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Årsredovisning
Kollmorgen Automation AB

Org.nr 556114-2778

Räkenskapsår 2021-01-01 - 2021-12-31

Fastställelseintyg
Undertecknad styrelseledamot intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 30 juni 2022
Årsstämman beslöt att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Mölndal den 7 juli 2022

Tobias Byfeldt

20220714209537

Årsredovisning
Kollmorgen Automation AB

Org.nr 556114-2778

Räkenskapsår 2021-01-01 - 2021-12-31

Kollmorgen Automation AB
556114-2778

20220714296338

Årsredovisning

för räkenskapsåret 2021-01-01 - 2021-12-31

Styrelsen för Kollmorgen Automation AB avger härmed följande årsredovisning.

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Styrelsens säte: Mölndal
Företagets redovisningsvaluta: Svenska kronor (SEK).
Alla belopp redovisas, om inte annat anges, i tusentals kronor (tkr).

Förvaltningsberättelse

Information om verksamheten
Kollmorgen Automation AB ingår i den amerikanska börsnoterade koncernen Altra Industrial Motion Corp., ett USA-baserat industriellt företag med säte i Braintree, Massachusetts, USA. 2021 omsatte koncernen 1,9 miljarder USD och har ca 9.600 anställda över hela världen.

Bolaget erbjuder systemlösningar för automatiska fordon.
Funktioner i systemet är bl.a:
-Navigering, positionering och styrning av automatiska fordon
-Lasthantering
-Säkerhetslösningar
-Orderhantering och trafikstyrning för fordonsflottan

Bolaget har sitt säte i Mölndals kommun söder om Göteborg. Försäljningen sker via ett 90-tal partners runt om i världen med Europa och Asien som dominerande marknader. Bolaget är världsledande inom systemlösningar för automatiska fordon.
Tillverkningen är förlagd till underleverantörer främst i Tyskland och Litauen.

Bolagets kunder består av partners, vilka i sin tur säljer till slutkund. Genom en grundinvestering erbjuds partners tillgång till bolagets marknadsinvesteringar och teknologi som exempelvis varumärken, referenser, utbildning och projektverktyg.

Spridningen av coronaviruset har inneburit att tillväxten under året har varit -1,8 % vilket är lägre än förväntat. Bolaget har inte ansökt om något permiterings- respektive omställningsstöd och har under året ökat medelantalet anställda med 13 personer.

Väsentliga händelser under räkenskapsåret

Bolagets omsättning och resultat har påverkats marginellt av rådande händelser i världen. Under fjärde kvartalet 2021 utfärdade Kina ett embargo mot Litauen där bolagets underleverantör har tillverkning av en av bolagets mest sålda produkt. Det innebar en negativ tillväxt i Kina under året. Bolaget har adderat 6 nya partners.

Den globala komponentbristen för att säkra upp komponterer har varit väldigt resurskrävande för bolaget. Merkostnader för anskaffning av dessa komponeter kommer att tas i takt med utleverans till kund.

Under räkenskapsåret har bolaget lagt mycket resurser på arbete avseende hållbarhet och har tagit fram sin första hållbarhetsrapport.
Ett annat initiativ som påbörjades under slutet av året var målet att få bolaget att bli 27001 certifierade. Det här arbetet kommer fortskrida under 2022.
Bolaget har under året investerat i verksamheten främst genom ökning av R&D resurser.

Risker och osäkerhetsfaktorer
Bolagets finansiella risker är relaterade till värdenedgång i aktier i dotterbolag samt nedskrivning av interna långfristiga fordringar.
Då bolagets verksamhet främst består av produktutveckling och utveckling av mjukvara är den operativa och strategiska risken att bolaget inte ligger i framkant avseende produktutveckling inom sitt affärssegment och därmed tappar marknadsandelar.

Forskning och utveckling
Bolagets utvecklingsverksamhet består främst av produktutveckling och utveckling av mjukvara. Under 2021 har 22% (16%) av omsättningen använts till vidare- och nyutveckling av produkter och mjukvaror.

Ägarförhållanden
Bolaget är ett helägt dotterbolag till Altra Industrial Motion Germany GmbH (HRB 9646), vilket är ett renodlat holdingbolag med säte i Unna, Tyskland.

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Flerårsöversikt	**2021**	**2020**	**2019**	**2018**
Nettoomsättning (tkr)	298,146	303,678	309,170	282,774
Resultat efter finansiella poster (tkr)	191,923	184,058	177,657	143,533
Rörelsemarginal (%)	31.8%	39.4%	37.0%	34.8%
Avkastning på eget kapital (%)	72.6%	88.3%	108.8%	10.2%
Balansomslutning (tkr)	393,936	333,332	264,564	254,732
Soliditet (%)	79.8%	64.4%	76.3%	49.0%
Antal anställda	95	82	72	68

Förslag till resultatdisposition

Styrelsen föreslår att till förfogande stående medel

Balanserat resultat	70,182,000
Årets resultat	152,486,000
	222,668,000

disponeras enligt följande:

Utdelning till ägarna	200,000,000
Balanseras i ny räkning	22,668,000
Totalt	**222,668,000**

Förändring av eget kapital

	Bundet eget kapital		*Fritt eget kapital*		
Ingående balans enligt fastställd balansräkning 2020-12-31	Aktie-kapital	Reserv-fond	Balanserat resultat	Årets resultat	Totalt
Ingående balans 2020-01-01	500	100	9,439	132,743	142,782
Överföring resultat föregående år			132,743	-132,743	
Utdelning enligt årsstämma			-72,000		-72,000
Årets resultat				152,486	152,486
Utgående balans 2021-12-31	**500**	**100**	**70,182**	**152,486**	**223,268**

Resultaträkning

	Not	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Nettoomsättning	1	298,146	303,678
Kostnad för sålda varor		-89,621	-83,015
Bruttoresultat		**208,525**	**220,663**
Försäljningskostnader		-38,365	-37,289
Administrationskostnader	2	-10,640	-8,927
Forsknings- och utvecklingskostnader		-66,740	-55,089
Övriga rörelseintäkter	3	2,238	250
Rörelseresultat	4,5,6,7	**94,818**	**119,608**
Resultat från finansiella poster			
Övriga ränteintäkter och liknande resultatposter	8	97,438	64,563
Räntekostnader och liknande resultatposter	9	-333	-113
		97,105	**64,450**
Resultat efter finansiella poster		**191,923**	**184,058**
Bokslutsdispositioner	10	-24,335	-31,325
Resultat före skatt		**167,588**	**152,733**
Justering föregående års skatt		0	2
Skatt på årets resultat	11	-15,102	-19,992
Årets resultat		**152,486**	**132,743**

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Balansräkning

	Not	2021-12-31	2020-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	12	3,870	4,188
		3,870	**4,188**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	13,14	39,331	39,331
Fordringar hos koncernföretag	15	137,479	86,791
Andelar i intresseföretag	16,17	43,056	43,056
		219,866	**169,178**
Summa anläggningstillgångar		**223,736**	**173,366**
Omsättningstillgångar			
Varulager m.m.			
Färdiga varor och handelsvaror		12,033	7,035
		12,033	**7,035**
Kortfristiga fordringar			
Kundfordringar		17,687	13,630
Fordringar hos koncernföretag	15	104,294	96,215
Aktuell skattefordran		2,850	0
Övriga fordringar		2,367	1,267
Förutbetalda kostnader	*18*	1,939	2,250
		129,137	**113,362**
Kassa och bank	19	29,030	39,569
		29,030	**39,569**
Summa omsättningstillgångar		**170,200**	**159,966**
SUMMA TILLGÅNGAR		**393,936**	**333,332**

Balansräkning

	Not	2021-12-31	2020-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital	24	500	500
Reservfond		100	100
		600	**600**
Fritt eget kapital	25		
Balanserat resultat		70,182	9,439
Årets resultat		152,486	132,743
		222,668	**142,182**
Summa eget kapital		**223,268**	**142,782**
Obeskattade reserver	20	**115,666**	**91,332**
		115,666	**91,332**
Långfristiga skulder	21		
Skulder till koncernföretag		0	43,043
		0	**43,043**
Kortfristiga skulder			
Leverantörsskulder		27,454	25,119
Skulder till koncernföretag		1,246	725
Aktuella skatteskulder		0	2,668
Övriga skulder		1,399	1,437
Upplupna kostnader och förutbetalda intäkter	22	24,903	26,226
		55,002	**56,175**
SUMMA EGET KAPITAL OCH SKULDER		**393,936**	**333,332**

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Kassaflödesanalys

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Den löpande verksamheten		
Rörelseresultat	94,818	119,608
Justeringar för poster som inte ingår i kassaflödet m.m.		
Avskrivningar och nedskrivningar	1,334	1,128
Garantiavsättningar	-82	135
	96,070	**120,871**
Erhållen ränta	2,200	4,387
Erlagd ränta	-376	-70
Betald inkomstskatt	-20,620	-17,321
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital	**77,274**	**107,867**
Förändringar i rörelsekapital		
Förändring av varulager	-4,998	-465
Förändring av rörelsefordringar	22,075	-55,191
Förändring av rörelseskulder	1,576	5,077
Kassaflöde från den löpande verksamheten	**95,927**	**57,268**
Investeringsverksamheten		
Förvärv av materiella anläggningstillgångar	-1,017	-2,602
Kassaflöde från investeringsverksamheten	**-1,017**	**-2,602**
Erhållen utdelning	60,000	60,000
Lämnad utdelning	-72,000	-145,107
Förändring av långfristiga fordringar	-50,449	-9,496
Förändring av långfristiga skulder	-43,000	41,883
Kassaflöde från finansieringsverksamheten	**-105,449**	**-52,720**
Årets kassaflöde	**-10,539**	**1,946**
Likvida medel vid årets början	**39,569**	**37,623**
Likvida medel vid årets slut	**29,030**	**39,569**

Tilläggsupplysningar

Redovisningsprinciper m.m.

