, goodwill and indefinite-lived intangible assets are not amortized, but rather are subject to an annual impairment review, or more frequent reviews if events and circumstances indicate an impairment exists.

Auditing the Company's goodwill and indefinite-lived intangible asset impairment tests was complex and highly judgmental due to the significant estimation required by management to determine the fair values of the reporting units and indefinite-lived intangible assets. In particular, the fair value estimates were sensitive to significant assumptions, such as changes in the discount rate, royalty rates, projected revenue and projected operating income that are forward-looking and affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over its annual goodwill and indefinite-lived intangible asset impairment review process, including controls over management's review of the significant assumptions described above. We also tested management's controls over the completeness and accuracy of the data used in the model.

To test the estimated fair value of the reporting units and certain indefinite-lived intangible assets, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions used in the Company's analyses, as well as testing the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current third-party industry data, and to the historical results of the reporting units. We performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units and indefinite-lived intangible assets that would result from changes in key assumptions. We also involved internal valuation specialists to assist in our evaluation of the methodologies and significant assumptions used by the Company. In addition, we tested management's reconciliation of the fair value of both reporting units to the market capitalization of the Company.

Asbestos Liability

Description of the Matter

At December 31, 2020, the Company's asbestos liability balance was $295 million. As discussed in Note 18 of the consolidated financial statements, certain of the Company's subsidiaries are 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. The Company records an asbestos liability for probable pending and future claims over the period that the Company believes it can reasonably estimate such claims.

Auditing the asbestos liability was complex and highly judgmental due to the significant estimation of numerous variables required in determining the asbestos obligation. In particular, the estimates were sensitive to significant assumptions such as the period of time over which claims activity can be reasonably predicted, the estimated rate of decline in future asbestos-related claims, the rate at which claims are disposed, the lag between when claims are filed and subsequently settled, and settlement values. These assumptions have a significant effect on the asbestos liability.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to estimate the asbestos liability, including controls related to estimates of expected future claims and other key assumptions underlying the calculation of the obligation. We also tested management's controls over the completeness and accuracy of the data used in the calculation.

To audit the asbestos liability recorded by management, we performed procedures that included, among others, evaluating the methodology applied and the significant assumptions used in the Company's calculation. For example, we assessed management's assumptions for the nature and rate of future claims, claims disposition and settlement patterns by comparing these assumptions to the Company's historical experience and industry data. We considered the Company's historical data and industry data in evaluating the adequacy of the Company's projections. We developed, with the assistance of an internal actuarial specialist, an independent range of estimated asbestos liability. We tested the completeness and accuracy of the claims data used by management. We also performed analyses to determine the sensitivity of changes in certain assumptions, such as the period over which claims can be estimated, to the calculated liability.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Baltimore, Maryland
February 18, 2021

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Net sales	$ 3,070,769	$ 3,327,458	$ 2,193,083
Cost of sales	1,782,664	1,926,402	1,463,707
Gross profit	1,288,105	1,401,056	729,376
Selling, general and administrative expense	1,087,401	1,132,149	548,763
Restructuring and other related charges	38,413	65,295	29,077
Operating income	162,291	203,612	151,536
Pension settlement loss (gain)	—	33,616	(39)
Interest expense, net	104,262	119,503	49,083
Loss on short-term investments	—	—	10,128
Income from continuing operations before income taxes	58,029	50,493	92,364
Income tax expense (benefit)	(6,053)	31,630	(29,508)
Net income from continuing operations	64,082	18,863	121,872
Income (loss) from discontinued operations, net of taxes	(18,311)	(536,009)	32,601
Net income (loss)	45,771	(517,146)	154,473
Less: income attributable to noncontrolling interest, net of taxes	3,146	10,500	14,277
Net income (loss) attributable to Colfax Corporation	$ 42,625	$ (527,646)	$ 140,196
Net income (loss) per share - basic			
Continuing operations	$ 0.45	$ 0.10	$ 1.01
Discontinued operations	$ (0.13)	$ (3.99)	$ 0.16
Consolidated operations	$ 0.31	$ (3.89)	$ 1.17
Net income (loss) per share - diluted			
Continuing operations	$ 0.44	$ 0.10	$ 1.00
Discontinued operations	$ (0.13)	$ (3.99)	$ 0.16
Consolidated operations	$ 0.31	$ (3.89)	$ 1.16

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Net income (loss)	$ 45,771	$ (517,146)	$ 154,473
Other comprehensive income (loss):			
Foreign currency translation, net of tax expense of $(25), $2,248 and $3,018	59,880	(47,734)	(249,907)
Unrealized gain (loss) on hedging activities, net of tax expense of $(9,120), $1,574 and $5,273	(26,268)	5,832	14,745
Changes in unrecognized pension and other post-retirement benefit (cost), net of tax expense (benefit) of $(1,502), $(3,980) and $366	(8,169)	(27,931)	10,116
Amounts reclassified from Accumulated other comprehensive loss:			
Amortization of pension and other post-retirement net actuarial gain, net of tax expense (benefit) of $883, $779 and $805	3,735	2,597	3,623
Amortization of pension and other post-retirement prior service cost, net of tax of $0, $0 and $(411)	—	32	(1,998)
Divestiture-related recognition of foreign currency translation, pension, and other post-retirement cost	—	291,263	—
Other comprehensive income (loss)	29,178	224,059	(223,421)
Comprehensive income (loss)	74,949	(293,087)	(68,948)
Less: comprehensive income (loss) attributable to noncontrolling interest	585	(97,101)	(8,491)
Comprehensive income (loss) attributable to Colfax Corporation	$ 74,364	$ (195,986)	$ (60,457)

See Notes to Consolidated Financial Statements.

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

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 97,068	$ 109,632
Trade receivables, less allowance for credit losses of $37,666 and $32,634	517,006	561,865
Inventories, net	564,822	571,558
Prepaid expenses	69,515	70,429
Other current assets	113,418	90,761
Total current assets	1,361,829	1,404,245
Property, plant and equipment, net	486,960	491,241
Goodwill	3,314,541	3,202,517
Intangible assets, net	1,663,446	1,719,019
Lease asset - right of use	173,942	173,320
Other assets	350,831	396,490
Total assets	$ 7,351,549	$ 7,386,832
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 27,074	$ 27,642
Accounts payable	330,251	359,782
Accrued liabilities	454,333	469,890
Total current liabilities	811,658	857,314
Long-term debt, less current portion	2,204,169	2,284,184
Non-current lease liability	139,230	136,399
Other liabilities	608,618	619,307
Total liabilities	3,763,675	3,897,204
Equity:		
Common stock, $0.001 par value; 400,000,000 shares authorized; 118,496,687 and 118,059,082 issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	118	118
Additional paid-in capital	3,478,008	3,445,597
Retained earnings	517,367	479,560
Accumulated other comprehensive loss	(452,106)	(483,845)
Total Colfax Corporation equity	3,543,387	3,441,430
Noncontrolling interest	44,487	48,198
Total equity	3,587,874	3,489,628
Total liabilities and equity	$ 7,351,549	$ 7,386,832

See Notes to Consolidated Financial Statements.

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

	Common Stock				Accumulated		
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Noncontrolling Interest	Total
Balance at January 1, 2018	123,245,827	$ 123	$ 3,228,174	$ 846,490	$ (574,372)	$ 226,849	$ 3,727,264
Cumulative effect of accounting change, net of tax of $2,808	—	—	—	5,152	(5,152)	—	—
Net income	—	—	—	140,196	—	14,277	154,473
Distributions to noncontrolling owners	—	—	—	—	—	(11,172)	(11,172)
Other comprehensive loss, net of tax of $9,051	—	—	—	—	(200,653)	(22,768)	(223,421)
Common stock repurchases	(6,449,425)	(6)	(199,994)	—	—	—	(200,000)
Common stock-based award activity	478,815	—	29,802	—	—	—	29,802
Balance at December 31, 2018	117,275,217	117	3,057,982	991,838	(780,177)	207,186	3,476,946
Cumulative effect of accounting change	—	—	—	15,368	(15,368)	—	—
Net income (loss)	—	—	—	(527,646)	—	10,500	(517,146)
Distributions to noncontrolling owners	—	—	—	—	—	(12,379)	(12,379)
Noncontrolling interest share repurchase	—	—	(24,037)	—	(19,960)	(49,508)	(93,505)
Other comprehensive income, net of tax of $621	—	—	—	—	331,660	(107,601)	224,059
Issuance of Tangible Equity Units	—	—	377,814	—	—	—	377,814
Common stock-based award activity	783,865	1	33,838	—	—	—	33,839
Balance at December 31, 2019	118,059,082	118	3,445,597	479,560	(483,845)	48,198	3,489,628
Cumulative effect of accounting change	—	—	—	(4,818)	—	—	(4,818)
Net income	—	—	—	42,625	—	3,146	45,771
Distributions to noncontrolling owners	—	—	—	—	—	(4,296)	(4,296)
Other comprehensive income, net of tax benefit of $9,764	—	—	—	—	31,739	(2,561)	29,178
Common stock-based award activity	437,605	—	32,411	—	—	—	32,411
Balance at December 31, 2020	118,496,687	$ 118	$ 3,478,008	$ 517,367	$ (452,106)	$ 44,487	$ 3,587,874

See Notes to Consolidated Financial Statements.

COLFAX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	$ 45,771	$ (517,146)	$ 154,473
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Divestiture impairment loss	—	449,000	—
Impairment of property, plant and equipment	—	—	7,086
Depreciation, amortization and other impairment charges	246,229	236,026	141,877
Stock-based compensation expense	28,911	21,960	25,103
Non-cash interest expense	5,739	9,937	4,415
Loss on short-term investments	—	—	10,128
Deferred income tax benefit	(29,218)	(590)	(66,573)
(Gain) loss on sale of property, plant and equipment	(491)	61	(21,108)
(Gain) loss on sale of business	—	(14,233)	4,337
Pension settlement loss (gain)	—	77,390	(39)
Changes in operating assets and liabilities:			
Trade receivables, net	42,688	49,924	(72,405)
Inventories, net	23,787	(44,887)	(47,156)
Accounts payable	(30,747)	(119,325)	70,085
Other operating assets and liabilities	(30,734)	(17,169)	16,144
Net cash provided by operating activities	301,935	130,948	226,367
Cash flows from investing activities:			
Purchases of property, plant and equipment	(114,785)	(125,402)	(69,646)
Proceeds from sale of property, plant and equipment	9,552	7,781	34,829
Acquisitions, net of cash received	(69,846)	(3,151,056)	(290,918)
Proceeds from sale of business, net	—	1,635,920	18,404
Sale of short-term investments, net	—	—	139,480
Net cash used in investing activities	(175,079)	(1,632,757)	(167,851)
Cash flows from financing activities:			
Proceeds from borrowings on term credit facility	—	1,725,000	—
Payments under term credit facility	(40,000)	(1,387,500)	(131,250)
Proceeds from borrowings on revolving credit facilities and other	860,681	2,045,083	1,271,051
Repayments of borrowings on revolving credit facilities and other	(938,997)	(2,273,802)	(981,563)
Proceeds from borrowings on senior unsecured notes	—	1,000,000	—
Payment of debt issuance costs	(4,560)	(23,380)	—
Proceeds from prepaid stock purchase contracts	—	377,814	—
Proceeds from issuance of common stock, net	3,500	11,879	4,699
Payment for noncontrolling interest share repurchase	—	(93,505)	—
Payments for common stock repurchases	—	—	(200,000)
Deferred consideration payments and other	(12,275)	(12,095)	(10,090)
Net cash provided by (used in) financing activities	(131,651)	1,369,494	(47,153)
Effect of foreign exchange rates on Cash and cash equivalents and Restricted cash	(3,768)	(3,072)	(28,363)
Decrease in Cash and cash equivalents and Restricted cash	(8,563)	(135,387)	(17,000)
Cash and cash equivalents and Restricted Cash, beginning of period	109,632	245,019	262,019
Cash and cash equivalents and Restricted cash, end of period	$ 101,069	$ 109,632	$ 245,019
Supplemental Disclosure of Cash Flow Information:			
Interest payments	$ 104,620	$ 139,268	$ 50,389
Income tax payments, net	$ 59,377	$ 134,915	$ 97,452

See Notes to Consolidated Financial Statements.

1. Organization and Nature of Operations

Colfax Corporation (the "Company" or "Colfax") is a leading diversified technology company that provides fabrication technology and medical device products and services to customers around the world under the ESAB and DJO brands. The Company conducts its operations through two operating segments, "Fabrication Technology", which incorporates the operations of ESAB and its related brands, and "Medical Technology", which incorporates the operations of DJO and its related brands. The Company completed the purchase of DJO Global, Inc. ("DJO") on February 22, 2019 becoming a new growth platform for Colfax. See Note 5, "Acquisitions", for further information. Later that year, Colfax completed the sale of its Air and Gas Handling business on September 30, 2019. See Note 4, "Discontinued Operations", for further information. These transactions were the culmination of a multi-year strategic plan to remodel the Company into a faster growth, higher-margin, and less cyclical business with opportunities for significant bolt-on and adjacent acquisitions over time. The Company applies the Colfax Business System ("CBS") to continuously improve and pursue growth in revenues and increase profits and cash flows.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all majority-owned subsidiaries over which the Company exercises control and, when applicable, entities or joint ventures for which the Company has a controlling financial interest or is the primary beneficiary. When protective rights, substantive rights or other factors exist, further analysis is performed in order to determine whether or not there is a controlling financial interest. The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses of consolidated subsidiaries and the noncontrolling parties' ownership share is presented as a noncontrolling interest. All significant intercompany accounts and transactions have been eliminated.

Equity Method Investments

Investments in joint ventures, where the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting. Investments accounted for under the equity method are initially recorded at the amount of the Company's initial investment and adjusted each period for the Company's share of the investee's income or loss and dividends paid. All equity investments are reviewed periodically for indications of other-than-temporary impairment, including, but not limited to, significant and sustained decreases in quoted market prices or a series of historic and projected operating losses by investees. If the decline in fair value is considered to be other-than-temporary, an impairment loss is recorded and the investment is written down to a new carrying value. Investments in joint ventures acquired in a business combination are recognized in the opening balance sheet at fair value.

Revenue Recognition

The Company recognizes revenue when control of promised goods or services is transferred to the customer. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for transferring the goods or services. The nature of the Company's contracts gives rise to certain types of variable consideration, including rebates and other discounts. The Company includes estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue. Estimates are based on historical or anticipated performance and represent the Company's best judgment at the time. Any estimates are evaluated on a quarterly basis until the uncertainty is resolved. Additionally, related to sales of its medical device products and services, the Company maintains provisions for estimated contractual allowances for reimbursement amounts from certain third-party payers based on negotiated contracts, historical experience for non-contracted payers, and the impact of new contract terms or modifications of existing arrangements with these customers. We report these allowances as a reduction to net sales.

The Company provides a variety of products and services to its customers. Most of the Company's contracts consist of a single, distinct performance obligation or promise to transfer goods or services to a customer.

A majority of revenue recognized by the Company relates to contracts with customers for standard or off-the-shelf products. As control typically transfers to the customer upon shipment of the product in these circumstances, revenue is generally recognized at that point in time. Revenue recognition and billing typically occur simultaneously for contracts

recognized at a point in time. Therefore, we do not have material revenues in excess of customer billings or billings to customers in excess of recognized revenues.

For service contracts, the Company recognizes revenue ratably over the period of performance as the customer simultaneously receives and consumes the benefits of the services provided. The Company applies the available practical expedient involving the existence of a significant financing component. As the Company generally does not receive payments greater than one year in advance or arrears of revenue recognition, the Company does not consider any arrangements to include financing components.

