

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Balance Sheets
Amounts in thousands, except share and per share amounts

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,994	\$ 69,118
Trade receivables, less allowance for doubtful accounts of \$4,542 and \$3,114 at December 31, 2017 and December 31, 2016, respectively	135,499	120,319
Inventories	145,611	139,840
Income tax receivable	6,634	607
Prepaid expenses and other current assets	17,344	10,429
Assets held for sale	1,081	3,874
Total current assets	358,163	344,187
Property, plant and equipment, net	191,918	177,043
Intangible assets, net	159,613	154,683
Goodwill	206,040	188,841
Deferred income taxes	2,608	2,510
Other non-current assets, net	2,315	2,560
Total assets	\$ 920,657	\$ 869,824
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 68,014	\$ 60,845
Accrued payroll	32,091	31,302
Accruals and other current liabilities	32,921	35,080
Income tax payable	9,082	706
Current portion of long-term debt	384	43,690
Total current liabilities	142,492	171,623
Long-term debt - less current portion	275,587	325,969
Deferred income taxes	52,250	61,084
Pension liabilities	25,038	23,691
Long-term taxes payable	6,322	694
Other long-term liabilities	22,263	3,415
Commitments and Contingencies (See Note 14)		
Stockholders' equity:		
Common stock (\$0.001 par value, 90,000,000 shares authorized, 29,058,117 and 27,206,162 issued and outstanding at December 31, 2017 and 2016, respectively)	29	27
Additional paid-in capital	223,336	168,299
Retained earnings	223,204	191,108
Accumulated other comprehensive loss	(49,864)	(76,086)
Total stockholders' equity	396,705	283,348
Total liabilities and stockholders' equity	\$ 920,657	\$ 869,824

The accompanying notes are an integral part of these consolidated financial statements.

ALTRA INDUSTRIAL MOTION CORP.
Consolidated Statements of Income
Amounts in thousands, except per share data

	Years Ended December 31,		
	2017	2016	2015
Net sales	\$ 876,737	\$ 708,906	\$ 746,652
Cost of sales	600,961	486,774	518,189
Gross profit	275,776	222,132	228,463
Operating expenses:			
Selling, general and administrative expenses	164,492	140,492	139,217
Research and development expenses	24,434	17,677	17,818
Impairment of intangible assets	—	6,568	—
Restructuring costs	4,143	9,849	7,214
Loss on partial settlement of pension plan	1,720	—	—
	194,789	174,586	164,249
Income from operations	80,987	47,546	64,214
Other non-operating income and expense:			
Interest expense, net	7,710	11,679	12,164
Loss on extinguishment of convertible debt	1,797	1,989	—
Other non-operating expense (income), net	353	(7)	963
	9,860	13,661	13,127
Income before income taxes	71,127	33,885	51,087
Provision for income taxes	19,700	8,745	15,744
Net income	51,427	25,140	35,343
Net loss attributable to non-controlling interest	—	—	63
Net income attributable to Altra Industrial Motion Corp.	\$ 51,427	\$ 25,140	\$ 35,406
Weighted average shares, basic	28,949	25,719	26,064
Weighted average shares, diluted	29,064	25,872	26,109
Net income per share:			
Basic net income attributable to Altra Industrial Motion Corp.	\$ 1.78	\$ 0.97	\$ 1.36
Diluted net income attributable to Altra Industrial Motion Corp.	\$ 1.77	\$ 0.97	\$ 1.36
Cash dividend declared per share	\$ 0.66	\$ 0.60	\$ 0.57

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ALTRA INDUSTRIAL MOTION CORP.
Consolidated Statements of Comprehensive Income
Amounts in thousands, except per share data

	Years Ended December 31,		
	2017	2016	2015
Net income	\$ 51,427	\$ 25,140	\$ 35,343
Other comprehensive income (loss):			
Reclassification adjustment from loss on partial settlement of pension plan, net of tax	1,066	-	-
Pension liability adjustment, net of tax	924	139	(989)
Change in fair value of interest rate swap, net of tax	194	(506)	(283)
Foreign currency translation adjustment, net of tax	24,038	(11,887)	(20,735)
Total comprehensive income	<u>77,649</u>	<u>12,886</u>	<u>13,336</u>
Comprehensive income attributable to non-controlling interest	-	-	(129)
Comprehensive income attributable to Altra Industrial Motion Corp.	<u>\$ 77,649</u>	<u>\$ 12,886</u>	<u>\$ 13,207</u>

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ALTRA INDUSTRIAL MOTION CORP.
Consolidated Statements of Stockholders' Equity
Amounts in thousands, except per share data