Allmänna redovisningsprinciper
Årsredovisningen har upprättats enligt Årsredovisningslagen (1995:1554) och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Bedömningar och uppskattningar
Följande av styrelsens bedömningar har en betydande effekt på redovisade belopp i årsredovisningen:
Som bas för värdering av dotterbolag har bolaget använt dotterbolagens vinst före skatt 2021 och multiplicerat med en faktor som är representativ för dess verksamhet.
Lagerreservering har skett för artiklar som inte omsatts det senaste året alternativt där bolaget har ett lagersaldo som motsvarar mer än två års förbrukning med en ökande reserveringstrappa från 25-100%.
Individuell bedömning sker vid reservering av kundfordringar. Kundfordringar som är äldre än 180 dagar reserveras i sin helhet.
Bolaget har gjort garantiavsättningar för framtida garantikostnader. Beloppet är baserat på faktiska garantikostnader för de senaste två åren. Vid beräkningen har hänsyn tagits till garantitidens längd. Exempelvis, om garantitiden är 24 månader eller längre har 100 % reserverats. Om garantitiden är kortare har beloppet justerats.

Koncerntillhörighet
Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är Altra Industrial Motion Corp. med säte i Braintree, Massachusetts, USA.
Koncernredovisning för hela koncernen kan erhållas från;
Altra Industrial Motion Corp.
300 Granite Street, Suite 201
Braintree, MA 02184

Koncernredovisning
Företaget är ett moderföretag men upprättar ingen koncernredovisning med hänvisning till undantagsregeln i årsredovisningslagen 7 kap. 2 §.

Intäktsredovisning
Försäljning av varor
Intäkten redovisas till verkligt värde av vad företaget fått eller kommer att få. Det innebär att företaget redovisar intäkten till nominellt värde (fakturabelopp) om företaget får ersättning i likvida medel direkt vid leveransen. Avdrag görs för lämnade rabatter.

Vid försäljning av varor redovisas normalt inkomsten som intäkt när de väsentliga förmåner och risker som är förknippade med ägandet av varan har överförts från företaget till köparen.

Ränta, royalty och utdelning
Ersättning i form av ränta, royalty eller utdelning redovisas som intäkt när det är sannolikt att företaget kommer att få de ekonomiska fördelar som är förknippade med transaktionen och när inkomsten kan beräknas på ett tillförlitligt sätt.

Ränta redovisas som intäkt enligt den s.k. effektivräntemetoden.
Royalty periodiseras i enlighet med överenskommelsens ekonomiska innebörd.
Utdelning redovisas som intäkt när företagets rätt till betalning är säkerställd.

Företaget vinstavräknar utförda tjänste- och entreprenaduppdrag till fast pris i takt med att arbetet utförs, s.k. successiv vinstavräkning.
Vid beräkningen av upparbetad vinst har färdigställandegraden beräknats som nedlagda utgifter per balansdagen i relation till de totalt beräknade utgifterna för att fullgöra uppdraget. Skillnaden mellan redovisad intäkt och fakturerade delikvider redovisas i balansräkningen i posten "Upparbetad men ej fakturerad intäkt".

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Låneutgifter
De låneutgifter som uppkommer då företaget lånar kapital kostnadsförs i resultaträkningen i den period de uppstår.

Ersättningar till anställda
Ersättningar till anställda avser alla typer av ersättningar som företaget lämnar till de anställda. Företagets ersättningar innefattar bland annat löner, betald semester, betald frånvaro, bonus och ersättningar efter avslutad anställning (pensioner). Redovisning sker i takt med intjänandet. Företaget har inga långfristiga ersättningar till anställda.

Företaget har endast avgiftsbestämda pensionsplaner. Utgifter för avgiftsbestämda planer redovisas som en kostnad under den period de anställda utför de tjänster som ligger till grund för förpliktelsen.

Omräkning av poster i utländsk valuta
Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Erhållna och lämnade koncernbidrag redovisas som bokslutsdisposition.

Skatt
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekt redovisas i eget kapital.

Aktuell skatt
Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån per den skattesats som gäller per balansdagen.

Uppskjuten skatt
Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjutna skattefordringar reduceras till den del det inte är sannolikt att den underliggande skattefordran kommer att kunna realiseras inom en överskådlig framtid. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Anläggningstillgångar
Materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar och eventuella nedskrivningar.

Avskrivningsbart belopp utgörs av anskaffningsvärdet minskat med ett beräknat restvärde om detta är väsentligt. Avskrivning sker linjärt över den förväntade nyttjandeperioden.

Följande avskrivningstider tillämpas:

Materiella anläggningstillgångar	
Inventarier, verktyg och installationer	5 år

Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärdet.

Varulager
Varulagret har värderats till det lägsta av dess anskaffningsvärde och dess nettoförsäljningsvärde på balansdagen. Med nettoförsäljningsvärdet avses varornas beräknade försäljningspris minskat med försäljningskostnader. Den valda värderingsmetoden innebär att eventuell inkurans i varulagret har beaktats.

Fordringar, skulder och avsättningar
Om inget annat anges ovan värderas kortfristiga fordringar till det lägsta av dess anskaffningsvärde och det belopp varmed de beräknas bli reglerade. Långfristiga fordringar och långfristiga skulder värderas efter det första värderingstillfället till upplupet anskaffningsvärde. Övriga skulder och avsättningar värderas till de belopp varmed de beräknas bli reglerade. Övriga tillgångar redovisas till anskaffningsvärde om inget annat anges ovan.

Forskning och utveckling
Bolagets utvecklingsverksamhet består främst av produktutveckling och utveckling av mjukvara. Dessa utgifter redovisas som kostnader vartefter de uppkommer.

Noter

Not 1 Nettoomsättningens fördelning

Nettoomsättningen fördelar sig på geografiska marknader enligt följande:

	2021	2020
Norden	44,870	36,532
Övriga Europa	97,805	78,078
Nordamerika	29,228	23,673
Asien	121,206	156,766
Oceanien	5,037	8,629
	298,146	**303,678**

Not 2 Arvode till revisorer

	2021	2020
Ernst & Young AB		
Revisionsuppdraget	204	204
	204	**204**

Not 3 Övriga rörelseintäkter

	2021	2020
Ersättning för sjuklöner	0	113
Valutakursvinster av rörelsekaraktär	2,238	137
	2,238	**250**

Not 4 Leasingavtal - leasetagare

Operationell leasing

	2021	2020
Kostnadsförda leasingavgifter avseende operationella leasingavtal	4,154	3,708
Framtida minimileaseavgifter avseende ej uppsägningsbara operationella leasingavtal		
Ska betalas inom 1 år	5,251	4,154
Ska betalas inom 1-5 år	17,732	18,209
Ska betalas senare än 5 år	0	3,956

Kostnadsförda leasingavtal avseende operationell leasing avgifter avser främst datorer, kopiatorer samt hyra av lokaler.

Not 5 Anställda och personalkostnader

Medelantalet anställda

	2021	2020
Män	66	64
Kvinnor	29	18
	95	**82**

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	2021	2020
Löner och andra ersättningar		
Styrelse och verkställande direktör	2,001	1,308
Övriga anställda	57,741	51,002
	59,742	**52,310**
Pensions- och övriga sociala kostnader		
Pensionskostnader för styrelse och verkställande direktör	582	482
Pensionskostnader för övriga anställda	10,893	10,171
Övriga sociala kostnader enligt lag och avtal	19,826	17,119
	31,301	**27,772**

Könsfördelning bland ledande befattningshavare

Andel kvinnor i styrelsen	0%	0%
Andel män i styrelsen	100%	100%
Andel kvinnor bland övriga ledande befattningshavare	13%	22%
Andel män bland övriga ledande befattningshavare	87%	78%

Not 6 Inköp och försäljning mellan koncernföretag

	2021	2020
Andel av årets totala inköp som skett från andra företag inom koncernen	12%	11%
Andel av årets totala försäljning som skett till andra företag inom koncernen	47%	51%

Not 7 Avskrivningarnas fördelning per funktion

	2021	2020
Kostnad sålda varor	280	305
Försäljningskostnader	307	259
Administrationskostnader	107	102
Forsknings- och utvecklingskostnader	640	462
	1,334	**1,128**

Not 8 Övriga ränteintäkter och liknande resultatposter

	2021	2020
Ränteintäkter från koncernföretag	2,439	4,555
Erhållen utdelning	95,000	60,000
Övriga ränteintäkter	0	8
	97,439	**64,563**

Not 9 Räntekostnader och liknande resultatposter

	2021	2020
Räntekostnader till koncernföretag	-244	-43
Övriga räntekostnader	-90	-70
	-334	**-113**

Not 10 Bokslutsdispositioner

	2021	2020
Avsättning till periodiseringsfond	-24,437	-31,140
Ackumelerade överavskrivningar	102	-185
	-24,335	**-31,325**

Not 11 Skatt på årets resultat

	2021	2020
Aktuell skatt	15,102	19,992
Summa redovisad skatt	**15,102**	**19,992**

Genomsnittlig effektiv skattesats

Redovisat resultat före skatt	**167,588**	**152,733**
Skatt på redovisat resultat enligt gällande skattesats (20,6%):	34,523	32,685
Skatteeffekt av:		
Övriga ej avdragsgilla kostnader	149	147
Ej skattepliktiga intäkter	-19,570	-12,840
Redovisad skatt	**15,102**	**19,992**
Genomsnittlig effektiv skattesats	**9.0%**	**13.1%**

Not 12 Inventarier, verktyg och installationer

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	17,748	15,364
Årets anskaffningar	1,016	2,602
Försäljningar/utrangeringar	-509	-218
Utgående ackumulerade anskaffningsvärden	**18,255**	**17,748**
Ingående avskrivningar	-13,560	-12,650
Försäljningar/utrangeringar	509	218
Årets avskrivningar	-1,334	-1,128
Utgående ackumulerade avskrivningar	**-14,385**	**-13,560**
Utgående redovisat värde	**3,870**	**4,188**