The period of benefit for the Company's incremental costs of obtaining a contract generally have less than a one-year duration; therefore, the Company applies the practical expedient available and expenses costs to obtain a contract when incurred.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company 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 Consolidated Statements of Operations and are recorded as a component of Accrued liabilities in the Consolidated Balance Sheets until remitted to the respective taxing authority.

Research and Development Expense

Research and development costs of $68.6 million, $61.8 million and $34.2 million for the years ended December 31, 2020, 2019 and 2018, respectively, are expensed as incurred and are included in Selling, general and administrative expense in the Consolidated Statements of Operations. These amounts do not include development and application engineering costs incurred in conjunction with fulfilling customer orders and executing customer projects.

Interest Expense, Net

Interest expense, net includes interest income of $3.2 million, $3.2 million and $2.5 million for the years ended December 31, 2020, 2019 and 2018, respectively, primarily associated with interest bearing deposits of certain foreign subsidiaries.

Cash and Cash Equivalents

Cash and cash equivalents include all financial instruments purchased with an initial maturity of three months or less.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are excluded from Cash and cash equivalents in the Consolidated Balance Sheets. Restricted cash is recorded as a component of Other current assets on the Consolidated Balance Sheets.

The following table summarizes the Company's Cash and cash equivalents and Restricted cash:

	December 31,	
	2020	**2019**
	(In thousands)	
Cash and cash equivalents	$ 97,068	$ 109,632
Restricted cash	4,001	—
Total cash and cash equivalents and restricted cash	$ 101,069	$ 109,632

Trade Receivables

Trade receivables are presented net of an allowance for credit losses. The Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as of January 1, 2020. The estimate of current expected credit losses on trade receivables considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Estimated credit losses are reviewed periodically by management.

Inventories

Inventories, net include the cost of material, labor and overhead and are stated at the lower of cost (determined under various methods including average cost, last-in, first-out and first-in, first-out, but predominantly first-in, first-out) or net realizable value. The value of inventory stated using the last-in, first-out method as of December 31, 2020 and 2019 was $105.1 million and $121.8 million, respectively. The Company periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product. The Company records a charge to Cost of sales for any amounts required to reduce the carrying value of inventories to its net realizable value.

Property, Plant and Equipment

Property, plant and equipment, net is stated at historical cost, which includes the fair values of such assets acquired through acquisitions. Repair and maintenance expenditures are expensed as incurred unless the repair extends the useful life of the asset. The Company capitalizes surgical implant instruments that are provided free of charge to surgeons for use while implanting our surgical products and the related depreciation expense is recorded as a component of Selling, general and administrative expense.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the costs in excess of the fair value of net assets acquired through acquisitions by the Company. Indefinite-lived intangible assets consist of certain trade names.

The Company 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. The annual impairment test date elected by the Company is the first day of our fourth quarter. Goodwill and indefinite-lived intangible assets are considered to be impaired when the carrying value of a reporting unit or asset exceeds its fair value. The Company currently has two reporting units: Medical Technology and Fabrication Technology.

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

When a quantitative impairment test is needed, the Company measures fair value of reporting units based on a present value of future discounted cash flows and a market valuation approach. The discounted cash flow models indicate the fair value of the reporting units based on the present value of the cash flows that the reporting units are expected to generate in the future. Significant estimates in the discounted cash flow models include the weighted average cost of capital, revenue growth rates, long-term rate of growth, profitability of our business, tax rates, and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison against certain market information. Significant estimates in the market approach model include identifying appropriate peer companies, market multiples and assessing earnings before interest, income taxes, depreciation and amortization.

A quantitative annual impairment test of Goodwill for the Fabrication Technology reporting unit was performed for the year ended December 31, 2020, while qualitative assessments were performed for the years ended December 31, 2019 and 2018, both of which indicated no impairment existed. A quantitative annual impairment test of Goodwill for the Medical

Technology reporting unit was performed for the year ended December 31, 2020, and a qualitative assessment was performed for the year ended December 31, 2019, both of which indicated no impairment existed.

In the evaluation of indefinite-lived intangible assets for impairment, the Company 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 Company determines that it is more likely than not for the indefinite-lived intangible asset's fair value to be greater than its carrying value, a calculation of the fair value is not performed. If the Company determines that it is more likely than not that the indefinite-lived intangible asset's fair value is less than its carrying value, a calculation is performed and compared to the carrying value of the asset. In certain instances, the Company may elect to forgo the qualitative assessment and proceed directly to the quantitative impairment test. 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 Company 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. A quantitative impairment test was performed for all the indefinite-lived trade name brands in the Fabrication Technology segment for the year ended December 31, 2020, while a combination of quantitative impairment tests and qualitative assessments were performed for the years ended December 31, 2019 and 2018, all of which indicated no impairment existed.

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

Intangible assets primarily represent acquired trade names, customer relationships, acquired technology and software license agreements. A portion of the Company's acquired customer relationships is being amortized on an accelerated basis over periods ranging from seven to thirty years based on the present value of the future cash flows expected to be generated from the acquired customers. All other intangible assets are being amortized on a straight-line basis over their estimated useful lives, generally ranging from two to twenty years.

The Company assesses its long-lived assets and finite-lived intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be fully recoverable. To analyze recoverability, the Company 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 equal to the difference between the carrying amount of the asset and its fair value would be recognized, resulting in a write-down of the assets with a corresponding charge to earnings. Assets held for sale 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 Company recorded asset impairment losses related to facility closures totaling $3.5 million, $4.2 million and $5.5 million during the years ended December 31, 2020, 2019 and 2018, respectively, as a component of Restructuring and other related charges in the Consolidated Statements of Operations. The aggregate carrying value of these assets subsequent to impairment was $62.5 million, $44.6 million and $39.8 million as of December 31, 2020, 2019 and 2018, respectively.

Derivatives

The Company is subject to foreign currency risk associated with the translation of the net assets of foreign subsidiaries to United States ("U.S.") dollars on a periodic basis. On April 19, 2017. the Company issued senior unsecured notes with an aggregate principal amount of €350 million (as defined and further discussed in Note 13, "Debt"), which has been designated as a net investment hedge in order to mitigate a portion of its foreign currency risk.

Derivative instruments are generally recognized on a gross basis in the Consolidated Balance Sheets in either Other current assets, Other assets, Accrued liabilities or Other liabilities depending upon their respective fair values and maturity dates. For all instruments designated as hedges, including net investment hedges and cash flow hedges, the Company formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for using the hedging instrument. The Company assesses whether the relationship between the hedging instrument and the hedged item is highly effective at offsetting changes in the fair value both at inception of the hedging relationship and on an ongoing basis. For cash flow hedges and net investment hedges, unrealized gains and losses are recognized as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheets to the extent that it is effective at offsetting the change in the fair value of the hedged item and realized gains and losses are recognized in the Consolidated Statements of Operations consistent with the underlying hedged instrument.

The Company does not enter into derivative contracts for speculative purposes.

See Note 17, "Financial Instruments and Fair Value Measurements" for additional information regarding the Company's derivative instruments.

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 Consolidated Statements of Operations. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

The activity in the Company's warranty liability, which is included in Accrued liabilities and Other liabilities in the Company's Consolidated Balance Sheets, consisted of the following:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Warranty liability, beginning of period	$ 15,528	$ 12,312
Accrued warranty expense	7,253	6,038
Changes in estimates related to pre-existing warranties	1,849	1,668
Cost of warranty service work performed	(9,708)	(9,502)
Acquisition-related liability	300	5,520
Foreign exchange translation effect	321	(508)
Warranty liability, end of period	$ 15,543	$ 15,528

Income Taxes

Income taxes for the Company 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 Consolidated 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. Deferred income tax assets and liabilities are reported in Other assets and Other liabilities in the Company's Consolidated Balance Sheets, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is generally recognized in Income tax expense (benefit) in the period that includes the enactment date. Global Intangible Low-Taxed Income ("GILTI") is accounted for as a current tax expense in the year the tax is incurred.

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 Company considers 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 Income tax expense (benefit) and are based on changes in facts and circumstances regarding realizability of deferred tax assets.

The Company 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 Company 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 Company's income tax liability. The Company recognizes interest and penalties related to unrecognized income tax benefits in Income tax expense (benefit) in the Consolidated Statements of Operations.

Foreign Currency Exchange Gains and Losses

The Company's financial statements are presented in U.S. dollars. The functional currencies of the Company'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 Consolidated Balance Sheets are recognized in Selling, general and administrative expense or Interest expense, net in the Consolidated Statements of Operations for that period.

During the year ended December 31, 2020, the Company recognized net foreign currency transaction gains of $2.8 million in Interest expense, net and net foreign currency transaction loss of $2.4 million in Selling, general and administrative expense in the Consolidated Statements of Operations. During the year ended December 31, 2019, the Company recognized net foreign currency transaction gain of $0.5 million in Interest expense, net and net foreign currency transaction loss of $0.7 million in Selling, general and administrative expense in the Consolidated Statements of Operations. During the year ended December 31, 2018, the Company recognized net foreign currency transaction loss of $1.4 million and $7.8 million in Interest expense, net and Selling, general and administrative expense, respectively, in the Consolidated Statements of Operations.

Debt Issuance Costs and Debt Discount

Costs directly related to the placement of debt are capitalized and amortized to Interest expense primarily using the effective interest method over the term of the related obligation. Further, the carrying value of debt is reduced by an original issue discount, which is accreted to Interest expense, net using the effective interest method over the term of the related obligation. As of December 31, 2020, $7.0 million and $15.6 million of deferred issuance costs were included in Other assets and as a reduction of Long-term debt, respectively. As of December 31, 2019, $6.1 million and $17.7 million of deferred issuance costs were included in Other assets and as a reduction of Long-term debt, respectively. See Note 13, "Debt" for additional discussion regarding the Company's borrowing arrangements.

Use of Estimates

The Company makes certain estimates and assumptions in preparing its Consolidated Financial Statements in accordance with U.S. 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 Consolidated Financial Statements and the reported amounts of revenues and expenses for the period presented. Actual results may differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentations, including Prepaid expenses on the Company's Consolidated Balance Sheets and certain items within Note 8, "Income Taxes".

3. Recently Issued Accounting Pronouncements

Accounting Guidance Implemented in 2020

Standards Adopted	Description	Effective Date
ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The ASU eliminates the probable initial recognition threshold under current GAAP and broadens the information an entity must consider when developing its expected credit loss estimates to include forward-looking information. The standard applies to most financial assets held at amortized costs, as well as certain other instruments. Under the current expected credit loss ("CECL") model, entities must estimate losses over the entire contractual term of the asset from the date of initial recognition. In determining expected losses, consideration must be given to historical loss experience, current conditions, and reasonable and supportable forecasts incorporating forward looking information. The Company adopted Topic 326 on January 1, 2020 using a modified retrospective transition method, which requires a cumulative-effect adjustment to the opening balance sheet of retained earnings to be recognized on the date of adoption without restating prior periods. The cumulative-effect adjustment, net of tax, on January 1, 2020 was $4.8 million.	January 1, 2020
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement	The ASU modifies the disclosure requirements for fair value measurements. The adoption of this standard did not result in any changes to the current disclosures, as the requirements modified by the ASU are not applicable or are immaterial for disclosure.	January 1, 2020

New Accounting Guidance to be Implemented

Standards Pending Adoption	Description	Anticipated Impact	Effective/ Adoption Date
ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	This accounting standard update impacts disclosures only. The Company is currently evaluating the impact of this ASU on its consolidated financial statement disclosures.	January 1, 2021
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	The ASU eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of accounting for income taxes.	The Company is currently evaluating the impact of this ASU on its consolidated financial statements.	January 1, 2021

4. Discontinued Operations

Sale of Air and Gas Handling Business

As discussed previously in Note 1, "Organization and Nature of Operations," the Company sold its Air and Gas Handling business on September 30, 2019. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect the Air and Gas Handling business as a discontinued operation. The total consideration for the sale was $1.8 billion, including $1.67 billion in cash paid at closing, subject to certain adjustments pursuant to the purchase agreement, and the assumption of certain liabilities and minority interests by the purchaser. Based on the purchase price and the carrying value of the net assets being sold, the Company recorded an impairment loss of $481 million in the second quarter of 2019, which is included in Income (loss) from discontinued operations, net of taxes in the Consolidated Statements of Operations. The impairment loss included a $449 million goodwill impairment charge and a $32 million valuation allowance charge on assets held for sale relating to the initial estimated cost to sell the business. An accumulated other comprehensive loss of approximately $350 million associated with the Air and Gas Handling business was included in the determination of the goodwill impairment charge, which is mostly attributable to the recognition of cumulative foreign currency translation effects from the long-term strengthening of the U.S. Dollar.

The Company recorded a pre-tax gain on disposal of $14.2 million which is included in Income (loss) from discontinued operations, net of taxes in the Consolidated Statements of Operations. The total divestiture-related expenses incurred for the Air and Gas Handling sale were $48.6 million in the year ended December 31, 2019.

In connection with the purchase agreement, the Company entered into various agreements to provide a framework for its relationships after the disposition, including a transition services agreement. The transition services under the above agreements have been completed and were not material to the Company's results of operations.

The key components of Income (loss) from discontinued operations, net of taxes related to the Air and Gas Handling business for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Net sales	$ —	$ 998,793	$ 1,473,729
Cost of sales	—	689,004	1,070,266
Selling, general and administrative expense	—	194,589	269,447
Restructuring and other related charges	—	13,354	48,609
Goodwill impairment charge	—	449,000	—
Divestiture-related expense[1]	9,040	48,640	—
Operating income (loss)	(9,040)	(395,794)	85,407
Interest expense[2]	—	47,553	(5,031)
Pension settlement loss	—	43,774	—
Gain on disposal	—	14,233	—
Loss from discontinued operations before income taxes	(9,040)	(472,888)	90,438
Income tax expense (benefit)[3]	(238)	44,062	29,487
Income (loss) from discontinued operations, net of taxes[4]	$ (8,802)	$ (516,950)	$ 60,951

[1] Primarily related to professional, consulting, and legal fees associated with the divestiture including seller due diligence and preparation of regulatory filings, as well as other disposition-related activities.
[2] The Company reclassified the portion of its interest expense associated with the mandatory pay down of the Term Loan Facilities using net proceeds from the sale of the business.
[3] Income tax expense for the year ended December 31, 2019 is largely due to nondeductible items that do not provide a tax benefit on the loss.
[4] Income (loss) from discontinued operations, net of taxes on the Statements of Operations includes the results from retained asbestos-related contingencies attributable to the divested fluid handling business as discussed in the Asbestos Contingencies section below.

Total income attributable to noncontrolling interest related to the Air and Gas Handling business, net of taxes was $5.9 million and $13.6 million for the years ended December 31, 2019 and 2018, respectively. These amounts are presented within Income attributable to noncontrolling interest, net of taxes on the Consolidated Statements of Operations.

Cash used in operating activities related to the discontinued operations of the divested Air and Gas Handling business for the years ended December 31, 2020 and 2019 was $9.4 million and $18.1 million, respectively. Cash provided by operating activities related to the discontinued operations of the divested Air and Gas Handling business for the year ended December 31, 2018 was $127.8 million. Cash used in investing activities related to the discontinued operations of the divested Air and Gas Handling business was $27.5 million and $43.6 million for the years ended December 31, 2019 and 2018, respectively.