	Common Stock	Shares	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Redeemable Non- Controlling Interest
Balance at January 1, 2015	\$ 26	26,354	\$ 139,087	\$ 161,061	\$ (41,415)	\$ 258,759	\$ 883
Stock-based compensation and vesting of restricted stock	—	82	2,822	—	—	2,822	—
Net income	—	—	—	35,406	—	35,406	—
Net loss attributable to non-controlling interest	—	—	—	—	—	—	(63)
Purchase of non-controlling interest	—	—	223	—	(410)	(187)	(691)
Dividends declared, \$0.57 per share	—	—	—	(14,928)	—	(14,928)	—
Change in fair value of interest rate swap	—	—	—	—	(283)	(283)	—
Minimum Pension adjustment, net of \$449 tax	—	—	—	—	(989)	(989)	—
Repurchases of common stock	—	(663)	(17,298)	—	—	(17,298)	—
Cumulative foreign currency translation adjustment, net of \$658 tax	—	—	—	—	(20,735)	(20,735)	(129)
Balance at December 31, 2015	26	25,773	124,834	181,539	(63,832)	242,567	—
Stock-based compensation and vesting of restricted stock	—	74	2,893	—	—	2,893	—
Net income	—	—	—	25,140	—	25,140	—
Conversion of Convertible Debt	1	1,536	45,285	—	—	45,286	—
Dividends declared, \$0.60 per share	—	—	—	(15,571)	—	(15,571)	—
Change in fair value of interest rate swap, net of \$52 tax	—	—	—	—	(506)	(506)	—
Minimum Pension adjustment, net of \$111 tax	—	—	—	—	139	139	—
Cumulative foreign currency translation adjustment	—	—	—	—	(11,887)	(11,887)	—
Repurchase of common stock	—	(177)	(4,713)	—	—	(4,713)	—
Balance at December 31, 2016	27	27,206	168,299	191,108	(76,086)	283,348	—
Stock-based compensation and vesting of restricted stock	—	104	3,186	—	—	3,186	—
Net income	—	—	—	51,427	—	51,427	—
Conversion of Convertible Debt	2	1,748	51,851	—	—	51,853	—
Dividends declared, \$0.66 per share	—	—	—	(19,331)	—	(19,331)	—
Change in fair value of interest rate swap, net of \$101 tax	—	—	—	—	194	194	—
Minimum Pension adjustment, net of \$1,118 tax	—	—	—	—	1,990	1,990	—
Cumulative foreign currency translation adjustment	—	—	—	—	24,038	24,038	—
Balance at December 31, 2017	\$ 29	29,058	\$ 223,336	\$ 223,204	\$ (49,864)	\$ 396,705	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Cash Flows
Amounts in thousands

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net income	\$ 51,427	\$ 25,140	\$ 35,343
Adjustments to reconcile net income to net cash flows:			
Depreciation	26,511	21,604	21,559
Amortization of intangible assets	9,514	8,294	8,562
Amortization of deferred financing costs	599	802	1,366
Loss (Gain) on foreign currency, net	381	259	(395)
Amortization of inventory fair value adjustment	2,347	—	—
Accretion of debt discount, net	—	4,005	3,694
Loss on disposals and impairments	584	8,273	2,003
Loss on extinguishment of debt	1,797	1,989	—
Loss on partial settlement of pension plans	1,720	—	—
(Benefit) provision for deferred taxes	(8,012)	(2,850)	(170)
Stock based compensation	5,274	4,230	4,004
Changes in assets and liabilities:			
Trade receivables	(8,103)	(4,140)	7,223
Inventories	(2,379)	2,324	6,049
Accounts payable and accrued liabilities	(2,994)	4,333	2,816
Other current assets and liabilities	(3,178)	529	(3,343)
Other operating assets and liabilities	5,093	1,849	(1,895)
Net cash (used)/provided by operating activities	<u>80,581</u>	<u>76,641</u>	<u>86,816</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(32,826)	(18,941)	(22,906)
Proceeds from sale of property	3,221	—	1,201
Acquisition of Stromag and Guardian businesses, net of cash acquired	2,883	(187,967)	—
Net cash (used)/provided in investing activities	<u>(26,722)</u>	<u>(206,908)</u>	<u>(21,705)</u>
Cash flows from financing activities			
Payments of debt issuance costs	—	(650)	(1,006)
Payments on term loan facility	—	—	(130,063)
Payments on Revolving Credit Facility	(79,536)	(31,861)	(14,998)
Dividend payments	(18,259)	(11,667)	(14,928)
Cash paid for redemption of convertible debt	(954)	—	—
Borrowing under Revolving Credit Facility	27,958	200,579	120,036
Payments of equipment, working capital notes, mortgages and other debt	(1,168)	(3,308)	(3,864)
Proceeds from equipment, working capital notes, mortgages and other debt	—	2,729	8,398
Shares surrendered for tax withholding	(2,089)	(1,337)	(1,182)
Purchase of non-controlling interest in Lamiflex	—	—	(878)
Purchases of common stock under share repurchase program	—	(4,713)	(17,298)
Net cash (used)/provided by financing activities	<u>(74,048)</u>	<u>149,772</u>	<u>(55,783)</u>
Effect of exchange rate changes on cash and cash equivalents	3,065	(707)	(6,511)
Net change in cash and cash equivalents	<u>(17,124)</u>	<u>18,798</u>	<u>2,817</u>
Cash and cash equivalents at beginning of year	69,118	50,320	47,503
Cash and cash equivalents at end of period	<u>\$ 51,994</u>	<u>\$ 69,118</u>	<u>\$ 50,320</u>
Cash paid during the period for:			
Interest	\$ 6,921	\$ 7,161	\$ 7,237
Income taxes	\$ 23,607	\$ 10,855	\$ 15,729
Non-cash Financing and Investing:			
Acquisition of property, plant and equipment included in accounts payable	\$ 222	\$ 459	\$ 1,129
Conversion of convertible senior notes to common stock	\$ 51,853	\$ 45,286	\$ —
Acquisition of property, plant and equipment through capital leases	\$ —	\$ —	\$ —

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