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Not 13 Andelar i koncernföretag

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	39,331	39,331
Utgående ackumulerade anskaffningsvärden	**39,331**	**39,331**

Not 14 Specifikation av andelar i koncernföretag

Namn	Kapital-andel	Rösträtts-andel	Antal andelar	Bokfört värde
Tollo Linear AB	100%	100%	10,000	39,331
				39,331

	Org.nr.	Säte
Tollo Linear AB	556583-9098	Kristianstads kommun

Not 15 Fordringar hos koncernföretag

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	183,006	156,785
Förändring långfristig fordran	50,688	-33,385
Förändring kortfristiga fordringar	8,078	59,606
Utgående ackumulerade anskaffningsvärden	**241,772**	**183,006**

Not 16 Andelar i intresseföretag

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	43,056	0
Årets anskaffningar	0	43,056
Utgående ackumulerade anskaffningsvärden	**43,056**	**43,056**

Not 17 Specifikation av andelar i intresseföretag

Namn	Antal andelar	Kapital-andel	Rösträtts-andel	Bokfört värde	Intäktsförd utdelning
MTEK Industry AB	98,701	7.61%	7.61%	43,056	0
				43,056	**0**

	Org.nr.	Säte
MTEK Industry AB	556643-7231	Ovanåkers kommun

Not 18 Förutbetalda kostnader

	2021-12-31	2020-12-31
Förutbetalda hyreskostnader	608	891
Förutbetalda licenskostnader	572	604
Förutbetalda pensionskostnader	318	320
Övriga förutbetalda kostnader	441	435
	1,939	**2,250**

Not 19 Kassa och bank

	2021-12-31	2020-12-31
Kassamedel	29,030	39,569
	29,030	**39,569**

Not 20 Obeskattade reserver

	2021-12-31	2020-12-31
Periodiseringsfond avsatt 2017	3,584	3,584
Periodiseringsfond avsatt 2018	26,031	26,031
Periodiseringsfond avsatt 2019	29,715	29,715
Periodiseringsfond avsatt 2020	31,140	31,140
Periodiseringsfond avsatt 2021	24,437	0
Ackumulerade överavskrivningar	759	862
	115,666	**91,332**

Not 21 Långfristiga skulder

	2021-12-31	2020-12-31
Förfaller mellan 1 och 5 år efter balansdagen		
Skulder till koncernföretag	0	43,043
	0	**43,043**

Not 22 Upplupna kostnader och förutbetalda intäkter

	2021-12-31	2020-12-31
Upplupna löner	3,566	4,052
Upplupna semesterlöner	9,459	8,627
Upplupna sociala avgifter	5,817	5,667
Garantiavsättning	1,309	1,391
Övriga upplupna kostnader	1,957	4,924
Övriga förutbetalda intäkter	2,795	1,565
	24,903	**26,226**

Not 23 Ställda säkerheter och eventualförpliktelser

	2021-12-31	2020-12-31
Ställda säkerheter	Inga	Inga
Eventualförpliktelser	Inga	30

Not 24 Antal aktier och kvotvärde

	2021-12-31	2020-12-31
Antal aktier	5,000	5,000
Kvotvärde	100	100

Not 25 Vinstdisposition

Disposition av vinst fördelat enligt styrelsens förslag

	2021	2020
	SEK	**SEK**
Balanserat resultat	142,181,947	154,546,000
Lämnad utdelning	-72,000,000	-145,107,053
Årets resultat	152,486,000	132,743,000
	222,667,947	**142,181,947**
disponeras så att		
I ny räkning överföres	**222,667,947**	**142,181,947**

I samband med årsstämman den 30 juni 2021 beslutades att lämna vinstutdelning till Altra Industrial Motion Germany GmbH på 72 000 000 kr.

Not 26 Väsentliga händelser efter räkenskapsårets utgång
Den rådande globala komponentbristen fortsätter att påverka bolagets kostnader samt ger ökade ledtider för leverans till våra kunder. Bolaget fortsätter arbeta kontinuerligt med att säkra upp komponentbehovet och bedömer att påverkan på helårsförsäljningen är begränsad. Bolaget ser för övrigt ljust på framtiden och fortsätter anställa nya medarbetare.

I maj 2022 genomförde MTEK Industry en nyemisson och bolaget investerade ytterliggare 45 MSEK och äger därmed 13,06% av företaget.

Not 27 Nyckeltalsdefinitioner
Rörelsemarginal
Rörelseresultat i procent av nettoomsättningen

Justerat eget kapital
Eget kapital med tillägg för obeskattade reserver som reducerats med uppskjuten skatt.

Avkastning på eget kapital
Resultat efter finansiella poster i procent av genomsnittligt justerat eget kapital

Soliditet
Justerat eget kapital i procent av balansomslutning

Mölndal den 28 juni 2022

Glenn Deegan
Ordförande

Todd Patriacca
Ledamot

Tobias Byfeldt
Ledamot

Robert Rank
Ledamot

Vår revisionsberättelse har lämnats den
Ernst & Young AB
Thomas Nilsson
Thomas Nilsson (Jun 29, 2022 10:09 GMT+2)
Thomas Nilsson
Auktoriserad revisor

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Kollmorgen Automation AB
556114-2778

Annual Report

For financial year 2021-01-01 - 2021-12-31

The Board for Kollmorgen Automation AB hereby submit the following annual report.

The report includes

	Sida
The Board of Directors Report	2
Income Statement – classified by function	4
Balance Sheet	5
Cash flow analysis	7
Additional information	8
Accounting principles	10
Notes	

Registered office: Mölndal
The company's accounting currency is Swedish crowns (SEK).
Unless otherwise is stated, all amounts are in SEK thousands.

Board of Directors' Report

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Information about the business

Kollmorgen Automation AB is part of the American listed group Altra Industrial Motion Corp., a US-based industrial company based in Braintree, Massachusetts, USA. In 2021, the Group had a sales of USD 1.9 billion and approximately 9,600 employees worldwide.

The company offers system solutions for automatic vehicles.
Functions in the system include:
-Navigation, positioning and steering of automatic vehicles
-Load handling
-Security solutions
-Order handling and traffic control for the vehicle fleet

The company is headquartered in Mölndal municipality south of Gothenburg. Sales are made through about 90 partners around the world with Europe and Asia as dominant markets. The company is a world leader in system solutions for automatic vehicles.
Manufacturing is outsourced mainly to Germany and Lithuania.

The company's customers consist of partners, who in turn sell to end customers. Through a basic investment, partners are offered access to the company market investments and technology such as brands, references, training and project tools.

The spread of the coronavirus has meant that sales growth during the year has been -1.8%, which is lower than expected. The company has not applied for anything redundancy and adjustment support and during the year increased the average number of employees by 13 people.

Significant events during the financial year

The company's turnover and result has been marginally affected by the current events in the world. During the fourth quarter of 2021, China issued an embargo against Lithuania, where the company's subcontractor has the production of one of the company's best- selling product. The company has added 6 new partners.

The work with securing components, due to the global component shortage, has taken a lot of resources for the company. The additional cost to purchase these components will be taken in line with delivery to the customers. During the financial year, the company also have invested a lot of resources sustainability work, which has generated in its first sustainability report. Another initiative that started in the end of the year is to get the company certified for ISO 27001. The work will be continued during 2022.

The company has during the year invested in the business mainly through an increase of R&D resources.

Risks and uncertainties

The company's financial risks are related to a decline in the value of shares in subsidiaries and write-downs of internal long-term receivables.
As the company's operations mainly consist of product development and software development, the operational and strategic risk is that the company is not at the forefront of product development in its business segment and thus loses market share.

Research and Development

The company's development operations mainly consist of product development and software development. In 2021, 22% (18%) of sales used for further and new development of products and software.

Ownership

The company is a wholly owned subsidiary of Altra Industrial Motion Germany GmbH (HRB 9646), which is a pure holding company based in Unna, Germany.

Kollmorgen Automation AB
556114-2778

Financial Overview	**2021**	**2020**	**2019**	**2018**
Net sales (tkr)	298 146	303 678	309 170	282 774
Profit after financial items (tkr)	191 923	184 058	177 657	143 533
Operating Margin (%)	31,8%	39,4%	37,0%	34,8%
Return on equity (%)	72,6%	88,3%	108,8%	10,2%
Balance Sheet (tkr)	393 936	333 332	264 564	254 732
Solidity(%)	79,8%	64,4%	76,3%	49,0%
Number of Employees	95	82	72	68

Proposed dispotion of profit

The Board propose that available funds

Retained earnings	70 182 000
Net profit of the year	152 486 000
	222 668 000

disposed as following:

Dividend	200 000 000
Profits brought forward	22 668 000
Total	**222 668 000**

Changes in equity

	Restricted equity		*Non-Restricted equity*		
Opening balance according to	Share capital	Statutory reserve	Retained earnings	Profit of the year	Total
Approved balance sheet 2020-12-31					
Opening balance 2020-01-01	500	100	9 439	132 743	142 782
Transfer profit of last year			132 743	-132 743	
Dividend			-72 000		-72 000
Profit of the year				152 486	152 486
Outgoing balance 2021-12-31	**500**	**100**	**70 182**	**152 486**	**223 268**

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Income Statement

	Notes	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Net sales	1	298 146	303 678
Cost of goods sold		-89 621	-83 015
Gross Profit		**208 525**	**220 663**
Selling costs		-38 365	-37 289
Administration costs	2	-10 840	-8 927
Research and development costs		-66 740	-55 089
Other operating income	3	2 238	250
Operating Profit	4,5,6,7	**94 818**	**119 608**
Results from financial investments			
Other interest income and similar profit items	8	97 438	64 563
Interest expense and similar loss items	9	-333	-113
		97 105	**64 450**
Profit after financial items		**191 923**	**184 058**
Appropriations	10	-24 335	-31 325
Profit before tax		**167 588**	**152 733**
Adjustment tax previous year		0	2
Tax on profit of the year	11	-15 102	-19 992
Net profit of the year		**152 486**	**132 743**