Asbestos Contingencies

As a result of previous divestitures, the Company retained certain asbestos-related contingencies and insurance coverages. Income (loss) from discontinued operations, net of taxes on the Statements of Operations for the years ended December 31, 2020, 2019 and 2018 includes a loss from retained asbestos-related contingencies and the 2017 divestiture of the fluid handling business of $9.5 million, $19.0 million, and $28.4 million, respectively. Net cash outflows related to asbestos claims of divested businesses were $2.2 million, $3.2 million and $5.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. See Note 18, “Commitments and Contingencies” for further information.

5. Acquisitions

General

The Company completed five acquisitions during the year ended December 31, 2020, which are accounted for under the acquisition method of accounting, and accordingly, the Consolidated Financial Statements include the financial position and results of operations from the respective acquisition date. The assets acquired and liabilities assumed reported on the Consolidated Balance Sheets represent the Company’s best estimate. Four of these acquisitions closed in the fourth quarter of 2020 and the Consolidated Balance Sheet at December 31, 2020 reflects our preliminary estimates of fair value and are subject to adjustment. The estimated proforma annual revenues of the acquisitions in the year ended December 31, 2020 are approximately 2% of Colfax consolidated revenues. The Company also made three other immaterial investments in medical technology businesses during the year ended December 31, 2020.

For the years ended December 31, 2020, 2019, and 2018, Net sales associated with acquisitions consummated during the period were $7.1 million, $1,080.4 million, and $78.9 million, respectively. Net Income attributable to Colfax Corporation common shareholders associated with acquisitions consummated during the years ended December 31, 2020 and 2018 was not material for each respective period. Net Income attributable to Colfax Corporation common shareholders associated with acquisitions consummated during the year ended December 31, 2019 was $57.3 million.

Medical Technology

All five acquisitions completed in 2020 were in our Medical Technology segment for total consideration, net of cash received, of $67.5 million, subject to certain purchase price adjustments. Total Goodwill acquired through the acquisitions was $21.4 million, of which $15.9 million is expected to be deductible for income tax purposes.

Acquisitions in our Medical Technology segment included LiteCure LLC (“LiteCure”), a U.S. leader in high-powered laser rehabilitation products for human and veterinary medical applications. The acquisition was completed in the fourth quarter of 2020 for net cash consideration of $39.6 million. Net working capital and intangible assets acquired represent 10% and 69% of the total consideration paid, respectively, with the residual amount primarily attributable to Goodwill.

The Medical Technology segment platform at Colfax was established on February 22, 2019 when Colfax completed the acquisition of DJO. The Company paid an aggregate net purchase price of $3.15 billion. The Company incurred $2.8 million and $60.8 million of advisory, legal, audit, valuation and other professional service fees in connection with the DJO acquisition in the years ended December 31, 2020 and 2019, respectively, which are included in Selling, general and administrative expense in the Consolidated Statements of Operations. During the first quarter of 2020, as part of the fair value adjustments to the assets and liabilities acquired, the Company increased the valuation allowance on U.S. deferred taxes, presented net within Other liabilities, by $51.4 million as of the acquisition date, with a corresponding increase to Goodwill. As of the end of the

first quarter of 2020, the accounting related to the DJO acquisition was finalized, and the assets and liabilities acquired are no longer subject to adjustment.

The following unaudited proforma financial information presents Colfax's consolidated financial information assuming the acquisition had taken place on January 1, 2018. These amounts are presented in accordance with U.S. GAAP, consistent with the Company's accounting policies.

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Net sales	$ 3,070,769	$ 3,496,624	$ 3,395,018
Net income from continuing operations attributable to Colfax Corporation	68,039	105,491	97,410

Fabrication Technology

During year ended December 31, 2018, the Company completed two acquisitions in our Fabrication Technology segment for total consideration, net of cash received, of $245.1 million, subject to certain purchase price adjustments. These acquisitions expanded the segment's presence in specialty gas applications and broadened its global presence.

6. Revenue

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Equipment	$ 607,504	$ 703,024	$ 623,987
Consumables	1,342,565	1,544,002	1,569,096
Total	$ 1,950,069	$ 2,247,026	$ 2,193,083

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

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

	Year Ended December 31,	
	2020	2019[1]
	(In thousands)	
Prevention & Rehabilitation	$ 781,007	$ 766,429
Reconstructive	339,693	314,003
Total	$ 1,120,700	$ 1,080,432

[1] For the year ended December 31, 2019, the Medical Technology segment includes results from the acquisition date of February 22, 2019.

Given the nature of the Fabrication Technology and Medical Technology businesses, the total amount of unsatisfied performance obligations with an original contract duration of greater than one year as of December 31, 2020 is immaterial.

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

In some circumstances, customers are billed in advance of revenue recognition, resulting in contract liabilities. As of December 31, 2020, 2019 and 2018, total contract liabilities were $36.6 million, $14.8 million and $13.0 million, respectively. During the years ended December 31, 2020 and 2019, all of the revenue that was included in the contract liability balance at the beginning of the respective year was recognized.

Allowance for Credit Losses

The Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as of January 1, 2020. The estimate of current expected credit losses on trade receivables considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management elected to disaggregate trade receivables into business segments due to risk characteristics unique to each segment given the individual lines of business and market. Pooling was further disaggregated based on either geography or product type.

The Company leveraged historical write-offs over a defined lookback period in deriving a historical loss rate. The expected credit loss model further considers current conditions and reasonable and supportable forecasts using an adjustment for current and projected macroeconomic factors. Management identified appropriate macroeconomic indicators based on tangible correlation to historical losses considering the location and risks associated with the Company.

A summary of the activity in the Company's allowance for credit losses included within Trade receivables in the Consolidated Balance Sheets is as follows:

	Year Ended December 31, 2020				
	Balance at Beginning of Period	Charged to Expense, net	Write-Offs and Deductions	Foreign Currency Translation	Balance at End of Period
			(In thousands)		
Allowance for credit losses	$ 36,009	$ 7,574	$ (5,165)	$ (752)	$ 37,666

7. Net Income Per Share from Continuing Operations

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

	Year Ended December 31,		
	2020	2019	2018
	(In thousands, except share and per share data)		
Computation of Net income per share from continuing operations - basic:			
Net income from continuing operations attributable to Colfax Corporation [(1)]	$ 60,936	$ 14,245	$ 121,211
Weighted-average shares of Common stock outstanding – basic	136,766,124	135,716,944	120,288,297
Net income per share from continuing operations – basic	$ 0.45	$ 0.10	$ 1.01
Computation of Net income per share from continuing operations - diluted:			
Net income from continuing operations attributable to Colfax Corporation [(1)]	$ 60,936	$ 14,245	$ 121,211
Weighted-average shares of Common stock outstanding – basic	136,766,124	135,716,944	120,288,297
Net effect of potentially dilutive securities - stock options, restricted stock units and tangible equity units	2,144,304	949,942	506,759
Weighted-average shares of Common stock outstanding – diluted	138,910,428	136,666,886	120,795,056
Net income per share from continuing operations – diluted	$ 0.44	$ 0.10	$ 1.00

[(1)] Net income from continuing operations attributable to Colfax Corporation for the respective periods is calculated using Net income from continuing operations less the income attributable to noncontrolling interest, net of taxes, of $3.1 million, $4.6 million, and $0.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

For the years ended December 31, 2020 and 2019, the weighted-average shares of Common stock outstanding - basic includes the impact of 18.4 million shares related to the issuance of Colfax's tangible equity units. For the year ended December 31, 2020, the weighted-average shares of Common stock outstanding - diluted includes the impact of an additional 0.9 million potentially issuable dilutive shares related to Colfax's tangible equity units as a result of the Company's share price in March 2020. See Note 14, "Equity" for details.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the years ended December 31, 2020, 2019 and 2018 excludes 4.2 million, 4.3 million and 3.4 million outstanding stock-based compensation awards, respectively, as their inclusion would be anti-dilutive.

8. Income Taxes

Income from continuing operations before income taxes and Income tax expense (benefit) consisted of the following:

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Income from continuing operations before income taxes:			
Domestic operations	$ (156,675)	$ (129,182)	$ (60,352)
Foreign operations	214,704	179,675	152,716
	$ 58,029	$ 50,493	$ 92,364
Income tax expense (benefit):			
Current:			
Federal	$ (39,376)	$ 811	$ (15,132)
State	1,454	6,712	816
Foreign	56,076	56,477	41,831
	$ 18,154	$ 64,000	$ 27,515
Deferred:			
Domestic operations	$ 3,641	$ (24,151)	$ (21,908)
Foreign operations	(27,848)	(8,219)	(35,115)
	(24,207)	(32,370)	(57,023)
	$ (6,053)	$ 31,630	$ (29,508)

See Note 4, "Discontinued Operations" for the income (loss) from discontinued operations before income taxes and related income taxes.

On December 22, 2017, the Tax Act was signed into law making significant changes to the Internal Revenue Code which included how the U.S. imposes income tax on multinational corporations.

Coinciding with the enactment of the Tax Act, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allows registrants to include a provisional amount to account for the implications of the Tax Act where a reasonable estimate can be made and requires the completion of the accounting no later than one year from the date of enactment of the Tax Act or December 22, 2018. The Company filed its 2017 U.S. income tax return in the fourth quarter of 2018 which changed its tax basis in temporary differences and transition tax estimated as of December 31, 2017, resulting in an adjustment to the tax provision to the re-measurement amount recorded in the financial statements. As a result of this tax filing, the Company reduced its provisional amount by $10.8 million and $0.7 million for transition tax and the remeasurement of U.S. deferred taxes, respectively, for the year ended December 31, 2018. In addition, in 2020 the Company timely filed changes to U.S. federal tax returns to credit rather than to deduct foreign taxes and reduced its transition tax further by $6.8 million.

The Company's Income tax expense (benefit) from continuing operations differs from the amount that would be computed by applying the U.S. federal statutory rate as follows:

	Year Ended December 31,		
	2020	2019[1]	2018[1]
		(In thousands)	
Taxes calculated at the U.S. federal statutory rate	$ 12,186	$ 10,677	$ 19,392
State taxes	(2,196)	(5,358)	(3,543)
Effect of tax rates on international operations	(18,577)	(14,115)	(9,323)
Change in enacted international tax rates	(1,023)	(2,843)	(2,403)
Changes in valuation allowance	(24,149)	11,196	(11,577)
Changes in tax reserves	1,394	1,119	(1,704)
Tax Act - re-measurement of U.S. deferred taxes	—	—	(667)
Tax Act - mandatory repatriation taxes	(6,766)	—	(10,804)
Research and development tax credits	(1,649)	(4,029)	(7,123)
Foreign tax credits	(12,197)	(15,299)	(21,927)
Net items not deductible in an international jurisdiction	5,365	10,060	12,077
SubPart F and GILTI	27,797	29,407	12,872
U.S. Deal Costs and other non-deductibles	38	5,556	—
Withholding taxes	8,570	4,545	3,446
Non-deductible employee compensation	6,619	714	1,068
Other	(1,465)	—	(9,292)
Income tax expense (benefit)	$ (6,053)	$ 31,630	$ (29,508)

[1] Certain prior period amounts have been reclassified to conform with current year presentation.

The valuation allowance benefit reflected above is predominately the utilization of net operating losses in the current period. Certain movements of valuation allowance, particularly related to repatriation taxes, foreign tax credits, SubPart F and GILTI, and withholding taxes haven been aggregated with that particular line item within the rate reconciliation.

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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The significant components of deferred tax assets and liabilities included in continuing operations, in addition to the reconciliation of the beginning and ending amount of gross unrecognized tax benefits, are as follows:

	December 31,	
	2020	2019
	(In thousands)	
Deferred tax assets:		
Post-retirement benefit obligation	$ 11,617	$ 11,295
Expenses currently not deductible	147,636	131,921
Net operating loss carryforward	308,965	342,442
Tax credit carryforward	33,674	16,727
Depreciation and amortization	6,433	6,487
Other	42,881	42,407
Valuation allowance	(203,341)	(149,037)
Deferred tax assets, net	$ 347,865	$ 402,242
Deferred tax liabilities:		
Depreciation and amortization	$ (403,704)	$ (415,888)
Inventory	(1,559)	(3,694)
Outside basis differences and other	(78,012)	(84,706)
Total deferred tax liabilities	$ (483,275)	$ (504,288)
Total deferred tax liabilities, net	$ (135,410)	$ (102,046)

The Company 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, 2020, the valuation allowance increased from $149.0 million to $203.3 million with a net increase of $6.2 million recognized in Income tax expense (benefit), $48.5 million increase attributed to finalizing our DJO purchase accounting for income taxes in the first quarter of 2020, and a $0.4 million decrease related to changes in foreign currency rates. Consideration was given to tax planning strategies and, when applicable, future taxable income as to how much of the relevant deferred tax asset could be realized on a more likely than not basis.

The Company has U.S. net operating loss carryforwards of $611.3 million expiring in years 2021 through 2037 and $72.6 million that may be carried forward indefinitely. The Company’s ability to use these various carryforwards to offset any taxable income generated in future taxable periods may be limited under Section 382 and other federal tax provisions. At December 31, 2020, the Company also has $581.3 million foreign net operating loss carryforwards primarily in Brazil, Germany, the Netherlands, Sweden, and the United Kingdom that may be subject to local tax restrictive limitations including changes in ownership. The foreign net operating losses can be carried forward indefinitely, except in applicable jurisdictions that make up less than five percent of the available net operating losses.

The Company has U.S. foreign tax and R&D tax credits that may be used to offset U.S. tax in previous or future tax periods subject to Section 382 and other federal provisions. The Company’s $22.7 million foreign tax credit can be carried back one year and can be carried forward to tax years through 2025-2030. The Company’s $14.0 million R&D credit can be carried back one year and can be carried forward to tax years through 2021-2040.

For the year ended December 31, 2020, all undistributed earnings of the Company’s foreign subsidiaries, which are indefinitely reinvested outside the U.S., were provisionally estimated to be $184.0 million. The Company has assessed a total deferred tax liability of $1.9 million as of December 31, 2020 on such earnings that have not been indefinitely reinvested. This is a decrease of $2 million as compared to the deferred tax liability as of December 31, 2019.

The Company 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, 2017	$	41,018
Addition for tax positions taken in prior periods		2,525
Addition for tax positions taken in the current period		240
Reductions related to settlements with taxing authorities		(461)
Reductions resulting from a lapse of applicable statute of limitations		(4,477)
Other, including the impact of foreign currency translation and U.S. tax rate changes		(1,224)
Balance, December 31, 2018	$	37,621
Acquisitions and divestitures		18,248
Addition for tax positions taken in prior periods		1,441
Addition for tax positions taken in the current period		2,054
Reductions related to settlements with taxing authorities		(118)
Reductions resulting from a lapse of applicable statute of limitations		(3,643)
Other, including the impact of foreign currency translation and U.S. tax rate changes		(123)
Balance, December 31, 2019	$	55,480
Addition for tax positions taken in prior periods	$	5,911
Addition for tax positions taken in the current period	$	1,980
Reductions related to settlements with taxing authorities	$	—
Reductions resulting from a lapse of applicable statute of limitations	$	(5,689)
Other, including the impact of foreign currency translation and U.S. tax rate changes	$	332
Balance, December 31, 2020	$	58,014

The Company is routinely examined by tax authorities around the world. Tax examinations remain in process in multiple countries, including but not limited to the United States, Germany, Indonesia, the Netherlands, Mexico, Brazil, Russia, Italy and various U.S. states. The Company files numerous group and separate tax returns in U.S. federal and state jurisdictions, as well as international jurisdictions. In the U.S., tax years dating back to 2006 remain subject to examination, due to tax attributes available to be carried forward to open or future tax years. With some exceptions, other major tax jurisdictions generally are not subject to tax examinations for years beginning before 2014.