Balance Sheet

	Not	2021-12-31	2020-12-31
ASSETS			
Fixed Assets			
Tangible Fixed Assets			
Equipment, tools and installations	12	3 870	4 188
		3 870	**4 188**
Financial Assets			
Shares in Group companies	13,14	39 331	39 331
Loans in Group companies	15	137 479	86 791
Shares in Associated companies	16,17	43 056	43 056
		219 866	**169 178**
Total Fixed Assets		**223 736**	**173 366**
Current Assets			
Inventory			
Finnished goods		12 033	7 035
		12 033	**7 035**
Current receivables			
Account receivables		17 687	13 630
Receivables on groups of companies	15	104 294	96 215
Tax receivables		2 850	0
Other receivables		2 367	1 267
Prepaid expenses	18	1 939	2 250
		129 137	**113 362**
Cash	19	29 030	39 569
		29 030	**39 569**
Total Current Assets		**170 200**	**159 966**
TOTAL ASSETS		**393 936**	**333 332**

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Balance Sheet

	Not	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share Capital	24	500	500
Statutory reserve		100	100
		600	**600**
Non-restricted equity	25		
Retained Earnings		70 182	9 439
Current year net income		152 486	132 743
		222 668	**142 182**
Total Equity		**223 268**	**142 782**
Untaxed reserves	20	**115 666**	**91 332**
		115 666	**91 332**
Long-term Liabilities	21		
Liabilities to Group companies		0	43 043
		0	**43 043**
Current Liabilities			
Account payables		27 454	25 119
Liabilities to Group companies		1 246	725
Income tax liabilities		0	2 668
Other current liabilities		1 399	1 437
Accrued expenses and deferred income	22	24 903	26 226
		55 002	**56 175**
TOTAL EQUITY AND LIABILITIES		**393 936**	**333 332**

Cash Flow analysis

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Cash flows from operating activities		
Operating profit	94 818	119 608
Adjustments		
Depreciation	1 334	1 128
Warranty reserve	-82	135
	96 070	**120 871**
Interest received	2 200	4 387
Interest paid	-376	-70
Income tax paid	-20 620	-17 321
Cash flows from operating activities	**77 274**	**107 867**
Before changes in assets and liabilities		
Changes in assets and liabilities		
Inventories	-4 998	-485
Account receivables	22 075	-55 191
Account payables and other operating liabilities	1 576	5 077
Cash flows from operating activities	**95 927**	**57 268**
Cash flow from investing activities		
Investments Fixed assets	-1 017	-2 602
Cash flow from investment activities	**-1 017**	**-2 602**
Dividend received	60 000	60 000
Dividend paid	-72 000	-145 107
Changes in financial assets	-50 449	-9 496
Changes in non-current liabilities	-43 000	41 883
Cash flow from financing activities	**-105 449**	**-52 720**
Cash flow for the year	**-10 539**	**1 946**
Cash at beginning of year	**39 569**	**37 623**
Cash at the end of year	**29 030**	**39 569**

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Additional Information

Accounting principles
General accounting principles
The annual report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and BFNAR 2012: 1 Annual Report and Consolidated Accounts (K3).

Assessments and estimates
The following of the Board's assessments have a significant effect on the amounts reported in the annual report:

As a basis for valuing subsidiaries, the company has used the subsidiaries' profit before tax in 2020 and multiplied by a factor that is representative of its operations.
Inventory reservation has been made for items that have not been sold in the past year or where the company has an inventory balance that corresponds to more than two years consumption with an increasing reservation stage from 25-100%.

Individual assessment takes place when reserving accounts receivable. Accounts receivable that are older than 180 days are reserved in full.

The company has made guarantee provisions for future guarantee costs. The amount is based on actual warranty costs for the last two years. At the calculation has taken into account the length of the warranty period. For example, if the warranty period is 24 months or longer, 100% has been reserved. If the warranty period is shorter, the amount has been adjusted.

Group affiliation
The parent company that prepares consolidated accounts in which the company is included is Altra Industrial Motion Corp. based in Braintree, Massachusetts, USA.
Consolidated financial statements for the entire Group can be obtained from;

Altra Industrial Motion Corp.
300 Granite Street, Suite 201
Braintree, MA 02184

Consolidated financial statements
The company is a parent company but does not prepare consolidated accounts with reference to the exception rule in the Annual Accounts Act, Chapter 7. 2 §.

Revenue recognition
Sales of goods
Revenue is reported at fair value of what the company has received or will receive. This means that the company reports the income at nominal value (invoice amount) if the company receives compensation in cash and cash equivalents directly upon delivery. Deductions are made for discounts provided.

When selling goods, income is normally reported as income when the significant benefits and risks associated with the ownership of the goods have been transferred from the company to the buyer.

Interest, royalties and dividends
Compensation in the form of interest, royalties or dividends is reported as income when it is likely that the company will receive the financial benefits associated with the transaction and when the income can be calculated in a reliable manner.

Interest is reported as income according to the so-called the effective interest rate method.
Royalty is accrued in accordance with the financial meaning of the agreement.
Dividends are reported as income when the company's right to payment is secured.

The company profitably performs service and contracting assignments at a fixed price as the work is performed, so-called successive profit recognition. In the calculation of accrued profit, the degree of completion has been calculated as expenses incurred as of the balance sheet date in relation to the total calculated expenditure to fulfill the mission. The difference between reported income and invoiced partial payments is reported in the balance sheet in the item "Prepared but not invoiced revenue ".

Borrowing costs
The borrowing costs that arise when the company borrows capital are expensed in the income statement in the period in which they arise.

Remuneration to employees
Remuneration to employees refers to all types of remuneration that the company provides to the employees. The company's remuneration includes, among other things, salaries, paid holidays, paid absences, bonuses and post-employment benefits (pensions). Reporting takes place in line with earnings. The company has no long-term compensation for employees.

The company only has defined contribution pension plans. Expenses for defined contribution plans are reported as an expense during the period in which the employees perform the services that form the basis for the obligation.

Translation of items in foreign currency
Receivables and liabilities in foreign currency have been valued at the exchange rate on the balance sheet date. Exchange rate gains and losses on operating receivables and operating liabilities are reported in operating profit, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

Received and paid group contributions are reported as appropriations.

Tax
Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly against equity, whereby the associated tax effect is reported in equity.

Current tax
Current tax refers to income tax for the current financial year and the part of the previous financial year's income tax that has not yet been reported. Current tax is calculated on basis of the tax rate that applies on the balance sheet date.

Deferred tax
Deferred tax is income tax that refers to future financial years as a result of previous events. Reporting takes place according to the balance sheet method. According to this, deferred tax liabilities and deferred tax assets are reported on temporary differences that arise between book and tax values for assets and liabilities and for other tax deductions or deficits.

Deferred tax assets are reported net against deferred tax liabilities only if they can be paid with a net amount. Deferred tax is calculated based on the applicable tax rate on the balance sheet date. Effects of changes in current tax rates are recognized in the income statement in the period in which the change has been statutory. Deferred tax assets are reduced to the extent that it is unlikely that the underlying tax asset will be realized in the foreseeable future. Deferred tax assets are reported as financial fixed assets and deferred tax liabilities as provisions.

Fixed assets
Tangible fixed assets are reported at acquisition value less accumulated depreciation and any write-downs.
Depreciable amount consists of the acquisition value less an estimated residual value if this is significant. Depreciation takes place on a straight-line basis over the expected useful life.

The following depreciation periods are applied:

Tangible fixed assets
Equipment, tools and installations 5 years

Financial instruments
Financial instruments are valued on basis of acquisition value.

Inventory
The inventory has been valued at the lower of its acquisition value and its net sales value on the balance sheet date. The net sales value refers to the goods' estimated sales price less sales costs. The chosen valuation method means that any obsolescence in the inventory has been taken into consideration.

Receivables, liabilities and provisions
Unless otherwise stated above, current receivables are valued at the lower of their acquisition value and the amount by which they are expected to be settled. Long-term receivables and long-term liabilities are valued after the first valuation at accrued acquisition value. Other liabilities and provisions valued at the amounts by which they are expected to be settled. Other assets are reported at acquisition value unless otherwise stated above.

Research and Development
The company's development operations mainly consist of product development and software development. These expenses are reported as costs as time they arise.

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Notes

Note 1 Net sales

The company's net sales amounts to SEK 303,678 thousand, distributed geographically as follows:

	2021	2020
Scandinavia	44 870	36 532
Other Europe	97 805	78 078
North America	29 228	23 673
Asia	121 206	156 766
Oceania	5 037	8 629
	298 146	**303 678**

Note 2 Audit fee

	2021	2020
Ernst & Young AB		
The audit assignment	204	204
	204	**204**

Note 3 Other operating income

	2021	2020
Compensation sick salaries due to Corona	0	113
Exchange rate gains	2 238	137
	2 238	**250**

Note 4 Leasing

Operating leasing

	2021	2020
Expensed leasing fees regarding operating leasing agreements	4 145	3 708
Future leasing fees		
Will be paid within 1 year	5 251	4 154
Will be paid within 1-5 year	17 732	18 209
Will be paid later than 5-year	0	3 956

Expensed leasing fees refers to computers, printers and rental of office.

Note 5 Salaries, other remuneration and social security contributions

Avarage employees

	2021	2020
Men	66	64
Women	29	18
	95	**82**

	2021	2020
Salaries and other remuneration		
The Board and General manager	2 001	1 308
Employees	57 741	51 002
	59 742	**52 310**
Pensions- and social fees		
Pension costs for The Board and General Manager	582	482
Pensions costs for employees	10 893	10 171
Other social fees according to law and agreement	19 826	17 119
	31 301	**27 772**

Gender distribution among senior executives

Proportion of women on the Board	0%	0%
Proportion of men on the Board	100%	100%
Proportion of women in the Management team	13%	22%
Proportion of men in the Management team	87%	78%

Note 6 Purchase and sales within the group companies

	2021	2020
Proportion of the year's total purchases from other group companies	12%	11%
Proportion of the year's total sales from other group companies	47%	51%

Note 7 Depreciation per function

	2021	2020
Cost of goods sold	280	305
Selling costs	307	259
Administration costs	107	102
Research and development costs	640	462
	1 334	**1 128**

Note 8 Other interest income and similar profit items

	2021	2020
Interest income from group income	2 439	4 555
Dividend received	95 000	60 000
Other interst income	0	8
	97 439	**64 563**

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Note 9 Interest expense and similar loss items

	2021	2020
Interest expenses to group companies	-244	-43
Other interest expenses	-90	-70
	-334	**-114**

Note 10 Appropriations

	2021	2020
Provision to periodiseringsfond	-24 437	-31 140
Accumulated depreciations over plan	102	-185
	-24 335	**-31 325**

Note 11 Tax on net income

	2021	2020
Tax	15 102	19 992
Total Tax	**15 102**	**19 992**

Average effective tax rate

Reported profit before tax	**167 588**	**152 733**
Tax on reported profit according to current tax rate (20,6%):	34 523	32 685
Tax effect of:		
Other non deductable costs	149	147
Non-taxable income	-19 570	-12 840
Reported Tax	**15 102**	**19 992**
Average effective tax rate	**9,0%**	**13,1%**

Note 12 Equipment, tools and installations

	2021-12-31	2020-12-31
Opening balance	17 748	15 364
Aquisitions of the year	1 016	2 602
Disposal	-509	-218
Outgoing balance	**18 255**	**17 748**
Opening balance depreciations	-13 560	-12 650
Disposal	509	218
Depreciations of the year	- 1334	-1 128
Outgoing balance	**-14 385**	**-13 560**
Outgoing balance Equipment, tools and installations	**3 870**	**4 188**

Note 13 Shares in group company

	2021-12-31	2020-12-31
Opening balance	39 331	39 331
Outgoing balance	**39 331**	**39 331**

Note 14 Specification of Shares in group company

Name	Share of capital	Votes	No of shares	Booked value
Tollo Linear AB	100%	100%	10 000	39 331
				39 331

	Org.nr.	Säte
Tollo Linear AB	556583-9098	Kristianstads kommun

Note 15 Receivables from group companies

	2021-12-31	2020-12-31
Opening balance	183 006	156 785
Changes fixed assets	50 688	-33 385
Changes current assets	8 078	59 606
Outgoing balance	**241 772**	**183 006**

Note 16 Shares in associated companies

	2021-12-31	2020-12-31
Opening balance	43 056	0
Acquisition of the year	0	43 056
Outgoing balance	**43 056**	**43 056**

Note 17 Specification of shares in associated companies

Name	No of shares	Share of capital	Votes	Booked value	Dividend
MTEK Industry AB	98 701	7,61%	7,61%	43 056	0
				43 056	**0**

	Org.nr.	Säte
MTEK Industry AB	556643-7231	Ovanåkers kommun

Note 18 Prepaid expenses

	2021-12-31	2020-12-31
Prepaid rental expenses	608	891
Prepaid licence fees	572	604
Prepaid pension expenses	318	320
Other prepaid expenses	441	435
	1 939	**2 250**

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Note 19 Cash

	2021-12-31	2020-12-31
Cash	29 030	39 569
	29 030	**39 569**

Note 20 Untaxes reserves

	2021-12-31	2020-12-31
Periodiseringsfond avsatt 2017	3 584	3 584
Periodiseringsfond avsatt 2018	26 031	26 031
Periodiseringsfond avsatt 2019	29 715	29 715
Periodiseringsfond avsatt 2020	24 437	0
Accumulated depriciations over plan	759	862
	115 666	**91 332**

Note 21 Long-term liabilities

	2021-12-31	2020-12-31
Long-term liabilities which fall due for payment 1 to 5 year after accounting year-end		
Liability to group companies	0	43 043
	0	**43 043**

Note 22 Accrued expenses and deferred income

	2021-12-31	2020-12-31
Accrued salaries	3 566	4 052
Accrued vacation pay liability	9 459	8 627
Accrued social fees	5 817	5667
Warranty reserve	1309	1 391
Other accrued expenses	1 957	4 924
Other deferred income	2 795	1 565
	24 903	**26 226**

Note 23 Pledged assets and contingent liabilities

	2021-12-31	2020-12-31
Pledged assets	None	None
Guarantees	None	30

Note 24 Number of shares and quota value

	2021-12-31	2020-12-31
Number of shares	5 000	5 000
Quota value	100	100

Note 25 Disposition of profit

Disposition of the profit according to The Board's proposal

	2021	2020
	SEK	**SEK**
Retained earnings	142 181 947	154 546 000
Dividend paid	-72 000 000	-145 107 053
Net income of the year	152 486 000	132 743 000
	222 667 947	**142 181 947**

The Board of Directors and the Managing Director propose that the profit is carried forward in new account.

In connection with this year's Annual General Meeting 30th of June 2021, it was decided to pay dividend to Altra Industrial Motion Germany GmbH of SEK 72 000 000.

Note 26 Significant occurrences after the end of the financial year

The current global component shortage continues to affect the company´s costs and increases the lead times for delivery to our customers.
The company continuously work to secure component demand and believes that the impact on full-years sales is limited.
The company sees a bright future and continues to hire new employees.
In May 2022, MTEK Industry issued new shares and the company invested additional 45 MSEK and thereby owns 13.06% of the shares.

Note 27 Key ratios

Operating margin
Operating profit as a percentage of net sales

Adjusted equity
Equity with additions for untaxed reserves that have been reduced by deferred tax

Return on equity
Profit after financial items as a percentage of average adjusted equity

Solidity
Adjusted equity as a percentage of total assets

Mölndal 28th of June 2022

Glenn Deegan
Chairman of the Board

Tobias Byfeldt
Board member

Todd Patriacca
Board member

Robert Rank
Board member

Our audit report has been submitted on

Ernst & Young AB

Thomas Nilsson
Auditor

Kollmorgen Automation AB -- 2021 Annual Report

Final Audit Report 2022-06-29

Created:	2022-06-27
By:	Alex Prager (alex.prager@altramotion.com)
Status:	Signed
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Revisionsberättelse

Till bolagsstämman i Kollmorgen Automation AB, org.nr 556114-2778

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Kollmorgen Automation AB för räkenskapsåret 2021.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Kollmorgen Automation ABs finansiella ställning per den 31 december 2021 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Kollmorgen Automation AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Penneo dokumentnyckel: UCAIY-5PUEI-N4EK4-EBGFD-KF555-028BH

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Kollmorgen Automation AB för räkenskapsåret 2021 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Kollmorgen Automation AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Göteborg den dag som framgår av elektronisk signering

Ernst & Young AB

Thomas Nilsson
Auktoriserad revisor

Penneo dokumentnyckel: UCAIY-SPUEI-N4EK4-EBGFD-KF555-0288H

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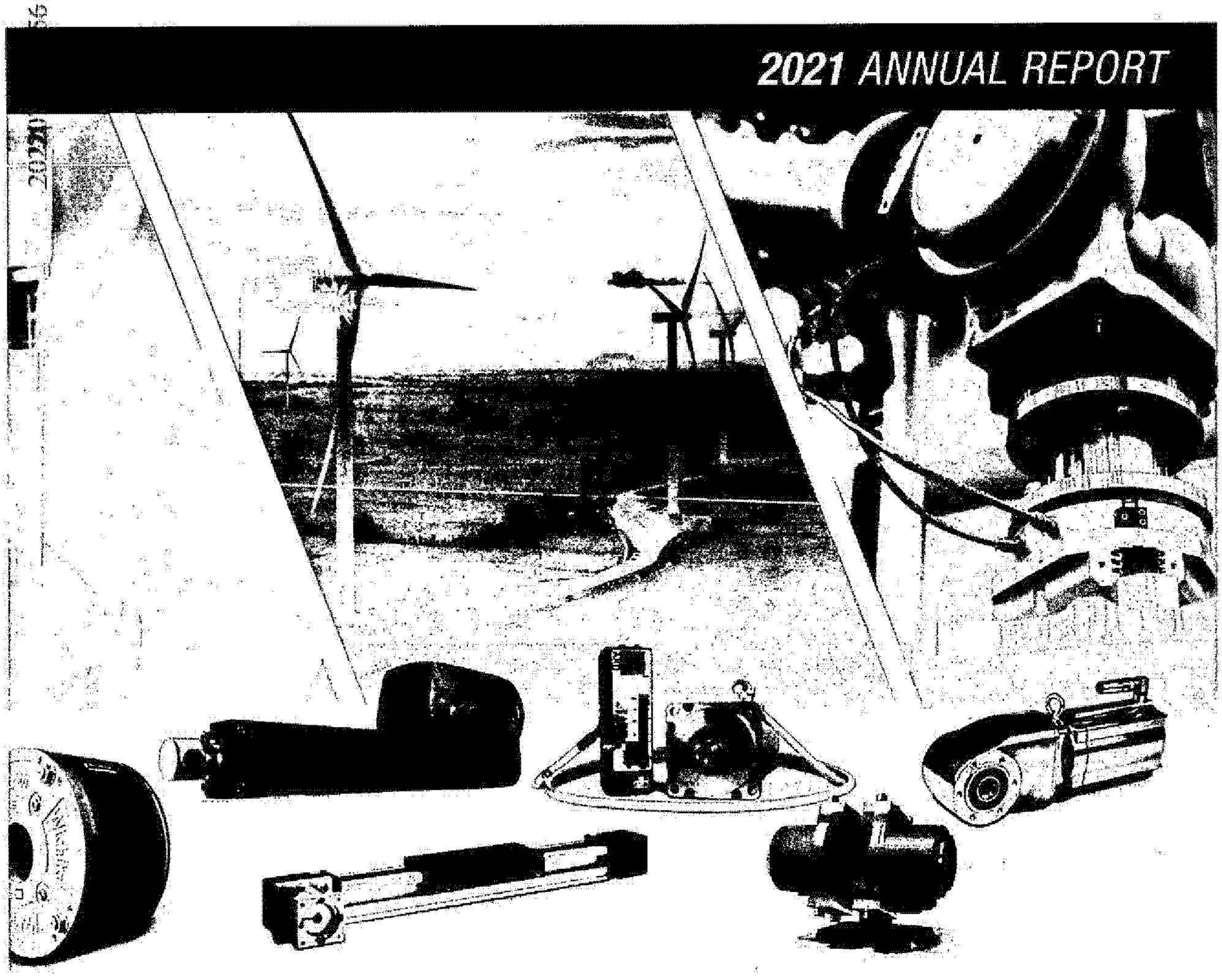
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Altra® Motion

2021 ANNUAL REPORT



To Our Stockholders:

We have made tremendous progress with our ambition to position Altra as a leader in the Motion Control and Power Transmission space and a respected premier industrial company with superior top line growth, margin expansion, strong cash flows and best-in-class technology.