The Company's total unrecognized tax benefits were $58.0 million and $55.5 million as of December 31, 2020 and 2019, respectively, inclusive of $6.9 million and $5.7 million, respectively, of interest and penalties. The Company records interest and penalties on uncertain tax positions as a component of Income tax expense (benefit), which was $0.7 million, $1.0 million and $1.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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 Company 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 up to $4.8 million.

9. Goodwill and Intangible Assets

The following table summarizes the activity in Goodwill, by segment during the years ended December 31, 2020 and 2019:

	Medical Technology	Fabrication Technology	Total
		(In thousands)	
Balance, January 1, 2019	$ —	$ 1,497,832	$ 1,497,832
Goodwill attributable to acquisitions[(1)]	1,674,328	8,406	1,682,734
Impact of foreign currency translation	(1,407)	23,358	21,951
Balance, December 31, 2019	1,672,921	1,529,596	3,202,517
Goodwill attributable to acquisitions[(1)]	72,815	—	72,815
Impact of foreign currency translation	15,574	23,635	39,209
Balance, December 31, 2020	$ 1,761,310	$ 1,553,231	$ 3,314,541

[(1)] Includes purchase accounting adjustments associated with acquisitions discussed in Note 5, "Acquisitions".

See Note 4, "Discontinued Operations" for discussion of the Air And Gas segment impairment recorded in 2019 as part of the divestiture, which is presented within Income (loss) from discontinued operations, net of taxes on the Consolidated Statements of Operations.

The following table summarizes the Company's Intangible assets, excluding Goodwill:

	December 31,			
	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		(In thousands)		
Indefinite-Lived Intangible Assets				
Trade names	$ 212,048	$ —	$ 193,465	$ —
Definite-Lived Intangible Assets				
Acquired customer relationships	952,007	(266,347)	919,574	(182,813)
Acquired technology	455,738	(99,748)	440,719	(60,971)
Acquired trade names	404,076	(41,960)	389,112	(21,069)
Software	129,852	(90,196)	103,274	(71,644)
Other intangible assets	24,511	(16,535)	22,809	(13,437)
	$ 2,178,232	$ (514,786)	$ 2,068,953	$ (349,934)

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

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Selling, general and administrative expense	$ 158,427	$ 135,769	$ 43,703

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

Expected Amortization Expense

The Company's expected annual amortization expense for intangible assets for the next five years:

	December 31, 2020
	(In thousands)
2021	$ 153,923
2022	148,995
2023	143,325
2024	137,707
2025	136,620

10. Property, Plant and Equipment, Net

		December 31,	
	Depreciable Life	2020	2019
	(In years)	(In thousands)	
Land	n/a	$ 23,821	$ 25,138
Buildings and improvements	5-40	205,397	196,810
Machinery and equipment	3-15	570,411	528,848
		799,629	750,796
Accumulated depreciation		(312,669)	(259,555)
Property, plant and equipment, net		$ 486,960	$ 491,241

Depreciation expense for the years ended December 31, 2020, 2019 and 2018, was $85.5 million, $76.1 million and $34.2 million, respectively. Impairment of fixed assets recorded for the years ended December 31, 2020, 2019 and 2018 was $2.1 million, $0.5 million and $3.1 million, respectively.

11. Inventories, Net

Inventories, net consisted of the following:

	December 31,	
	2020	2019
	(In thousands)	
Raw materials	$ 110,848	$ 115,587
Work in process	40,517	37,019
Finished goods	476,297	475,933
	627,662	628,539
Less: allowance for excess, slow-moving and obsolete inventory	(62,840)	(56,981)
Inventories, net	$ 564,822	$ 571,558

12. Leases

The Company leases certain office spaces, warehouses, facilities, vehicles, and equipment. Leases with an initial term of twelve months or less are not recorded on the balance sheet. Most leases include renewal options, which can extend the lease term into the future. The Company determines the lease term by assuming options that are reasonably certain of being renewed will be exercised. Certain of the Company's leases include rental payments adjusted for inflation. The right-of-use lease asset and lease liability are recorded on the Consolidated Balance Sheet, with the current lease liability being included in Accrued liabilities. Operating lease expense was $45.0 million for the year ended December 31, 2020, and approximated cash paid for leases during the year.

	December 31, 2020
	(In thousands)
Future lease payments by year:	
2021	$ 42,516
2022	33,809
2023	26,836
2024	18,987
2025	14,073
Thereafter	71,838
Total	208,059
Less: present value discount	(30,578)
Present value of lease liabilities	$ 177,481
Weighted-average remaining lease term (in years):	
Operating leases	8.6
Weighted-average discount rate:	
Operating leases	3.7 %

13. Debt

Long-term debt consisted of the following:

	December 31, 2020	December 31, 2019
	(In thousands)	
Term loan	$ 781,557	$ 822,945
Euro senior notes	425,045	388,925
TEU amortizing notes	31,251	54,044
2024 and 2026 notes	991,319	989,236
Revolving credit facilities and other	2,071	56,676
Total debt	2,231,243	2,311,826
Less: current portion	(27,074)	(27,642)
Long-term debt	$ 2,204,169	$ 2,284,184

Term Loan Facilities and Revolving Credit Facility

The Company's credit agreement (the "Credit Facility") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A., as syndication agent, and the co-documentation agents named therein consists of a $975 million revolving credit facility (the "Revolver") and a Term A-1 loan with an initial aggregate principal amount of $825 million (the "Term Loan"), each with a maturity date of December 6, 2024. The Revolver contains a $50 million swing line loan sub-facility. Certain U.S. subsidiaries of the Company guarantee the obligations under the Credit Facility. The Credit Facility contains customary covenants limiting the ability of Colfax and its subsidiaries to, among other things, incur debt or liens, merge or consolidate with others, dispose of assets, make investments or pay dividends. In addition, the Credit Facility contains financial covenants requiring Colfax to maintain (subject to certain exceptions) (i) a maximum total leverage ratio, calculated as the ratio of Consolidated Net Debt (as defined in the Credit Facility) to EBITDA (as defined in the Credit Facility) and (ii) a minimum interest coverage ratio. During the third quarter of 2020, the Company made a voluntary $40 million principal payment on the Term Loan.

On May 1, 2020, the Company entered into an amendment to its Credit Facility (the "Amendment"). The Amendment, among other changes, modified the total leverage ratio by permitting the Company to deduct (subject to certain exceptions) up to $125 million of unrestricted cash and cash equivalents from the debt component of the ratio and by increasing the maximum total leverage ratio to 5.75:1.00 as of June 30, 2020, 6.50:1.00 as of each fiscal quarter thereafter until March 31, 2021,

5.25:1.00 for the quarter ending June 30, 2021, 4.50:1.00 for the quarter ending September 30, 2021, 4.25:1.00 for the quarters ending December 31, 2021 and March 31, 2022, 4.00:1.00 for the quarters ending June 30, 2022 and September 30, 2022, and 3.50:1.00 as of December 31, 2022 and for each fiscal quarter ending thereafter. Under the terms of the Amendment the interest coverage ratio remained at 3.00:1.00 for the quarter ending June 30, 2020, decreased to 2.75:1.00 for each of the fiscal quarters ending September 30, 2020 until June 30, 2021, and then will increase back to 3.00:1.00 for the quarters ending September 30, 2021 and thereafter. The Amendment added a "springing" collateral provision (based upon the Gross Leverage Ratio as defined in the Amendment to the Credit Facility) which requires the obligations under the Amendment to the Credit Facility to be secured by substantially all personal property of Colfax and its U.S. subsidiaries and the equity of its first tier foreign subsidiaries, subject to customary exceptions, in the event Colfax's Gross Leverage Ratio under the Credit Facility is greater than 5.00:1.00 as of the last day of any fiscal quarter. Lastly, the Amendment added a fifth pricing tier in the event the total leverage ratio is greater than 4.50:1.00 (regardless of the corporate family rating), with pricing at 2.50%, in the case of the Eurocurrency margin, 1.50%, in the case of the base rate margin, and 0.50% when undrawn. The total commitment and maturity of the Credit Facility remained unchanged. The Credit Facility contains various events of default (including failure to comply with the covenants under the Credit Facility and related agreements) and upon an event of default the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term Loan Facilities and the Revolver. As of December 31, 2020, the Company was in compliance with the covenants under the Credit Facility.

As of December 31, 2020, the weighted-average interest rate of borrowings under the Credit Facility was 1.90%, excluding accretion of original issue discount and deferred financing fees, and there was $975 million available on the Revolver.

The Company has $10.4 million in deferred financing fees recorded in conjunction with the Credit Facility as of December 31, 2020, which is being accreted to Interest expense, net primarily using the effective interest method over the life of the facility.

Euro Senior Notes

On April 19, 2017, the Company issued senior unsecured notes with an aggregate principal amount of €350 million (the "Euro Notes"). The Euro Notes are due in April 2025, have an interest rate of 3.25% and are guaranteed by certain of our domestic subsidiaries (the "Guarantees"). The proceeds from the Euro Notes offering were used to repay borrowings under our previous credit facilities totaling €283.5 million, as well as for general corporate purposes. In conjunction with the issuance of the Euro notes, the Company recorded $6 million of deferred financing fees. The Euro Notes and the Guarantees have not been, and will not be, registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction.

TEU Amortizing Notes

On January 11, 2019, the Company issued $460 million in tangible equity units. The Company offered 4 million of its 5.75% tangible equity units at the stated amount of $100 per unit and an option to purchase up to an additional 600,000 tangible equity units at the stated amount of $100 per unit, which was exercised in full at settlement. Total cash of $447.7 million was received upon closing, comprised of $377.8 million TEU prepaid stock purchase contracts and $69.9 million of TEU amortizing notes due January 2022. The proceeds were used to finance a portion of the purchase price for the DJO acquisition and for general corporate purposes. For more information, refer to Note 14, "Equity."

2024 Notes and 2026 Notes

On February 5, 2019, two tranches of senior notes with aggregate principal amounts of $600 million (the "2024 Notes") and $400 million (the "2026 Notes") were issued to finance a portion of the purchase price for the DJO acquisition. The 2024 Notes are due on February 15, 2024 and have an interest rate of 6.0%. The 2026 Notes are due on February 15, 2026 and have an interest rate of 6.375%. Each tranche of notes is guaranteed by certain domestic subsidiaries of the Company.

Other Indebtedness

In addition to the debt agreements discussed above, the Company is party to various bilateral credit facilities with a borrowing capacity of $195.0 million. As of December 31, 2020, there were no outstanding borrowings under these facilities.

The Company is party to letter of credit facilities with an aggregate capacity of $340.5 million. Total letters of credit of $76.4 million were outstanding as of December 31, 2020.

In total, the Company had deferred financing fees of $22.6 million included in its Condensed Consolidated Balance Sheet as of December 31, 2020, which will be charged to Interest expense, net, primarily using the effective interest method, over the life of the applicable debt agreements.

Total Debt

The contractual maturities of the Company's debt as of December 31, 2020 are as follows:

		(In thousands)
2021	$	27,074
2022		6,507
2023		—
2024		1,385,000
2025		428,242
Thereafter		400,000
Total contractual maturities		2,246,823
Debt discount		(15,580)
Total debt	$	2,231,243

14. Equity

Share Repurchase Program

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

During the year ended December 31, 2018, the Company repurchased 6,449,425 shares of our Common stock in open market transactions for $200 million. There were no repurchases made during the years ended December 31, 2020 and 2019. As of December 31, 2020, the remaining stock repurchase authorization by the Company's Board of Directors was $100 million. There is no term associated with the remaining repurchase authorization.

Accumulated Other Comprehensive Loss

The following table presents the changes in the balances of each component of Accumulated other comprehensive loss including reclassifications out of Accumulated other comprehensive loss for the years ended December 31, 2020, 2019 and 2018. All amounts are net of tax and noncontrolling interest, if any.

	Accumulated Other Comprehensive Loss Components				
	Net Unrecognized Pension And Other Post-Retirement Benefit Cost	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) On Hedging Activities	Changes in Fair Value of Available-for-Sale Securities	Total
	(In thousands)				
Balance at January 1, 2018	$ (84,338)	$ (525,324)	$ 30,138	$ 5,152	$ (574,372)
Other comprehensive income (loss) before reclassifications:					
Net actuarial gain	5,609	—	—	—	5,609
Foreign currency translation adjustment	1,145	(222,158)	(424)	—	(221,437)
Loss on long-term intra-entity foreign currency transactions	—	(5,507)	—	—	(5,507)
Gain on net investment hedges	—	—	16,745	—	16,745
Unrealized loss on cash flow hedges	—	—	(2,153)	—	(2,153)
Other comprehensive income (loss) before reclassifications:	6,754	(227,665)	14,168	—	(206,743)
Amounts reclassified from Accumulated other comprehensive loss[1]	6,090	—	—	—	6,090
Net current period Other comprehensive income (loss)	12,844	(227,665)	14,168	—	(200,653)
Cumulative effect of accounting change	—	—	—	(5,152)	(5,152)
Balance at December 31, 2018	$ (71,494)	$ (752,989)	$ 44,306	$ —	$ (780,177)
Other comprehensive income (loss) before reclassifications:					
Net actuarial loss	(27,931)	—	—	—	(27,931)
Foreign currency translation adjustment	(404)	(78,468)	(65)	—	(78,937)
Divestiture-related AOCI write-off	—	400,143	—	—	400,143
Gain on long-term intra-entity foreign currency transactions	—	29,385	—	—	29,385
Gain on net investment hedges	—	—	6,215	—	6,215
Unrealized loss on cash flow hedges	—	—	156	—	156
Other comprehensive income (loss) before reclassifications:	(28,335)	351,060	6,306	—	329,031
Amounts reclassified from Accumulated other comprehensive loss[1]	2,629	—	—	—	2,629
Noncontrolling interest share repurchase	—	(19,960)		—	(19,960)
Net current period Other comprehensive income (loss)	(25,706)	331,100	6,306	—	311,700
Cumulative effect of accounting change	(9,300)	—	(6,068)	—	(15,368)
Balance at December 31, 2019	$ (106,500)	$ (421,889)	$ 44,544	$ —	$ (483,845)
Other comprehensive income (loss) before reclassifications:					
Foreign currency translation adjustment	(1,849)	57,623	3,378	—	59,152
Gain on long-term intra-entity foreign currency transactions	—	3,289	—	—	3,289
Loss on net investment hedges	—	—	(26,268)	—	(26,268)
Other comprehensive income (loss) before reclassifications:	(1,849)	60,912	(22,890)	—	36,173
Amounts reclassified from Accumulated other comprehensive loss[1]	(4,434)	—	—	—	(4,434)
Net current period Other comprehensive income (loss)	(6,283)	60,912	(22,890)	—	31,739
Balance at December 31, 2020	$ (112,783)	$ (360,977)	$ 21,654	$ —	$ (452,106)

[1] Included in the computation of net periodic benefit cost. See Note 16, “Defined Benefit Plans” for additional details.

During the year ended December 31, 2020, Noncontrolling interest decreased by $2.6 million as a result of Other comprehensive income, primarily due to foreign currency translation adjustments. During the years ended December 31, 2019 and 2018, Noncontrolling interest decreased by $107.6 million and $22.8 million, respectively, as a result of Other comprehensive income, primarily due to the Howden sale and foreign currency translation adjustment.

Share-Based Payments

On May 21, 2020, the shareholders of the Company approved the Colfax Corporation 2020 Omnibus Incentive Plan (the “2020 Plan”) which replaced the Colfax Corporation 2016 Omnibus Incentive Plan dated May 13, 2016 (the “2016 Plan”). Upon the approval of the 2020 Plan, no additional ordinary shares were to be granted under the previously approved plans. All awards previously granted and outstanding under the prior plans remain subject to the terms of those prior plans. The 2020 Plan provides the Compensation Committee of the Company’s Board of Directors discretion in creating employee equity incentives. Awards under the 2020 Plan may be made in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based stock, performance-based stock units, dividend equivalents, and other stock-based awards.

The Company measures and recognizes compensation expense related to share-based payments based on the fair value of the instruments issued. Stock-based compensation expense is generally recognized as a component of Selling, general and administrative expense in the Consolidated Statements of Operations, as payroll costs of the employees receiving the awards are recorded in the same line item.

The Company’s Consolidated Statements of Operations reflect the following amounts related to stock-based compensation:

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Stock-based compensation expense	$ 28,911	$ 21,960	$ 25,103
Deferred tax benefit	1,804	1,280	3,418

As of December 31, 2020, the Company had $32.4 million of unrecognized compensation expense related to stock-based awards that will be recognized over a weighted-average period of 0.9 years. The intrinsic value of awards exercised or issued upon vesting was $11.5 million, $11.2 million and $10.2 million during the years ended December 31, 2020, 2019 and 2018, respectively.

Stock Options

Under the 2020 Plan, the Company may grant options to purchase Common stock, with a maximum term of 10 years at a purchase price equal to the market value of the Company’s Common stock on the date of grant.

Stock-based compensation expense for stock option awards is based upon the grant-date fair value using the Black-Scholes option pricing model. The Company recognizes compensation expense for stock option awards on a straight-line basis over the requisite service period of the entire award. The following table shows the weighted-average assumptions used to calculate the fair value of stock option awards using the Black-Scholes option pricing model, as well as the weighted-average fair value of options granted:

	Year Ended December 31,		
	2020	2019	2018
Expected period that options will be outstanding (in years)	4.62	4.56	4.54
Interest rate (based on U.S. Treasury yields at the time of grant)	1.09 %	2.46 %	2.65 %
Volatility	37.76 %	34.51 %	31.89 %
Dividend yield	—	—	—
Weighted-average fair value of options granted	$ 11.81	$ 8.80	$ 10.37

During the years ended December 31, 2020, 2019 and 2018, expected volatility was estimated based on the historical volatility of the Company’s stock price. The Company considers historical data to estimate employee termination within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for

valuation purposes. Since the Company has limited option exercise history, it has generally elected to estimate the expected life of an award based upon the Securities and Exchange Commission-approved “simplified method” noted under the provisions of Staff Accounting Bulletin No. 107 with the continued use of this method extended under the provisions of Staff Accounting Bulletin No. 110.

Stock option activity is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value[1] (In thousands)
Outstanding at January 1, 2020	4,675,281	$ 34.93		
Granted	618,403	35.89		
Exercised	(126,576)	27.64		
Forfeited and expired	(568,041)	45.75		
Outstanding at December 31, 2020	4,599,067	33.92	3.53	$ 29,875
Vested or expected to vest at December 31, 2020	4,543,740	33.94	3.53	$ 29,549
Exercisable at December 31, 2020	2,943,374	35.76	2.74	$ 17,315

[1] The aggregate intrinsic value is based upon the difference between the Company’s closing stock price at the date of the Consolidated Balance Sheet and the exercise price of the stock option for in-the-money stock options. The intrinsic value of outstanding stock options fluctuates based upon the trading value of the Company’s Common stock.

The total intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was $1.1 million, $2.0 million and $1.4 million, respectively. The fair value of options vested during the years ended December 31, 2020, 2019 and 2018 was $11.9 million, $10.9 million and $8.5 million, respectively.

Restricted Stock Units

Under the 2020 Plan, the Compensation Committee of the Board of Directors may award performance-based restricted stock units (“PRSUs”), the vesting of which is contingent upon meeting service conditions and various performance goals.

During the years ended December 31, 2020 and 2019, the Company granted certain employees PRSUs, the vesting of which is fully based on the Company’s total shareholder return (“TSR”) ranking among a peer group over a three-year performance period. The awards also have a service requirement that equals the respective performance periods.

During the year ended December 31, 2018, PRSUs were awarded under the 2016 Plan based upon two discrete measures: a profit performance metric and relative total shareholder return (TSR). The profit performance metric, which accounts for 50% of the PRSU award upon issuance, is measured upon the completion of a three-year performance period ending December 31, 2020. The vesting of the stock units is determined based on whether the Company achieves the applicable performance criteria established by the Compensation Committee of the Board of Directors. The remaining 50% of the PRSU award is tied exclusively to relative TSR performance, which will be measured against the three-year TSR of a custom index of companies. TSR relative to peers is considered a market condition under applicable authoritative guidance, while the profit performance metric is considered a performance condition. If the market condition or performance goals are achieved, the units may be subject to an additional holding period requirement as determined at the time of grant.

PRSUs with TSR conditions are valued at grant date using a binomial-lattice model (i.e., Monte Carlo simulation model), while PRSUs with a profit performance metric are valued at the market value of a share of Common stock on the date of grant taking into consideration the probability of achieving the specified performance goal. The Company estimates the ultimate payout of PRSUs with a profit performance metric and adjusts the cumulative expense based on its estimate and the percent of the requisite service period that has elapsed. PRSUs with TSR conditions are recognized on a straight-line basis over the performance periods regardless of the performance condition achievement because the probability is factored into the valuation of the award. The related compensation expense for each of the awards is recognized, on a straight-line basis, over the vesting period. Based on the results of the profit performance metric, 2018 PRSUs are expected to vest above target. The performance period for the 2018 PRSUs with TSR conditions does not end until March 7, 2021 and they are expected to vest below target

Under the 2020 Plan, the Compensation Committee of the Board of Directors may also award non-performance-based restricted stock units (“RSUs”) to select executives, employees and outside directors, which typically vest three years after the date of grant. With limited exceptions, the employee must remain in service until the vesting date. The Compensation Committee determines the terms and conditions of each award, including the restriction period and other criteria applicable to the awards. Directors may also elect to defer their annual board fees into RSUs with immediate vesting. Delivery of the shares underlying these director restricted stock units is deferred until termination of the director’s service on the Company’s Board of Directors.

The activity in the Company’s PRSUs and RSUs is as follows:

	PRSUs		RSUs	
	Number of Units	Weighted-Average Grant-Date Fair Value	Number of Units	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2020	741,375	$ 30.87	595,376	$ 29.25
Granted	142,987	50.91	554,192	34.80
Vested	(103,629)	29.90	(226,912)	30.30
Forfeited and expired	(49,332)	27.93	(88,693)	29.52
Nonvested at December 31, 2020	731,401	35.12	833,963	32.52

The weighted-average grant-date fair value of PRSUs granted during the years ended December 31, 2019 and 2018 was $24.77 and $33.92, respectively. The weighted-average grant-date fair value of RSUs granted during the years ended December 31, 2019 and 2018 was $27.58 and $32.92, respectively.

The fair value of shares vested during the years ended December 31, 2020, 2019 and 2018 was $9.7 million, $10.9 million and $10.0 million, respectively.

Tangible equity unit (“TEU”) offering

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

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

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

The $377.8 million fair value of the prepaid stock purchase contracts was recorded in Additional paid-in capital in the Consolidated Balance Sheets. The fair value of the $69.9 million of TEU amortizing notes due January 2022 has both a short-term and a long-term component. Upon the issuance of the TEUs, $47.3 million was initially recorded in Long-term debt, less current portion, and $22.6 million was initially recorded in Current portion of long-term debt in the Consolidated Balance Sheets. The Company deferred certain debt issuance costs associated with the debt component of the TEUs. These amounts offset the debt liability balance in the Consolidated Balance Sheets and are being amortized over its term. As of December 31, 2020, the TEU amortizing notes were recorded with $6.5 million in long-term debt and $25.0 million in Current portion of long-term debt in the Consolidated Balance Sheets.

TEU prepaid stock purchase contracts

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

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

TEU amortizing notes

Each TEU amortizing note has an initial principal amount of $15.6099, bears interest at a rate of 6.50% per annum and has a final installment payment date of January 15, 2022. On each January 15, April 15, July 15 and October 15, the Company pays equal quarterly cash installments of $1.4375 per TEU amortizing note, which will constitute a payment of interest and a partial repayment of principal, and which cash payment in the aggregate per year will be equivalent to 5.75% per year with respect to the $100 stated amount per unit. The Company has paid $26.5 million representing a partial payment of principal and interest on the TEU amortizing notes in 2020. The TEU amortizing notes are the direct, unsecured and unsubordinated obligations of the Company and rank equally with all of the existing and future other unsecured and unsubordinated indebtedness of the Company.

Earnings per share

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

Repurchase of noncontrolling interest shares

During 2019, the Company repurchased all of the noncontrolling interest shares of its South Africa consolidated subsidiary from existing shareholders under a general offer. As a part of the Air and Gas Handling business, this subsidiary was subsequently sold on September 30, 2019, and its results of operations are included in discontinued operations for all periods presented.

15. Accrued Liabilities

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

	December 31,	
	2020	2019
	(In thousands)	
Accrued compensation and related benefits	$ 98,455	$ 100,290
Accrued taxes	57,286	55,258
Accrued asbestos-related liability	41,626	64,394
Warranty liability - current portion	15,543	15,513
Accrued restructuring liability - current portion	7,889	6,961
Accrued third-party commissions	25,480	30,768
Customer advances and billings in excess of costs incurred	36,737	16,009
Lease liability - current portion	39,695	40,021
Accrued interest	27,153	27,333
Other	104,469	113,343
Accrued liabilities	$ 454,333	$ 469,890

Accrued Restructuring Liability

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

	Year Ended December 31, 2020				
	Balance at Beginning of Period	**Provisions**	**Payments**	**Foreign Currency Translation**	**Balance at End of Period[3]**
			(In thousands)		
Restructuring and other related charges:					
Fabrication Technology:					
Termination benefits[1]	$ 1,638	$ 11,381	$ (7,698)	$ 15	$ 5,336
Facility closure costs[2]	1,284	8,358	(9,060)	9	591
Subtotal	2,922	19,739	(16,758)	24	5,927
Non-cash charges[2]		1,894			
Fabrication Technology total provisions		21,633			
Medical Technology:					
Termination benefits[1]	3,919	3,284	(5,405)	86	1,884
Facility closure costs[2]	257	17,125	(17,085)	—	297
Subtotal	4,176	20,409	(22,490)	86	2,181
Non-cash charges[2]		2,985			
Medical Technology total provisions		23,394			
Total	$ 7,098	40,148	$ (39,248)	$ 110	$ 8,108
Non-cash charges[2]		4,879			
Total Colfax provisions		$ 45,027			

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

(2) Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities. During the year ended December 31, 2020, the Company recorded a total of $1.9 million and $3.0 million non-cash impairment charges for facilities in the Fabrication Technology and Medical Technology segments, respectively, as part of Corporate approved restructuring activities. Restructuring charges in the Medical Technology segment during the year ended December 31, 2020 include costs related to product and distribution channel transformations, facilities optimization, and integration charges, as well as $6.6 million classified as Cost of sales on the Company's Consolidated Statements of Operations for the year ended December 31, 2020.

(3) As of December 31, 2020, $7.9 million and $0.2 million of the Company's restructuring liability was included in Accrued liabilities and Other liabilities, respectively.

	Year Ended December 31, 2019					
	Balance at Beginning of Period	Acquisitions	Provisions	Payments	Foreign Currency Translation	Balance at End of Period[3]
	(In thousands)					
Restructuring and other related charges:						
Fabrication Technology:						
Termination benefits[1]	$ 5,494		$ 7,131	$ (10,588)	$ (399)	$ 1,638
Facility closure costs[2]	662		11,711	(11,136)	47	1,284
	6,156		18,842	(21,724)	(352)	2,922
Non-cash charges			4,198			
			23,040			
Medical Technology:						
Termination benefits[1]	—	6,096	5,449	(7,626)	—	3,919
Facility closure costs[2]	—	298	45,258	(45,299)	—	257
	—	6,394	50,707	(52,925)	—	4,176
Total	$ 6,156	$ 6,394	69,549	$ (74,649)	$ (352)	$ 7,098
Non-cash charges[2]			4,198			
			$ 73,747			

[1] Includes severance and other termination benefits, including outplacement services.

[2] Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities. During the year ended December 31, 2019, the Company recorded a $4.2 million non-cash impairment charge for facilities in our Fabrication Technology segment as part of Corporate approved restructuring activities. Restructuring charges in the Medical Technology segment also include $8.5 million classified as Cost of sales on the Company's Consolidated Statements of Operations for the year ended December 31, 2019.

[3] As of December 31, 2019, $7.0 million and $0.1 million of the Company's restructuring liability was included in Accrued liabilities and Other liabilities, respectively.

16. Defined Benefit Plans

The Company sponsors various defined benefit plans, defined contribution plans and other post-retirement benefits plans, including health and life insurance, for certain eligible employees or former employees. The Company uses December 31st as the measurement date for all of its employee benefit plans.

In connection with the sale of the Air and Gas Handling business, the purchaser assumed the Air and Gas Handling liability for all defined benefit plans specific to the Air and Gas Handling business. Net benefit cost for the years ended December 31, 2019 and 2018 for the Air and Gas Handling business is included in Net income (loss) from discontinued operations, net of taxes, within the Consolidated Statements of Operations. See Note 4, "Discontinued Operations" for further information.

During the year ended December 31, 2019, the Company settled two non-U.S. pension plans, one in our Fabrication Technology segment and one in our Air and Gas Handling segment through third-party buyout arrangements. As a result of these settlements, the Company has no further funding obligations under these two plans and recognized a loss of $77.4 million in 2019, which is partly reflected in Pension settlement loss in the Consolidated Statements of Operations. As the Company divested its Air and Gas Handling segment during the year ended December 31, 2019, the related settlement loss of $43.8 million is included in Net income (loss) from discontinued operations, net of taxes, within the Consolidated Statements of Operations. See Note 4, "Discontinued Operations" for further information.

The following table summarizes the total changes in the Company's pension and accrued post-retirement benefits and plan assets and includes a statement of the plans' funded status:

	Pension Benefits		Other Post-Retirement Benefits	
	Year Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
	(In thousands)			
Change in benefit obligation:				
Projected benefit obligation, beginning of year	$ 361,146	$ 867,345	$ 13,057	$ 13,844
Acquisitions	—	2,264	—	—
Service cost	1,933	2,462	8	5
Interest cost	7,454	16,556	313	445
Plan amendment	95	464	—	15
Actuarial loss (gain) [1]	21,642	183,084	1,139	(382)
Foreign exchange effect	9,757	(912)	(3)	(4)
Benefits paid	(24,105)	(40,131)	(1,170)	(866)
Divestitures	—	(50,468)	—	—
Settlements	(418)	(619,756)	—	—
Other	1,791	238	—	—
Projected benefit obligation, end of year	$ 379,295	$ 361,146	$ 13,344	$ 13,057
Accumulated benefit obligation, end of year	$ 375,267	$ 356,741	$ 13,344	$ 13,057
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 251,291	$ 850,024	$ —	$ —
Actual return on plan assets	26,123	88,869	—	—
Employer contribution	9,830	10,793	1,170	866
Foreign exchange effect	2,806	1,236	—	—
Benefits paid	(24,105)	(40,131)	(1,170)	(866)
Divestitures	—	(39,897)	—	—
Settlements	(418)	(619,756)	—	—
Other	1,727	153	—	—
Fair value of plan assets, end of year	$ 267,254	$ 251,291	$ —	$ —
Funded status, end of year	$ (112,041)	$ (109,855)	$ (13,344)	$ (13,057)
Amounts recognized on the Consolidated Balance Sheet at December 31:				
Non-current assets	$ —	$ —	$ —	$ —
Current liabilities	(3,800)	(3,596)	(1,028)	(1,177)
Non-current liabilities	(108,241)	(106,259)	(12,316)	(11,880)
Total	$ (112,041)	$ (109,855)	$ (13,344)	$ (13,057)

[1] The reported actuarial loss in 2020 is primarily due to the decrease in discount rates in most markets. The reported actuarial loss in 2019 is primarily due to the settlements of two pension plans and decrease in discount rates in most markets.