Since completing the A&S merger in 2018, we have evolved Altra into a larger, more resilient company. We have doubled the size of the business and today we have a matured Altra Business System (ABS) that is driving exceptional value across the organization, an enhanced product portfolio with a strong and expanded position in higher-growth end markets, and a track record of strong and consistent through-the-cycle cash generation. In fact, since 2018, we have generated $720 million of adjusted free cash flow.*

2021: An Exceptional Performance Made Possible by Exceptional People

I am incredibly proud of what the Altra team has accomplished over the past several years and that is particularly true in 2021. In the face of supply chain disruption, inflation and pandemic-related challenges, our team remained diligent in managing the factors that we can control. This includes applying our world-class business system to drive improvements across the organization and staying true to our Core Values of teamwork, innovation, leadership, and continuous improvement to deliver value to all stakeholders.

As a result, we delivered strong financial performance in 2021. We achieved record-level revenue of $1.9 billion, produced the highest non-GAAP diluted earnings per share* in the company's history, protected our margins, and leveraged our exceptional cash generation to exceed our debt paydown goals.

Unlocking Altra's Full Potential as a Premier Industrial Company

As thrilled as I am about what we have accomplished, I am even more excited for the opportunities ahead as we execute on our new 3-pillar strategy for delivering sustained profitable growth by:

- **Accelerating organic growth** – We are moving Altra further up the technology spectrum and increasing our exposure to secular trends that will drive growth. This includes the global impact of digitalization, expanding and aging populations, and sustainability.
- **Actively managing the portfolio and pursuing M&A with discipline** – We are applying a refined M&A methodology to prepare Altra to pursue value-creating acquisitions when the time is right. More specifically, through this disciplined process we are building a focused funnel of high value 'Altra-like' businesses, positioning Altra to remain competitive in today's market, and implementing ABS-driven integration strategies to maximize value capture.
- **Driving margin expansion through the cycle** – We are applying proven strategies to deliver on multiple margin expansion levers through the cycle including strategic pricing initiatives, footprint reductions, integration & synergy capture, PPV and VAVE to name a few.

We will continue to leverage our cash-generative operating model and proceeds from portfolio actions to support our disciplined capital allocation strategy where our priorities remain maintaining a healthy balance sheet, investing in growth via organic investments and disciplined M&A, and returning capital to our shareholders.

By executing on this strategy, we are positioning Altra to deliver on our new three-year targets of:

- 3% to 5% consistent organic growth*,
- 300 basis points of margin expansion*, and
- >100% free cash flow conversion*.

Longer term, we are forming a strong and scalable foundation that positions Altra to be a through-the-cycle compounder with a clear path to achieving $3 billion of revenue by the end of 2027 through a combination of organic and M&A driven growth.

Sustainability in Motion: Progress Advancing Our Environmental, Social and Governance Journey

Driving sustainable positive impact across a range of Environmental, Social and Governance (ESG) issues has long been ingrained in how we operate at Altra. In the past two years, we have made great strides in establishing more scalable approaches to our ESG practices. We formed an ESG Task Force, completed our first ESG Materiality Assessment, defined a 4-Pillar Sustainability Strategy and we are prepared to publish our first Sustainability Report to share deeper insights into Altra's journey and impact. With the Altra Business System as our guide—and the ongoing engagement of our leadership team, ESG Task Force and the Board—our goal is to have an ever-increasing positive impact in the areas we have identified as most important to our business and our stakeholders: 1) Delivering Solutions through Innovation, 2) Protecting the Environment, 3) Reaching our Full Potential through Teamwork, and 4) Operating with Integrity.

Positioning Altra for Long-term Success

As we look ahead, we are highly confident that we have the team, resilient business model and strategy to achieve our financial targets and position Altra to be a through-the-cycle compounder over the long term. We have great brand names, enviable market positions in growing end markets, a diverse customer base with mission-critical applications and a track record of yielding excellent margins. We've developed robust ABS processes and a culture of continuous improvement to effectively drive growth, expand margins and optimize our value capture potential. We also have a strong balance sheet, tremendous cash flow and a disciplined capital deployment strategy. And, finally, we have a great team at all levels of the organization capable of executing our new strategy and managing an even larger company.

On behalf of the leadership team and the Board, I would like to thank the Altra team, our shareholders, customers, and suppliers for your continued support. We look forward to keeping you updated in the year ahead as we execute on our strategy to unlock Altra's full potential.

Be well,



Carl R. Christenson
Chairman & Chief Executive Officer

**Please refer to the page adjacent to the inside back cover of this Annual Report for non-GAAP definitions and a reconciliation of the Company's non-GAAP financial measures. This Annual Report contains statements other than statements of historical fact, which are subject to risks, uncertainties and other factors as described in this Annual Report.*

The forward-looking statements are qualified in their entirety by the cautionary statements and risk factors contained in this Annual Report.

20220714296

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from to

Commission file number: 001-33209

ALTRA INDUSTRIAL MOTION CORP.

(Exact name of registrant as specified in its charter)

Delaware	**61-1478870**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
300 Granite Street, Suite 201 Braintree, MA	**02184**
(Address of principal executive offices)	***(Zip Code)***

Registrant's telephone number, including area code:
(781) 917-0600

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	**AIMC**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant based on the closing price (as reported by the NASDAQ Global Market) of such common stock on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2021) was approximately $4.00 billion.

As of February 28, 2022, there were 65,059,097 shares of Common Stock, $0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the following document are incorporated herein by reference into the Part of the Form 10-K indicated.

Document	Part of Form 10-K into which Incorporated
Altra Industrial Motion Corp. Proxy Statement for the 2022 Annual Meeting of Stockholders	Part III

Auditor Firm Id: 34 Auditor Name: Deloitte & Touche LLP Auditor Location: Boston, Massachusetts

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PART I

Item 1. *Business*

Our Company

We are a leading global designer, producer and marketer of a wide range of electromechanical power transmission motion control ("PTMC") products. Our technologies are used in various motion related applications and across a wide variety of high-volume manufacturing and non-manufacturing processes in which reliability and precision are critical to avoid costly down time and enhance the overall efficiency of operations.

We market our products under well recognized and established brands, which have been in existence for an average of over 85 years. We serve a diversified group of customers comprised of over 1,000 direct original equipment manufacturers ("OEMs") including GE, Honeywell and Siemens, and also benefit from established, long-term relationships with leading industrial distributors, including Applied Industrial Technologies, Grainger, and Motion Industries. Many of our customers operate globally across a large number of industries, ranging from transportation, turf and agriculture, energy and mining to factory automation, medical and robotics. Our relationships with these customers often span multiple decades, which we believe reflects the high level of performance, quality and service we deliver, supplemented by the breadth of our offering, vast geographic footprint and our ability to rapidly develop custom solutions for complex customer requirements.

Our product lines involve a large number of unique parts, are generally delivered in small order quantities with short lead times and require varying levels of technical support and responsive customer service. Many of our OEM customers incorporate our products into their designs of their equipment, helping to generate high switching costs and foster brand preference. As a result of these characteristics, the essential nature of our products and the wear to which many are subjected, we generate a significant amount of recurring revenue with repeat customers. Our large installed base generates significant aftermarket replacement demand, which we estimate accounted for approximately 30.5% of revenues in 2021.

We seek to offer products and services guided by what we call the Voice of the Customer ("VOC"). We employ an integrated sales and marketing strategy that is focused on both key industries and individual product lines. We believe this dual "vertical" market and "horizontal" product-oriented approach distinguishes us in the marketplace by allowing us to quickly identify trends and customer growth opportunities and deploy resources accordingly.

We believe our geographic footprint and portfolio of strong brands provides a platform from which to extend our leading market positions. Our expansive global footprint comprised of 49 manufacturing facilities, 19 service sales/engineering centers and approximately 9,600 employees enables us to serve global customers on a local basis. In 2021, approximately 51% of our revenues were generated from customers in North America, 29% were generated in Europe and 20% in Asia Pacific and the rest of the world. The diversification of our revenues on a geographical, end-market, business mix and customer basis are outlined below for the 2021 fiscal year.

In this Annual Report on Form 10-K, the terms "Altra", "Altra Motion," "the Company," "we," "us" and "our" refer to Altra Industrial Motion Corp. and its subsidiaries, except where the context otherwise requires or indicates.

Our internet address is www.altramotion.com. By following the link "Investor Relations" and then "Financials" and then "SEC Filings" on our internet website, we make available, free of charge, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as reasonably practicable after such forms are filed with or furnished to the Securities and Exchange Commission. We are not including information contained on or available through our website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

History and Acquisitions

Formation of Altra

Although Altra was incorporated in Delaware in 2004, much of our current business has its roots with the prior acquisition by Colfax Corporation, or "Colfax", of the MPT (mechanical power transmission) group of Zurn Technologies, Inc. in December 1996. Colfax subsequently acquired Industrial Clutch Corp. in May 1997, Nuttall Gear Corp. in July 1997 and the Boston Gear and Delroyd Worm Gear brands in August 1997 as part of Colfax's acquisition of Imo Industries, Inc. In February 2000, Colfax acquired Warner Electric, Inc., which sold products under the Warner Electric, Formsprag Clutch, Stieber, and Wichita Clutch brands. Colfax formed Power Transmission Holding, LLC or "PTH", in June 2004 to serve as a holding company for all of these power transmission businesses. Boston Gear was established in 1877, Warner Electric, Inc. in 1927, and Wichita Clutch in 1949.

On November 30, 2004, we acquired our original core business through the acquisition of PTH from Colfax. We refer to this transaction as the PTH Acquisition.

On October 22, 2004, The Kilian Company, or "Kilian", a company formed at the direction of Genstar Capital, then the largest stockholder of Altra, acquired Kilian Manufacturing Corporation from Timken U.S. Corporation. At the completion of the PTH Acquisition, (i) all of the outstanding shares of Kilian capital stock were exchanged for shares of our capital stock and (ii) Kilian and its subsidiaries were transferred to our former wholly owned subsidiary Altra Power Transmission, Inc.

Recent Acquisitions and Transactions

On December 31, 2021, we acquired all of the issued and outstanding equity interests of Nook Industries, LLC ("Nook"), a leader in the U.S. engineered linear motion industry. The acquisition expands our current portfolio of linear product offerings.

On February 8, 2022, we entered into an agreement (the "Purchase Agreement") with Cummins Inc. ("Cummins"), a leader in the heavy-duty trucking industry, to divest all of our issued and outstanding equity interest in our entities which collectively constitute the Jacobs Vehicle Systems ("JVS") business segment (the "JVS Transaction"). This divesture aligns with our strategy to focus on highly engineered products in the motion control and power transmission markets. A copy of the Purchase Agreement is filed as an exhibit herewith.

Consummation of the JVS Transaction is subject to various closing conditions, including: (i) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) the receipt of certain other required regulatory consents or approvals and (iii) the absence of laws or judgments preventing the consummation of the JVS Transaction. The obligation of each party to consummate the JVS Transaction is also conditioned upon the other party's representations and warranties being true and correct (subject to certain materiality qualifications) and the other party having performed in all material respects its obligations under the Purchase Agreement and, with respect to the obligations of Cummins, (a) since the date of the Purchase Agreement, no material adverse effect with respect to the JVS business having occurred and (b) the preparation by Altra of certain required environmental filings in respect of the Connecticut Transfer Act. The JVS Transaction is expected to close by the end of 2022.

Selected Past Acquisitions and Transactions

On November 22, 2013, we changed our legal corporate name from Altra Holdings, Inc. to Altra Industrial Motion Corp.

On December 31, 2014, Altra Power Transmission, Inc., our former wholly owned subsidiary, was merged into Altra Industrial Motion Corp.

On October 1, 2018 (the "A&S Closing Date"), Altra and Fortive Corporation ("Fortive") consummated the combination of Altra with four operating companies from Fortive's Automation & Specialty platform (excluding Fortive's Hengstler and Dynapar businesses) (the "A&S Business"). The A&S Business, consisting of four key brands, Kollmorgen, Portescap, Thomson and Jacobs Vehicle Systems, designs, manufactures, markets and sells electromechanical and electronic motion control products, including standard and custom motors, drives and controls; linear motion systems, ball screws, linear bearings, clutches/brakes, linear actuators and mechanical components; and through Jacobs Vehicle Systems, supplemental braking systems for commercial vehicles.

In accordance with the terms and conditions of the Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated March 7, 2018, among Altra, Fortive, McHale Acquisition Corp. ("Merger Sub") and Stevens Holding Company, Inc. ("Stevens Holding"), and the Separation and Distribution Agreement, dated March 7, 2018, among Altra, Fortive and Stevens Holding (the "Distribution Agreement"), (1) Fortive transferred certain assets, liabilities and entities constituting a portion of the A&S Business to Stevens Holding, (2) Fortive distributed to its stockholders all of the issued and outstanding shares of Stevens Holding common stock held by Fortive by way of an exchange offer (the "Distribution") and (3) Merger Sub merged with and into Stevens Holding and Stevens Holding became a wholly-owned subsidiary of Altra, and the issued and outstanding shares of Stevens Holding common stock converted into shares of Altra common stock (the "Merger"). In addition, pursuant to the Merger Agreement, prior to the effective time of the Merger, Fortive transferred certain non-U.S. assets, liabilities and entities constituting the remaining portion of the A&S Business to certain subsidiaries of Altra, and the Altra subsidiaries assumed substantially all of the liabilities associated with the transferred assets (the "Direct Sales") (all of the foregoing, collectively, the "Fortive Transaction"). Upon consummation of the Fortive Transaction, the shares of Stevens Holding common stock then outstanding were automatically converted into the right to receive 35.0 million shares of Altra common stock, which were issued by Altra on the Closing Date, and represented approximately 54% of the outstanding shares of Altra common stock, together with cash in lieu of fractional shares. Altra's pre-Merger shareholders continued to hold the remaining approximately 46% of the outstanding shares of Altra common stock.

The aggregate purchase price for the A&S Business of approximately $2,855.7 million, subject to certain post-closing adjustments, consisted of $1,400.0 million of cash and debt instruments transferred to Fortive and shares of Altra common stock received by Fortive shareholders valued at approximately $1,455.7 million. The value of the common stock was based on the closing stock price on the last trade date prior to the A&S Closing Date of $41.59. The Fortive Transaction was consummated on October 1, 2018 and, accordingly, the results of operations of the A&S Business are included in our operating results from October 1, 2018 onward.

In connection with the Fortive Transaction, certain additional agreements were entered into, including, among others, an Employee Matters Agreement, dated March 7, 2018, among Altra, Fortive and Stevens Holding (the "Employee Matters Agreement"), a Tax Matters Agreement (the "Tax Matters Agreement"), a Transition Services Agreement (the "Transition Services Agreement"), in each case, dated October 1, 2018, among Altra, Fortive, and Stevens Holding, and an Intellectual Property Cross-License Agreement, dated October 1, 2018, between Altra and Fortive. In addition, effective October 1, 2018, we filed a Certificate of Amendment to our Articles of Incorporation to increase the number of authorized shares of Altra common stock from 90.0 million shares to 120.0 million shares.

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Our Industry

Based on industry data provided by the Power Transmission Distributors Association in collaboration with MDM Analytics, we estimate that global industrial power transmission motion control products generated revenues of approximately $224.0 billion in 2021. These products are collectively used to generate, transmit, control and transform mechanical energy. Altra participates in portions of the motor, control, linear, gearing, clutch, brake, coupling, belted drive, and non-industrial bearing segments.

The global power transmission motion control industry in which we compete is highly fragmented, with over 1,000 small manufacturers and relatively few players of scale. While smaller companies tend to focus on regional niche markets with narrow product lines, larger players that generate annual revenue of over $100 million generally offer a broader range of products and provide global sales and service capabilities.

Buyers of power transmission motion control products tend to be broadly diversified and are often either OEMs, end users, or systems integrators operating across many end markets, including manufacturing, factory automation, aerospace and defense, food and beverage, metals and mining, energy, medical, robotics and other markets. These customers typically place a premium on factors such as quality and reliability, performance, pricing, distribution channel access, technology and innovation, application engineering and customer support, breadth of offering and brand name recognition. We believe the most successful industry participants are those that leverage their engineering expertise and specific industry knowledge, reputation for quality and reliability and technical support capabilities to maintain attractive margins and gain market share.

The global power transmission motion control market is driven by general macro-economic growth and secular trends such as the increasing concern for industrial safety, the continued emergence of the digitized factory and the Industrial Internet of Things, and rising demand for motion control in the medical, food and beverage, electrical, and machinery industries. The rapid pace of globalization and developments in the automation sector have also supported growth. Motion control products tend to be higher-margin than power transmission products due to a greater use of technology and leverage in end markets with more attractive secular trends.

Our Business Strategy

Capitalize on the Altra Business System to Drive Margin Expansion and Organic Growth. The Altra Business System ("ABS") is the framework embedded in our culture that enables us to drive sustainable competitive advantage. ABS incorporates a management philosophy with integrated practices that focus on employing best-in-class tools, knowledge and expertise to drive continuous improvement in lean manufacturing, leadership and growth objectives, further enhancing our ability to achieve our aggressive strategic objectives. We are applying ABS concepts to all areas of our business, including how we grow, how we create new products and how we develop people to ultimately drive strong results.

Collaborate with Customers to Create New Opportunities. We focus on developing new products across our business in direct response to customer requirements. Our extensive application-engineering know-how drives both new and repeat revenue opportunities, supported by a substantiated history of innovation, with over 800 patents granted and pending worldwide. We intend to continue to drive organic growth by investing in new technologies and manufacturing techniques to attain and sustain competitive leadership in the industries we serve. In addition, we also plan to expand our customer collaboration initiatives by continuing to move up the technology spectrum, providing more advanced product, software and service solutions.

Leverage Global Business Presence and Shared Services. We seek to foster the sharing of best practices throughout our organization, challenging our business leaders to work together to identify new markets, potential cross-selling opportunities and increase penetration with existing customers. By leveraging our global presence, our businesses can work together to identify cost-saving opportunities and improve our overall supply chain management. We believe that our business will benefit from our highly technical global customer service operations, cohesive marketing efforts and consolidated corporate support functions, increasing efficiency and reducing costs.

Focus on Key Niche End Markets to Increase Organic Growth. We emphasize strategic marketing to focus on new growth opportunities in key end-user and OEM markets. Through a systematic process that leverages our core brands and products, we seek to identify attractive markets and product niches, collect customer and industry data, identify market drivers, tailor product and service solutions to specific customer requirements and deploy resources to gain market share and drive future revenue growth.