For pension plans with accumulated benefit obligations in excess of plan assets, the accumulated benefit obligation and fair value of plan assets were $367.4 million and $259.1 million, respectively, as of December 31, 2020 and $345.1 million and $238.9 million, respectively, as of December 31, 2019.

For pensions plans with projected benefit obligations in excess of plan assets, the projected benefit obligation and fair value of plan assets were $376.0 million and $263.9 million, respectively, as of December 31, 2020 and $359.5 million and $249.6 million, respectively, as of December 31, 2019.

The following table summarizes the changes in the Company's foreign pension benefit obligation, which is determined based upon an employee's expected date of separation, and plan assets, included in the table above, and includes a statement of the plans' funded status:

	Foreign Pension Benefits	
	Year Ended December 31,	
	2020	2019
	(In thousands)	
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 144,739	$ 661,084
Acquisitions	—	2,264
Service cost	1,933	2,340
Interest cost	2,315	9,376
Plan amendments	95	464
Actuarial loss [(1)]	5,778	164,888
Foreign exchange effect	9,757	(912)
Benefits paid	(8,795)	(24,779)
Divestitures	—	(50,468)
Settlements	(418)	(619,756)
Other	1,791	238
Projected benefit obligation, end of year	$ 157,195	$ 144,739
Accumulated benefit obligation, end of year	$ 153,167	$ 140,335
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 67,535	$ 691,758
Acquisitions	—	—
Actual return on plan assets	4,037	51,318
Employer contribution	6,222	7,502
Foreign exchange effect	2,806	1,236
Benefits paid	(8,795)	(24,779)
Divestitures	—	(39,897)
Settlements	(418)	(619,756)
Other	1,727	153
Fair value of plan assets, end of year	$ 73,114	$ 67,535
Funded status, end of year	$ (84,081)	$ (77,204)

(1) The reported actuarial loss in 2020 is primarily due to the decrease in discount rates in most markets. The reported actuarial loss in 2019 is primarily due to the settlements of two pension plans and decrease in discount rates in most markets.

Expected contributions to the Company's pension and other post-employment benefit plans for the year ending December 31, 2021, related to plans as of December 31, 2020, are $6.9 million. The following benefit payments are expected to be paid during each respective fiscal year:

	Pension Benefits		Other Post-Retirement Benefits
	All Plans	Foreign Plans	
		(In thousands)	
2021	$ 25,147	$ 9,276	$ 1,028
2022	24,495	8,925	954
2023	23,858	8,641	884
2024	22,989	8,182	839
2025	22,689	8,315	830
2026 - 2030	105,337	40,832	3,731

The Company’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 real 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 Company’s pension plan assets:

	Actual Asset Allocation December 31,		Target
	2020	2019	Allocation
U.S. Plans:			
Equity securities:			
U.S.	44 %	44 %	30%-45%
International	16 %	15 %	10% -20%
Fixed income	39 %	39 %	30% -50%
Other	— %	— %	0%-20%
Cash and cash equivalents	1 %	2 %	0%-5%
Foreign Plans:			
Equity securities	27 %	27 %	0%-40%
Fixed income securities	10 %	11 %	0%-15%
Cash and cash equivalents	— %	— %	0%-25%
Other	63 %	62 %	55%-90%

A summary of the Company’s pension plan assets for each fair value hierarchy level for the periods presented follows (see Note 17, “Financial Instruments and Fair Value Measurements” for further description of the levels within the fair value hierarchy):

	December 31, 2020				
	Measured at Net Asset Value[1]	Level One	Level Two	Level Three	Total
			(In thousands)		
U.S. Plans:					
Cash and cash equivalents	$ —	$ 1,752	$ —	$ —	1,752
Equity securities:					
U.S. large cap	51,728	—	—	—	51,728
U.S. small/mid cap	21,175	12,895	—	—	34,070
International	30,552	—	—	—	30,552
Fixed income mutual funds:					
U.S. government and corporate	74,978	—	—	—	74,978
Other[2]	—	1,060	—	—	1,060
Foreign Plans:					
Cash and cash equivalents	—	239	—	—	239
Equity securities	—	19,513	—	—	19,513
Non-U.S. government and corporate bonds	—	5,331	1,922	—	7,253
Other[2]	—	—	46,109	—	46,109
	$ 178,433	$ 40,790	$ 48,031	$ —	$ 267,254

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient (the "NAV") have not been classified in the fair value hierarchy. These investments, consisting of common/collective trusts, are valued using the NAV provided by the Trustee. The NAV is based on the underlying investments held by the fund, that are traded in an active market, less its liabilities. These investments are able to be redeemed in the near-term.

(2) Represents diversified portfolio funds, reinsurance contracts and money market funds.

	December 31, 2019				
	Measured at Net Asset Value[1]	Level One	Level Two	Level Three	Total
			(In thousands)		
U.S. Plans:					
Cash and cash equivalents	$ —	$ 2,855	$ —	$ —	$ 2,855
Equity securities:					
U.S. large cap	48,582		—	—	48,582
U.S. small/mid cap	20,093	12,268	—	—	32,361
International	28,573	—	—	—	28,573
Fixed income mutual funds:					
U.S. government and corporate	70,334	—	—	—	70,334
Other[2]	—	1,051	—	—	1,051
Foreign Plans:					
Cash and cash equivalents	—	215	—	—	215
Equity securities	—	18,462	—	—	18,462
Non-U.S. government and corporate bonds	—	5,299	1,911	—	7,210
Other[2]	—	—	41,648	—	41,648
	$ 167,582	$ 40,150	$ 43,559	$ —	$ 251,291

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient (the "NAV") have not been classified in the fair value hierarchy. These investments, consisting primarily of common/collective trusts, are valued using

the NAV provided by the Trustee. The NAV is based on the underlying investments held by the fund, that are traded in an active market, less its liabilities. These investments are able to be redeemed in the near-term.

(2) Represents diversified portfolio funds, reinsurance contracts and money market funds.

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

	Pension Benefits			Other Post-Retirement Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2020	2019	2018	2020	2019	2018
	(In thousands)					
Components of Net Periodic Benefit Cost (Income):						
Service cost	$ 1,933	$ 2,462	$ 2,770	$ 8	$ 5	$ 19
Interest cost	7,454	16,556	21,574	313	445	452
Amortization	4,960	3,385	4,282	(231)	(255)	(28)
Settlement loss (gain)	99	77,390	(39)	—	—	—
Divestitures gain	—	(4,354)	—	—	—	—
Other	143	79	(458)	—	—	—
Expected return on plan assets	(12,773)	(19,774)	(29,306)	—	—	—
Net periodic benefit cost (income)	$ 1,816	$ 75,744	$ (1,177)	$ 90	$ 195	$ 443
Change in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:						
Current year net actuarial (gain) loss	$ 10,379	$ 113,995	$ (11,816)	$ 1,143	$ (380)	$ (723)
Current year prior service cost	74	464	3,800	—	15	—
Less amounts included in net periodic benefit cost:						
Amortization of net (gain) loss	(4,914)	(3,285)	(4,330)	231	270	31
Settlement/divestiture/other (gain) loss	(177)	(83,602)	39	—	—	—
Amortization of prior service cost	(46)	(100)	48	—	(15)	(3)
Total recognized in Other comprehensive income	$ 5,316	$ 27,472	$ (12,259)	$ 1,374	$ (110)	$ (695)

Net periodic benefit cost (income) of $44.4 million and $(1.4) million for the years ended December 31, 2019 and 2018, respectively, are included in Income (loss) from discontinued operations, net of taxes. Net periodic benefit cost included in loss from discontinued operations for the year ended December 31, 2019 includes $43.8 million in settlement loss related to the Air and Gas Handling segment. Each component of Net periodic benefit cost from continuing operations, with the exception of Settlement loss, is included in Selling, general and administrative expense.

The following table sets forth the components of net periodic benefit cost and Other comprehensive loss (gain) of the foreign defined benefit pension plans, included in the table above:

	Foreign Pension Benefits		
	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Components of Net Periodic Benefit Cost:			
Service cost	$ 1,933	$ 2,340	$ 2,634
Interest cost	2,315	9,376	15,183
Amortization	747	334	1,039
Settlement loss (gain)	99	77,390	(39)
Divestitures gain	—	(4,354)	—
Other	143	79	(458)
Expected return on plan assets	(2,397)	(9,092)	(18,310)
Net periodic benefit cost	$ 2,840	$ 76,073	$ 49
Change in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss:			
Current year net actuarial loss (gain)	$ 6,226	$ 122,667	$ (31,854)
Current year prior service cost	74	464	3,800
Less amounts included in net periodic benefit cost:			
Amortization of net loss	(701)	(234)	(1,087)
Settlement/divestiture/other (gain) loss	(177)	(83,602)	39
Amortization of prior service cost	(46)	(100)	48
Total recognized in Other comprehensive loss	$ 5,376	$ 39,195	$ (29,054)

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

	Pension Benefits		Other Post-Retirement Benefits	
	December 31,		December 31,	
	2020	2019	2020	2019
	(In thousands)			
Net actuarial loss (gain)	$ 105,947	$ 100,659	$ (2,031)	$ (3,405)
Prior service cost	477	449	—	—
Total	$ 106,424	$ 101,108	$ (2,031)	$ (3,405)

The components of net unrecognized pension and other post-retirement benefit cost included in Accumulated other comprehensive loss in the Consolidated Balance Sheet that are expected to be recognized as a component of net periodic benefit cost during the year ending December 31, 2021 are as follows:

	Pension Benefits	Other Post-Retirement Benefits
	(In thousands)	
Net actuarial loss (gain)	$ 5,929	$ (74)
Prior service cost	55	—
Total	$ 5,984	$ (74)

The key economic assumptions used in the measurement of the Company's pension and other post-retirement benefit obligations are as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	December 31,		December 31,	
	2020	2019	2020	2019
Weighted-average discount rate:				
All plans	1.7 %	2.5 %	2.1 %	3.0 %
Foreign plans	1.4 %	1.9 %	— %	— %
Weighted-average rate of increase in compensation levels for active foreign plans	0.6 %	0.8 %	— %	— %

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

	Pension Benefits			Other Post-Retirement Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2020	2019	2018	2020	2019	2018
Weighted-average discount rate:						
All plans	2.5 %	3.0 %	2.6 %	3.0 %	4.0 %	3.4 %
Foreign plans	1.9 %	2.7 %	2.4 %	— %	— %	— %
Weighted-average expected return on plan assets:						
All plans	5.7 %	3.1 %	3.8 %	— %	— %	— %
Foreign plans	4.1 %	2.4 %	3.2 %	— %	— %	— %
Weighted-average rate of increase in compensation levels for active foreign plans	0.8 %	1.8 %	2.1 %	— %	— %	— %

In determining discount rates, the Company utilizes the single discount rate equivalent to discounting the expected future cash flows from each plan using the yields at each duration from a published yield curve as of the measurement date.

For measurement purposes, a weighted-average annual rate of increase in the per capita cost of covered health care benefits of 6.5% was assumed. The rate was assumed to decrease gradually to 4.5% by 2031 and remain at that level thereafter for benefits covered under the plans.

The expected long-term rate of return on plan assets was based on the Company's investment policy target allocation of the asset portfolio between various asset classes and the expected real returns of each asset class over various periods of time that are consistent with the long-term nature of the underlying obligations of these plans.

A one-percentage point change in assumed health care cost trend rates would have the following pre-tax effects:

	1% Increase	1% Decrease
	(In thousands)	
Effect on total service and interest cost components for the year ended December 31, 2020	$ 17	$ (14)
Effect on post-retirement benefit obligation at December 31, 2020	695	(591)

The Company maintains defined contribution plans covering certain union and non-union employees. The Company's expense for the years ended December 31, 2020, 2019 and 2018 was $10.2 million, $6.9 million and $6.3 million, respectively. Total expense included in Income (loss) income from discontinued operations, net of taxes for the years ended December 31, 2019 and 2018 was $4.2 million and $5.9 million, respectively.

17. Financial Instruments and Fair Value Measurements

The Company 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.

The carrying values of financial instruments, including Trade receivables, other receivables and Accounts payable, approximate their fair values due to their short-term maturities. The estimated fair value of the Company's debt of $2.3 billion as of December 31, 2020 and 2019 was based on current interest rates for similar types of borrowings and is in Level Two of the fair value hierarchy. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

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

	December 31, 2020			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 7,420	$ —	$ —	$ 7,420
Foreign currency contracts related to sales - not designated as hedges	—	1,897	—	1,897
Foreign currency contracts related to purchases - not designated as hedges	—	297	—	297
Deferred compensation plans	—	10,881	—	10,881
	$ 7,420	$ 13,075	$ —	$ 20,495
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	$ —	$ 1,313	$ —	$ 1,313
Foreign currency contracts related to purchases - designated as hedges	—	468	—	468
Deferred compensation plans	—	10,881	—	10,881
	$ —	$ 12,662	$ —	$ 12,662

	December 31, 2019			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 13,125	$ —	$ —	$ 13,125
Foreign currency contracts related to sales - not designated as hedges	—	74	—	74
Foreign currency contracts related to purchases - not designated as hedges	—	408	—	408
Deferred compensation plans	—	8,870	—	8,870
	$ 13,125	$ 9,352	$ —	$ 22,477
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	$ —	$ 328	$ —	$ 328
Foreign currency contracts related to purchases - not designated as hedges	—	853	—	853
Deferred compensation plans	—	8,870	—	8,870
	$ —	$ 10,051	$ —	$ 10,051

There were no transfers in or out of Level One, Two or Three during the years ended December 31, 2020 and 2019.

Cash Equivalents

The Company'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 Company periodically enters into foreign currency derivative contracts. As the Company has manufacturing sites throughout the world and sells its products globally, the Company is exposed to movements in the exchange rates of various currencies. As a result, the Company enters into foreign currency swaps and forward contracts to mitigate this exchange rate risk. Additionally, to mitigate a portion of the foreign exchange risk associated with the translation of the net assets of foreign subsidiaries, the Company has senior unsecured notes denominated in Euro which has been designated as a net investment hedge. See Note 13, "Debt" for details. As the Company's borrowings under the Credit Facility include variable interest rates, the Company may periodically enter into interest rate swap or collar agreements to mitigate interest rate risk. Commodity derivative contracts can be used to manage costs of raw materials used in the Company's production processes. There were no changes during the periods presented in the Company'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 Company 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, 2020 and 2019, the Company had foreign currency contracts with the following notional values:

	December 31,	
	2020	2019
	(In thousands)	
Foreign currency contracts sold - not designated as hedges	$ 152,504	$ 28,718
Foreign currency contracts purchased - not designated as hedges	97,897	107,090
Total foreign currency derivatives	$ 250,401	$ 135,808

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

	Year Ended		
	2020	2019	2018
		(In thousands)	
Contracts Designated as Hedges:			
Unrealized gain (loss) on net investment hedges[1]	$ (26,268)	$ 6,215	$ 16,745
Contracts Not Designated in a Hedge Relationship:			
Foreign Currency Contracts - related to customer sales contracts:			
Unrealized gain	704	(395)	890
Realized gain (loss)	941	(1,565)	(1,083)
Foreign Currency Contracts - related to supplier purchases contracts:			
Unrealized gain (loss)	707	(216)	(820)
Realized gain (loss)	(936)	523	(407)

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

Concentration of Credit Risk

Financial instruments which potentially subject the Company 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. The Company 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 Company deems necessary. There are no customers which represent more than 10% of the Company’s Accounts receivable, net as of December 31, 2020 and 2019.

18. Commitments and Contingencies

Asbestos and Other Product Liability Contingencies

Certain subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers, and were not manufactured by any of the Company’s subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of the subsidiaries’ customers, including the U.S. Navy. The subsidiaries settle asbestos claims for amounts the Company 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 Company 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.

Pursuant to the purchase agreement from the Fluid Handling business divestiture, the Company retained its asbestos-related contingencies and insurance coverages. However, as the Company does not retain an interest in the ongoing operations of the business subject to the contingencies, asbestos-related activity is classified as part of Income (loss) from discontinued operations, net of taxes in its Consolidated Statements of Operations.

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

	Year Ended		
	2020	2019	2018
	(Number of claims)		
Claims unresolved, beginning of period	16,299	16,417	17,737
Claims filed[(1)]	4,014	4,486	4,078
Claims resolved[(2)]	(5,504)	(4,604)	(5,398)
Claims unresolved, end of period	14,809	16,299	16,417
	(In dollars)		
Average cost of resolved claims[(3)]	$ 12,055	$ 9,455	$ 7,497

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

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

The Company 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 the subsidiaries will incur costs after this period, the Company does not believe the reasonably possible loss or a 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 the next 15 years. Defense costs associated with asbestos-related liabilities as well as costs incurred related to litigation against the subsidiaries' insurers are expensed as incurred.

Each subsidiary has separate insurance coverage acquired prior to Company ownership of each independent entity. The Company 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.

One of the subsidiaries was notified in 2010 by the primary and umbrella carrier who had been fully defending and indemnifying the subsidiary for 20 years that the limits of liability of its primary and umbrella layer policies had been exhausted. The subsidiary has sought coverage from certain excess layer insurers whose coverage obligations were disputed in Delaware state court, and were the subject of various rulings, including a September 12, 2016 ruling on certain appealed issues by the Delaware Supreme Court. 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 subsidiary has the right to access coverage available under excess insurance policies purchased by a former owner of the business, and that, the subsidiary has a right to immediately access the excess layer policies. Further, the Delaware Supreme Court ruled in the subsidiary'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 but reversed in part some of the prior lower court rulings on defense obligations and whether payment of defense costs erode policy limits or are payable in addition to policy limits.

Based upon these rulings, the Company currently estimates that the subsidiary's future expected recovery percentage is 90.7% of asbestos-related costs, with the subsidiary expected to be responsible for 9.3% of its future asbestos-related costs.

Since approximately mid-2011, the Company had funded $173.4 million of the subsidiary's asbestos-related defense and indemnity costs through December 31, 2020, which it expects to recover from insurers. Based on the above-referenced court rulings, the Company requested that its insurers reimburse all of the $94.9 million that remained outstanding at the time of the ruling, and the Company currently has received substantially all of that amount. The subsidiary also has requested that certain

excess insurers provide ongoing coverage for future asbestos-related defense and/or indemnity costs. 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, the Company'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.

In 2003, another subsidiary filed a lawsuit against a large number of its insurers and its former parent to resolve a variety of disputes concerning insurance for asbestos-related bodily injury claims asserted against it. Court rulings in 2007 and 2009 clarified the insurers allocation methodology as mandated by the New Jersey courts, the allocation calculation related to amounts currently due from insurers, and amounts the Company expects to be reimbursed for asbestos-related costs incurred in future periods.

A final judgment at the trial court level was rendered in 2011 and confirmed by the Appellate Division in 2014. In 2015, the New Jersey Supreme Court refused to grant certification of the appeals, effectively ending the matter. The subsidiary expects to be responsible for 22.2% of all future asbestos-related costs.

During the year ended December 31, 2018, the Company recorded a $5.9 million increase in asbestos-related liabilities due to the rate of filings and higher settlement values per claim, relating to timing of the mix of claims resolved. The related insurance asset was accordingly increased $4.8 million, resulting in a net pre-tax charge of $1.1 million. During the year ended December 31, 2019, the Company recorded a $28.4 million increase in asbestos-related liabilities due to a revision in forecast assumptions for filing rates and resolution values. The related insurance asset was accordingly increased $15.1 million, resulting in a net pre-tax charge of $13.3 million. During the year ended December 31, 2020, the Company recorded a $11.6 million increase in asbestos-related liabilities due to a revision in forecast assumptions for filing rates and resolution values. The related insurance asset was accordingly increased $3.9 million, resulting in a net pre-tax charge of $7.7 million. For all periods, the net pre-tax charge is included in Income (loss) from discontinued operations, net of taxes in the Consolidated Statements of Operations.

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

	December 31,	
	2020	2019
	(In thousands)	
Current asbestos insurance receivable[1]	$ —	$ 4,474
Long-term asbestos insurance asset[2]	232,712	281,793
Long-term asbestos insurance receivable[2]	31,815	41,629
Accrued asbestos liability[3]	41,626	64,394
Long-term asbestos liability[4]	253,144	286,105

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

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 and the collectability of claims tendered, the amount of remaining insurance available, as well as the numerous uncertainties inherent in asbestos litigation could cause the actual liabilities and insurance recoveries to be higher or lower than those projected or recorded which could materially affect the Company's financial condition, results of operations or cash flow.

General Litigation

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

Minimum Lease Obligations

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

	December 31, 2020
	(In thousands)
2021	$ 42,516
2022	33,809
2023	26,836
2024	18,987
2025	14,073
Thereafter	71,838
Total	$ 208,059

The Company'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, 2020, 2019 and 2018, the Company's net rental expense related to operating leases was $38.0 million, $34.3 million and $26.6 million, respectively.

Off-Balance Sheet Arrangements

As of December 31, 2020, the Company had $276.9 million of unconditional purchase obligations with suppliers, the majority of which is expected to be paid by December 31, 2021.

19. Segment Information

The Company conducts its continuing operations through the Fabrication Technology and Medical Technology operating segments, which also represent the Company's reportable segments.

- ***Fabrication Technology*** - a leading global supplier of consumable products and equipment for use in the cutting, joining and automated welding, as well as gas control equipment, providing a wide range of products with innovative technologies to solve challenges in a wide range of industries.

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

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

The Company's segment results were as follows:

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Net sales:			
Fabrication Technology	$ 1,950,069	$ 2,247,026	$ 2,193,083
Medical Technology	1,120,700	1,080,432	—
Total Net sales	$ 3,070,769	$ 3,327,458	$ 2,193,083
Segment operating income (loss)[1]:			
Fabrication Technology	$ 246,011	$ 302,601	$ 249,934
Medical Technology	29,079	96,170	—
Corporate and other	(60,840)	(121,412)	(69,321)
Total segment operating income	$ 214,250	$ 277,359	$ 180,613
Depreciation, amortization and other impairment charges:			
Fabrication Technology	$ 76,644	$ 80,072	$ 79,712
Medical Technology	168,227	134,001	—
Corporate and other	1,358	1,534	1,495
Total depreciation, amortization and other impairment charges	$ 246,229	$ 215,607	$ 81,207
Capital expenditures:			
Fabrication Technology	$ 40,137	$ 44,454	$ 40,512
Medical Technology	74,624	57,326	—
Corporate and other	24	59	1,275
Total capital expenditures	$ 114,785	$ 101,839	$ 41,787

[1] The following is a reconciliation of Income (loss) before income taxes to segment operating income:

	Year Ended December 31,		
	2020	2019	2018
Income from continuing operations before income taxes	$ 58,029	$ 50,493	$ 92,364
Loss on short-term investments	—	—	10,128
Pension settlement loss (gain)	—	33,616	(39)
Interest expense, net	104,262	119,503	49,083
Restructuring and other related charges[1]	45,027	73,747	29,077
MDR and other costs[2]	6,932	—	—
Segment operating income	$ 214,250	$ 277,359	$ 180,613

(1) Restructuring and other related charges includes $6.6 million and $8.5 million of expense classified as Cost of sales on the Company's Consolidated Statements of Operations for the years ended December 31, 2020 and 2019, respectively.

(2) Primarily related to costs specific to compliance with medical device reporting regulations and other requirements of the European Union Medical Device Regulation of 2017.

	December 31,	
	2020	2019
	(In thousands)	
Investments in Equity Method Investees:		
Fabrication Technology	$ 32,409	$ 31,134
Medical Technology	—	—
	$ 32,409	$ 31,134
Total Assets:		
Fabrication Technology	$ 3,390,747	$ 3,509,023
Medical Technology	3,575,644	3,480,815
Corporate and other	385,158	396,994
Total	$ 7,351,549	$ 7,386,832

The detail of the Company's operations by geography is as follows:

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Net Sales by Origin[1]:			
United States	$ 1,283,651	$ 1,464,152	$ 540,533
Foreign locations	1,787,118	1,863,306	1,652,550
Total	$ 3,070,769	$ 3,327,458	$ 2,193,083

(1) The Company attributes revenues from external customers to individual countries based upon the country in which the sale was originated.

	December 31,	
	2020	2019
	(In thousands)	
Property, Plant and Equipment, Net[1]:		
United States	$ 221,549	$ 222,293
Czech Republic	65,188	62,469
India	39,612	41,528
United Kingdom	20,181	20,097
Russia	19,490	23,149
Other Foreign locations	120,940	121,705
Total	$ 486,960	$ 491,241

(1) As the Company does not allocate all long-lived assets, specifically intangible assets, to each individual country, evaluation of long-lived assets in total is impracticable.

20. Selected Quarterly Data—(unaudited)

Provided below is selected unaudited quarterly financial data for the years ended December 31, 2020 and 2019.

	Quarter Ended			
	April 3, 2020[(1)(3)]	July 3, 2020[(3)]	October 2, 2020	December 31, 2020[(2)(3)(4)]
	(In thousands, except per share data)			
Net sales	$ 816,356	$ 620,360	$ 805,931	$ 828,122
Gross profit	348,214	241,086	344,120	354,685
Net income (loss) from continuing operations	8,868	(3,142)	16,836	41,520
Loss from discontinued operations, net of taxes	(3,360)	(4,905)	(2,641)	(7,405)
Net income (loss) attributable to Colfax Corporation	4,481	(8,474)	13,406	33,212
Net income (loss) per share - basic				
Continuing operations	$ 0.06	$ (0.03)	$ 0.12	$ 0.30
Discontinued operations	$ (0.02)	$ (0.04)	$ (0.02)	$ (0.05)
Consolidated operations	$ 0.03	$ (0.06)	$ 0.10	$ 0.24
Net income (loss) per share - diluted				
Continuing operations	$ 0.06	$ (0.03)	$ 0.12	$ 0.29
Discontinued operations	$ (0.02)	$ (0.04)	$ (0.02)	$ (0.05)
Consolidated operations	$ 0.03	$ (0.06)	$ 0.10	$ 0.24

(1) The results for the quarter ended April 3, 2020 include the impact of six additional days as compared to the quarter ended March 29, 2019 due to our accounting close schedule and leap year.

(2) The results for the quarter ended December 31, 2020 include the impact of five fewer days as compared to the quarter ended December 31, 2019 due to our accounting close schedule.

(3) The sum of the net income (loss) per share amounts may not add due to rounding.

(4) The results from continuing operations includes the impact from discrete income tax benefits mainly associated with internal entity structural changes and finalization of tax return filing positions.

	Quarter Ended			
	March 29, 2019	June 28, 2019	September 27, 2019	December 31, 2019
	(In thousands, except per share data)			
Net sales	$ 683,919	$ 908,647	$ 846,519	$ 888,373
Gross profit	261,013	376,058	368,142	395,843
Net income (loss) from continuing operations	(21,530)	2,212	3,770	34,411
Income (loss) from discontinued operations, net of taxes	(26,472)	(468,817)	9,024	(49,744)
Net income (loss) attributable to Colfax Corporation	(52,023)	(469,234)	10,474	(16,863)
Net income (loss) per share - basic				
Continuing operations	$ (0.17)	$ 0.01	$ 0.02	$ 0.24
Discontinued operations	$ (0.22)	$ (3.46)	$ 0.06	$ (0.36)
Consolidated operations	$ (0.39)	$ (3.45)	$ 0.08	$ (0.12)
Net income (loss) per share - diluted				
Continuing operations	$ (0.17)	$ 0.01	$ 0.02	$ 0.24
Discontinued operations	$ (0.22)	$ (3.46)	$ 0.06	$ (0.36)
Consolidated operations	$ (0.39)	$ (3.45)	$ 0.08	$ (0.12)

21. Subsequent Events

On January 19, 2021, the Company, through its wholly-owned subsidiary, DJO, acquired Trilliant Surgical ("Trilliant"), a national provider of foot and ankle orthopedic implants, for $82.0 million cash consideration. The leading product technologies of Trilliant support the Medical Technology segment's focused expansion into the adjacent high-growth $1 billion U.S. foot and ankle market. Trilliant has a broad product portfolio that covers the full universe of foot reconstructive and fixation procedures, and includes the novel Arsenal Foot Plating System, designed for greater flexibility and speed of implant placement. The estimated proforma annual revenues of the Trilliant acquisition are approximately 1% of Colfax consolidated revenues.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2020. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report on Form 10-K has been recorded, processed, summarized and reported as of the end of the period covered by this report on Form 10-K, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company completed the DJO acquisition on February 22, 2019. Management considers this transaction to be material to the Company's consolidated financial statements and believes that the internal controls and procedures of DJO have a material effect on the Company's internal control over financial reporting. During the year ended December 31, 2020, the Company has completed the process of incorporating the internal controls and procedures of DJO into our internal controls over financial reporting and extending our compliance program under the Sarbanes-Oxley Act of 2002 to include DJO.

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

Management's Annual Report on Internal Control Over Financial Reporting

The management of Colfax Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with the authorization of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with existing policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an assessment of the effectiveness of internal control over financial reporting as of December 31, 2020 based on the criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring

Organizations of the Treadway Commission (2013 framework). Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Our independent registered public accounting firm is engaged to express an opinion on our internal control over financial reporting, as stated in its report which is included in Part II, Item 8 of this Form 10-K under the caption “Report of Independent Registered Public Accounting Firm—Internal Control Over Financial Reporting.”

Item 9B. ***Other Information***

None

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information relating to our Executive Officers is set forth in Part I of this Form 10-K under the caption "Information About Our Executive Officers". Additional information regarding our Directors, Audit Committee and compliance with Section 16(a) of the Exchange Act, if necessary, is incorporated by reference to such information included in our proxy statement for our 2021 annual meeting to be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K (the "2021 Proxy Statement") under the captions "Election of Directors", "Board of Directors and its Committees - Audit Committee" and "Delinquent Section 16(a) Reports".

As part of our system of corporate governance, our Board of Directors has adopted a code of ethics that applies to all employees, including our principal executive officer, our principal financial officer, principal accounting officer or other persons performing similar functions. A copy of the code of ethics is available on the Corporate Governance page of the Investor Relations section of our website at www.colfaxcorp.com. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of our code of ethics by posting such information on our website at the address above.

Item 11. ***Executive Compensation***

Information responsive to this item is incorporated by reference to such information included in our 2021 Proxy Statement under the captions "Executive Compensation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," and "Compensation Committee Interlocks and Insider Participation."

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information responsive to this item is incorporated by reference to such information included in our 2021 Proxy Statement under the captions "Beneficial Ownership of Our Common Stock" and "Equity Compensation Plan Information."

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information responsive to this item is incorporated by reference to such information included in our 2021 Proxy Statement under the captions "Certain Relationships and Related Person Transactions" and "Director Independence."

Item 14. ***Principal Accountant Fees and Services***

Information responsive to this item is incorporated by reference to such information included in our 2021 Proxy Statement under the captions "Independent Registered Public Accounting Firm Fees and Services" and "Audit Committee's Pre-Approval Policies and Procedures."

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(A) The following documents are filed as part of this report.

(1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this report on Form 10-K.
(2) Schedules. An index of Exhibits and Schedules begins on page

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of this report. Schedules other than those listed below have been omitted from this Annual Report because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.

(3) Exhibits: See exhibits listed under Part (B) below.

(B) Exhibits.

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT SCHEDULE

Schedule:	Page Number in Form 10-K
Valuation and Qualifying Accounts	118

EXHIBIT INDEX

Exhibit No.	Description	Location
2.1	Purchase Agreement, dated as of September 24, 2017, by and between Colfax Corporation and CIRCOR International, Inc.	Incorporated by reference to Exhibit 2.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on September 25, 2017
2.2	Agreement and Plan of Merger, dated as of November 19, 2018, by and among DJO Global, Inc. Colfax Corporation, Motion Merger Sub, Inc. and Grand Slam Holdings, LLC	Incorporated by reference to Exhibit 2.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on November 19, 2018
2.3	Equity and Asset Purchase Agreement, dated as of May 15, 2019, by and among Colfax Corporation, the entities set forth on Schedule I-A thereto, Granite Holdings US Acquisition Co. International, Inc. and Brilliant 3047, GmbH	Incorporated by reference to Exhibit 2.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 17, 2019
3.1	Amended and Restated Certificate of Incorporation of Colfax Corporation	Incorporated by reference to Exhibit 3.01 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012
3.2	Colfax Corporation Amended and Restated Bylaws	Incorporated by reference to Exhibit 3.02 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on July 23, 2015
4.1	Specimen Common Stock Certificate	Incorporated by reference to Exhibit 4.1 to Colfax Corporation's Form S-1 (File 333-148486) as filed with the SEC on May 1, 2008
4.2	Indenture, dated as of April 19, 2017, by and among Colfax Corporation, as issuer, the Subsidiary Guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent, and Deutsche Bank Luxembourg S.A., as transfer agent, registrar and authenticating agent, and Form of Global Note included therein	Incorporated by reference to Exhibit 4.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on April 19, 2017
4.3	Purchase Contract Agreement dated as of January 11, 2019, by and between Colfax Corporation and U.S. Bank National Association, as purchase contract agent, attorney-in-fact for holders of purchase contracts and trustee under the indenture	Incorporated by reference to Exhibit 4.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 11, 2019
4.4	Indenture dated as of January 11, 2019, by and between Colfax Corporation and U.S. Bank National Association, as trustee	Incorporated by reference to Exhibit 4.4 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 11, 2019
4.5	First Supplemental Indenture, dated as of January 11, 2019, between Colfax Corporation and U.S. Bank National Association, as trustee	Incorporated by reference to Exhibit 4.5 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 11, 2019
4.6	Indenture, dated as of February 5, 2019, between CFX Escrow Corporation, as issuer, and Wilmington Trust, National Association, as trustee	Incorporated by reference to Exhibit 4.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on February 25, 2019
4.7	First Supplemental Indenture, dated as of February 22, 2019, by and among Colfax Corporation (as successor to CFX Escrow Corporation), the guarantors named therein and Wilmington Trust, National Association, as trustee	Incorporated by reference to Exhibit 4.2 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on February 25, 2019

Exhibit No.	Description	Location
4.8	Description of Securities registered under Section 12 of the Exchange Act	Incorporated by reference to Exhibit 4.8 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.1	Colfax Corporation 2008 Omnibus Incentive Plan*	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form S-1 (File 333-148486) as filed with the SEC on April 23, 2008
10.2	Colfax Corporation 2008 Omnibus Incentive Plan, as amended and restated April 2, 2012*	Incorporated by reference to Exhibit 10.07 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on August 7, 2012
10.3	Colfax Corporation 2016 Omnibus Incentive Plan*	Incorporated by reference to Exhibit 10.01 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on July 28, 2016
10.4	Form of Non-Qualified Stock Option Agreement for officers *	Incorporated by reference to Exhibit 10.5 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.5	Form of Non-Qualified Stock Option Agreement for officers with retirement provision *	Incorporated by reference to Exhibit 10.6 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.6	Form of Non-Qualified Stock Option Agreement for non-officers *	Incorporated by reference to Exhibit 10.6 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.7	Form of Non-Qualified Stock Option Agreement for non-officers with retirement provision*	Incorporated by reference to Exhibit 10.8 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.8	Form of Performance Stock Unit Agreement*	Incorporated by reference to Exhibit 10.7 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.9	Form of Performance Stock Unit Agreement with retirement provision*	Incorporated by reference to Exhibit 10.10 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.10	Form of Restricted Stock Unit Agreement*	Incorporated by reference to Exhibit 10.8 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.11	Form of Restricted Stock Unit Agreement with retirement provisions*	Incorporated by reference to Exhibit 10.12 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.12	Form of Outside Director Deferred Stock Unit Agreement*	Incorporated by reference to Exhibit 10.9 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.13	Form of Outside Director Restricted Stock Unit Agreement (no deferral)*	Incorporated by reference to Exhibit 10.10 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.14	Form of Outside Director Deferred Stock Unit Agreement for deferral of grants of restricted stock *	Incorporated by reference to Exhibit 10.11 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.15	Form of Outside Director Deferred Stock Unit Agreement for deferral of director fees*	Incorporated by reference to Exhibit 10.12 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.16	Form of Outside Director Non-Qualified Stock Option Agreement*	Incorporated by reference to Exhibit 10.13 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 14, 2017
10.17	Colfax Corporation 2020 Omnibus Incentive Plan*	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020

Exhibit No.	Description	Location
10.18	Form of Non-Qualified Stock Option Agreement – Chief Executive Officer (2020 Plan)*	Incorporated by reference to Exhibit 10.2 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.19	Form of Non-Qualified Stock Option Agreement – Officer (w/ Retirement) (2020 Plan)*	Incorporated by reference to Exhibit 10.3 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.20	Form of Non-Qualified Stock Option Agreement – Outside Director (2020 Plan)*	Incorporated by reference to Exhibit 10.4 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.21	Form of Performance Stock Unit Agreement – Chief Executive Officer (2020 Plan)*	Incorporated by reference to Exhibit 10.5 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.22	Form of Performance Stock Unit Agreement – Officer (w/ Retirement) (2020 Plan)*	Incorporated by reference to Exhibit 10.6 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.23	Form of Restricted Stock Unit Agreement – Chief Executive Officer (2020 Plan)*	Incorporated by reference to Exhibit 10.7 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.24	Restricted Stock Unit Agreement – Officer (w/ Retirement) (2020 Plan)*	Incorporated by reference to Exhibit 10.8 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.25	Form of Restricted Stock Unit Agreement – Outside Director (2020 Plan)*	Incorporated by reference to Exhibit 10.9 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 27, 2020
10.26	Colfax Corporation Amended and Restated Excess Benefit Plan, effective as of January 1, 2013*	Incorporated by reference to Exhibit 10.13 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 19, 2013
10.27	Amendment No. 1 to Colfax Corporation Amended and Restated Excess Benefit Plan, dated December 12, 2018*	Incorporated by reference to Exhibit 10.19 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.28	Colfax Corporation Nonqualified Deferred Compensation Plan, as effective January 1, 2016*	Incorporated by reference to Exhibit 10.15 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 16, 2016
10.29	Amendment No. 1 to Colfax Corporation Nonqualified Deferred Compensation Plan, effective as of February 13, 2017*	Incorporated by reference to Exhibit 10.21 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.30	Amendment No. 2 to Colfax Corporation Nonqualified Deferred Compensation Plan, dated December 12, 2018*	Incorporated by reference to Exhibit 10.22 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 24, 2020
10.31	Employment Agreement between Matthew L. Trerotola and Colfax Corporation*	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on July 23, 2015
10.32	Letter Agreement between Colfax Corporation and Christopher Hix*	Incorporated by reference to Exhibit 10.02 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on July 28, 2016
10.33	Employment Agreement between Colfax Corporation and Daniel A. Pryor*	Incorporated by reference to Exhibit 10.04 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on August 7, 2012
10.34	Letter Agreement between Colfax Corporation and Shyam Kambeyanda*	Incorporated by reference to Exhibit 10.02 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on July 28, 2017
10.35	Employment Agreement, dated as of November 14, 2016, by and between DJO Global, Inc. and Brady Shirley*	Filed herewith

Exhibit No.	Description	Location
10.36	Form of Indemnification Agreement between Colfax Corporation and each of its directors and executive officers*	Incorporated by reference to Exhibit 10.3 to Colfax Corporation's Form S-1 (File 333-148486) as filed with the SEC on May 1, 2008
10.37	Form of Change in Control Agreement*	Incorporated by reference to Exhibit 10.01 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on October 29, 2020
10.38	Colfax Corporation Annual Incentive Plan, as amended and restated April 3, 2020*	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on April 9, 2020
10.39	Colfax Executive Officer Severance Plan*	Incorporated by reference to Exhibit 10.02 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on July 23, 2015
10.40	Colfax Corporation Director Deferred Compensation Plan*	Incorporated by reference to Exhibit 10.9 to Colfax Corporation's Form S-1 (File 333-148486) as filed with the SEC on April 23, 2008
10.41	Amendment No. 1 to the Colfax Corporation Director Deferred Compensation Plan*	Incorporated by reference to Exhibit 10.24 to Colfax Corporation's Form 10-K (File 333-148486) as filed with the SEC on February 16, 2018
10.42	Credit Agreement, dated December 17, 2018, by and among Colfax Corporation, as the borrower, certain U.S. subsidiaries of Colfax Corporation identified therein, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Credit Suisse Loan Funding LLC, as syndication agent, and the co-documentation agents named therein	Incorporated by reference to Exhibit 99.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on December 18, 2018
10.43	Amendment No. 1 to Credit Agreement dated as of September 25, 2019.	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form 10-Q (File No. 001-34045) as filed with the SEC on October 31, 2019
10.44	Amendment No. 2 to Credit Agreement dated as of December 6, 2019	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on December 11, 2019
10.45	Amendment No. 3 to Credit Agreement dated as of May 1, 2020	Incorporated by reference to Exhibit 10.1 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on May 7, 2020
10.46	Registration Rights Agreement, dated May 30, 2003, by and among Colfax Corporation, Colfax Capital Corporation, Janalia Corporation, Equity Group Holdings, L.L.C., and Mitchell P. Rales and Steven M. Rales	Incorporated by reference to Exhibit 10.4 to Colfax Corporation's Form S-1 (File 333-148486) as filed with the SEC on March 11, 2008
10.47	Amendment No. 1 to the Registration Rights Agreement, by and among Colfax Corporation and Mitchell P. Rales and Steven M. Rales, dated February 18, 2013	Incorporated by reference to Exhibit 10.30 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 19, 2013
10.48	Amendment No. 2 to the Registration Rights Agreement, by and among Colfax Corporation and Mitchell P. Rales and Steven M. Rales, dated February 15, 2016	Incorporated by reference to Exhibit 10.37 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 16, 2016
10.49	Amendment No. 3 to the Registration Rights Agreement, by and among Colfax Corporation and Mitchell P. Rales and Steven M. Rales, dated February 21, 2019	Incorporated by reference to Exhibit 10.40 to Colfax Corporation's Form 10-K (File No. 001-34045) as filed with the SEC on February 21, 2019
10.50	Registration Rights Agreement, dated as of January 24, 2012, between Colfax Corporation and Mitchell P. Rales	Incorporated by reference to Exhibit 10.02 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012
10.51	Registration Rights Agreement, dated as of January 24, 2012, between Colfax Corporation and Steven M. Rales	Incorporated by reference to Exhibit 10.03 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012

Exhibit No.	Description	Location
10.52	Registration Rights Agreement, dated as of January 24, 2012, between Colfax Corporation and Markel Corporation	Incorporated by reference to Exhibit 10.04 to Colfax Corporation's Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012
21.1	Subsidiaries of registrant	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934	Filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Extension Calculation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	Cover Page Interactive Data File - The cover page from this Annual Report on Form 10-K for the fiscal year ended December 31, 2020 is formatted in Inline XBRL (included as Exhibit 101).	Filed herewith

* Indicates management contract or compensatory plan, contract or arrangement.

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 18, 2021.

COLFAX CORPORATION

By: /s/ MATTHEW L. TREROTOLA
Matthew L. Trerotola
President and Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Date: February 18, 2021

/s/ MATTHEW L. TREROTOLA
Matthew L. Trerotola
President and Chief Executive Officer
(Principal Executive Officer)

/s/ CHRISTOPHER M. HIX
Christopher M. Hix
Executive Vice President, Finance and Chief Financial Officer
(Principal Financial Officer)

/s/ DOUGLAS J. PITTS
Douglas J. Pitts
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

/s/ MITCHELL P. RALES
Mitchell P. Rales
Chairman of the Board

/s/ PATRICK W. ALLENDER
Patrick W. Allender
Director

/s/ THOMAS S. GAYNER
Thomas S. Gayner
Director

/s/ RHONDA L. JORDAN
Rhonda L. Jordan
Director

/s/ LIAM KELLY
Liam Kelly
Director

/s/ A. CLAYTON PERFALL
A. Clayton Perfall
Director

/s/ DIDIER TEIRLINCK
Didier Teirlinck
Director

/s/ RAJIV VINNAKOTA
Rajiv Vinnakota
Director

/s/ SHARON L. WIENBAR
Sharon L. Wienbar
Director

COLFAX CORPORATION AND SUBSIDIARIES
SCHEDULE II–VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charged to Cost and Expense [(1)]	Charged to Other Accounts [(2)]	Write-Offs Write-Downs and Deductions	Foreign Currency Translation	Balance at End of Period
	(Dollars in thousands)					
Year Ended December 31, 2020:						
Allowance for credit losses[(3)]	$ 36,009	$ 7,574	$ —	$ (5,165)	$ (752)	$ 37,666
Allowance for excess slow-moving and obsolete inventory	36,231	35,836	—	(9,346)	119	62,840
Valuation allowance for deferred tax assets	149,037	6,194	48,525	—	(415)	203,341
Year Ended December 31, 2019:						
Allowance for credit losses	$ 35,152	$ 14,018	$ —	$ (16,255)	$ (281)	$ 32,634
Allowance for excess slow-moving and obsolete inventory	41,130	10,655	—	(15,302)	(252)	36,231
Valuation allowance for deferred tax assets	148,023	11,250	9,100	(18,636)	(700)	149,037
Year Ended December 31, 2018:						
Allowance for credit losses	$ 31,488	$ 13,258	$ —	$ (7,381)	$ (2,213)	$ 35,152
Allowance for excess slow-moving and obsolete inventory	34,960	20,446	—	(12,113)	(2,163)	41,130
Valuation allowance for deferred tax assets	155,131	9,743	7,180	(16,706)	(7,325)	148,023

(1) Amounts charged to expense are net of recoveries for the respective period.
(2) Represents amounts charged to goodwill and reclassifications to deferred tax asset accounts.
(3) The Allowance for credit losses as of January 1, 2020 includes the cumulative-effect adjustment of the adoption of ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*