Attract and Retain Talented Associates. We believe that our team of talented employees, united by a common culture in pursuit of continuous improvement, provides a significant competitive advantage. We will seek to continue to attract, develop and retain world-class leaders and associates globally and to drive their engagement with our customer-centric approach.

Realize Cost Savings by Leveraging Core Competencies. We believe we can continue to improve profitability through cost control, overhead rationalization, global process optimization, expanded implementation of lean manufacturing techniques and strategic pricing initiatives. Our operating plan, executed through our manufacturing centers of excellence and supported by ABS, provides additional opportunities to consolidate purchasing processes and reduce costs by sharing best practices across geographies and business lines.

Our Strengths

Superior financial profile with high margins and strong cash flow generation. We have an attractive financial profile highlighted by our diversified revenue stream across products and end markets, high margin profile and substantial cash flow. Net sales for the year ended December 31, 2021 grew by approximately 10.1% from $1,726.0 million to $1,899.8 million. Our strong cash flow generation is attributable to attractive gross margins, a high degree of operational leverage across our selling, general and administrative expenses and minimal capital expenditures.

Our flexible cost structure and diversified end market and geographic exposure have allowed us to perform well throughout economic cycles. From 2008 through 2010, our business was able to generate higher cash flow through the strict management of working capital, enabling us to reduce our indebtedness and maintain a leverage ratio within our targeted range. Since the acquisition of the A&S Business, we have supported our plans for growth while also taking advantage of operating leverage and the benefits of our cost improvement initiatives, all of which allowed us to deliver sustainably strong cash flow. In 2021, we paid down approximately $155.0 million in debt. Excluding the $100.0 million we borrowed and repaid under our 2018 Revolving Credit Facility (as defined below) as a precautionary action in response to the pandemic during the second quarter of 2020, we have paid down approximately $465.0 million in term loan debt since the A&S acquisition. This debt paydown, supported by our strong cash flow generation, has enabled us to achieve our target leverage ratio while continuing to make strategic investments such as the acquisition of Nook in December 2021.

Scale and breadth combined with leading brands, technology and market position. We are a global player with significant scale, technological leadership and a broad product offering supported by leading brands, factors which we expect will contribute to a market share advantage over our competitors. The acquisition of the A&S Business moved our business up the power transmission, motion control and automation technology spectrum, increasing our presence in highly engineered products. These engineered products, although higher margin and exposed to high growth applications, are simultaneously complementary to our portfolio. For example, our engineered servo, stepper and specialty miniature motors, drives and controls, and linear automation systems capabilities will enable us to drive innovation across our offering and expand solutions for existing customers.

Broad geographic footprint and global reach. The capabilities and scale of our Company provides a broad global platform from which to drive growth. We are able to leverage our expansive global footprint comprised of 49 manufacturing facilities, 19 service sales/engineering centers and approximately 9,600 employees worldwide to serve our global customers with local resources. While we expect to build on our leading market positions and strong brands in North America, our broadened global platform also positions us to capitalize on key long-term growth opportunities in Europe and especially in emerging markets.

Diversified end-markets provide stability. With no end market comprising more than approximately 15% of our total revenue for the fiscal year ended December 31, 2021, our end-market exposure is diversified, which we expect will provide stability to our revenue streams and help to dampen potential volatility in any particular industry. We believe that the 2018 acquisition of the A&S Business significantly expanded our total addressable market, particularly in higher growth, higher margin end-markets like medical, advanced material handling, factory automation, food and beverages and robotics. The exposure to these attractive new end markets helps to diversify our relative potential exposure to more cyclical end markets like mining, renewable energy, heavy duty truck and oil & gas.

Our business is also geographically diversified, with approximately 49% of revenue generated outside of North America in the year ended December 31, 2021. Finally, our products often facilitate movement which subjects them to wear and requires their periodic replacement. Our large installed base of products generates significant aftermarket replacement demand, which we estimate accounted for approximately 30.5% of revenue for the year ended December 31, 2021. Given the critical nature of many of our products and often high switching costs for our customers, we believe that this base of recurring revenue is stable.

Customer diversification with long-standing customer and distributor relationships. We have a strong, diversified customer base of over 1,000 OEMs and leading power transmission and motion control distributors which market our products via a diversified network of over 3,000 outlets globally. For the fiscal year ended December 31, 2021, there was no meaningful customer concentration among either our OEMs or distributor customers, the largest of which accounts for less than 5% of total revenue for the fiscal year ended December 31, 2021. Some of our largest OEM customers include Cummins, Daimler AG, General Electric, John Deere, and Siemens, all of whom we have had relationships with for decades. We believe that these deep relationships exhibit our commitment to high levels of product quality and service, resulting in customer satisfaction and ultimately, retention.

Our scale, expansive product offering and end-user preference for our products make our product portfolio attractive to both large, multi-branch distributors and regional, independent distributors. We often participate in lengthy design and qualification processes with key customers for crucial components which ultimately become "spec'd-in" to our customers' own designs. Further, many of our products involve a large number of unique parts, are delivered in small order quantities with short lead times and require varying levels of technical support, all of which help to drive high switching costs and generate significant recurring opportunities with repeat customers.

Aftermarket sales supported by large installed base. On average, our brands have been in operation for over 85 years and we believe we benefit from one of the largest installed customer bases in the industry. The moving, wearing nature of our products necessitates regular replacement and our large installed base of products generates significant aftermarket replacement demand. This has created a recurring revenue stream from a diversified group of end-user customers. For the fiscal year ended December 31, 2021, we estimate that approximately 30.5% of our revenues were derived from aftermarket sales.

Experienced management team. We are led by a senior management team with significant industry, manufacturing and acquisition integration experience which has implemented various initiatives that have contributed and will continue to contribute, to our operational and financial performance. The management team combines talent from both our Power Transmission Technologies and Automation & Specialty segments, with significant experience in power transmission, motion control and automation.

Business Segments

Our company consists of two business segments: Power Transmission Technologies ("PTT") and Automation & Specialty ("A&S").

- *Power Transmission Technologies - PTT.* This segment includes the following key product offerings:

  - *Couplings, Clutches & Brakes.* Couplings are the interfaces which enable power to be transmitted from one shaft to another. Our various coupling products include gear couplings, high performance diaphragm and disc couplings, elastomeric couplings, miniature and precision couplings, as well as universal joints, mill spindles and shaft locking devices. These products are used in conveyor, energy, marine, medical, metals, mining, and other industrial machinery applications. Our key brands which provide couplings include Ameridrives, Bibby, Guardian, Huco, Lamiflex, Stromag and TB Wood's. Clutches are devices which use mechanical, hydraulic, pneumatic, or friction connections to facilitate the engagement or disengagement of at least two rotating parts. These products are used in aerospace and defense, conveyor, energy, mining and other industrial machinery applications. Brakes are a combination of interacting parts that work to slow or stop moving machine parts. These products are used in heavy-duty industrial, mining, metals and energy applications. Our key brands which provide clutches and brakes include Industrial Clutch, Formsprag, Stieber, Stromag, Svendborg, Twiflex and Wichita.

- *Electromagnetic Clutches & Brakes.* Electromagnetic clutches and brakes use electromagnetic friction connections to slow, stop, engage, or disengage equipment. These products are used in baggage handling, elevator, forklift, material handling, medical, lawn mower, mobile off-highway and other niche applications. Our key brands which provide electromagnetic clutches and brakes include Inertia Dynamics, Matrix, Stromag and Warner Electric.

- *Gearing.* Gears reduce the output speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. These products are used in various industrial, material handling, mixing, transportation, food processing and other specialty niche applications. Our key brands which provide gears include Bauer Gear Motor, Boston Gear, Delroyd, and Nuttall.

- *Automation & Specialty – A&S.* Our Automation & Specialty segment consists of four key brands:

- *Kollmorgen:* Provides rotary precision motion solutions, including servo motors, stepper motors, high performance electronic drives and motion controllers and related software, and precision linear actuators. These products are used in advanced material handling, aerospace and defense, factory automation, medical, packaging, printing, semiconductor, robotic and other applications.

- *Portescap:* Provides high-efficiency miniature motors and motion control products, including brush and brushless DC motors, can stack motors and disc magnet motors. These products are used in medical, industrial power tool and general industrial equipment applications.

- *Thomson:* Provides systems that enable and support the transition of rotary motion to linear motion. Products include linear bearings, guides, glides, lead and ball screws, industrial linear actuators, resolvers and inductors. These products are used in factory automation, medical, mobile off-highway, material handling, food processing and other niche applications. Our key brands providing linear systems include Thomson and Nook.

- *Jacobs Vehicle Systems (JVS):* Provides renowned "Jake Brake" diesel engine braking systems and valve actuation mechanisms for the commercial vehicle market, including compression release, bleeder and exhaust brakes. These products are primarily used in heavy duty Class 8 truck engine applications. On February 8, 2022, we entered into an agreement with Cummins to divest all of our issued and outstanding equity interest in the entities which collectively constitute our Jacobs Vehicle Systems business. See Note 18 to the consolidated financial statements for further information.

See Note 17 to the consolidated financial statements for financial information about our segments.

Research and Development and Product Engineering

We closely integrate new product development with marketing, manufacturing and product engineering in meeting the needs of our customers and addressing emerging trends. We have global product engineering teams that work to enhance our existing products and develop new product applications for our growing base of customers that require custom solutions. We believe these capabilities provide a significant competitive advantage in the development of high quality power transmission, motion control and automation products. Our product engineering teams focus on:

- developing new products;
- redesigning existing product lines to enhance functionality, effectiveness, ease of use and reliability; and
- lowering the cost of manufacturing of our existing products.

Our continued investment in new product development is intended to help drive customer growth as we address key customer needs.

Sales and Marketing

We sell our products in over 100 countries to over 1,000 direct OEM customers and over 3,000 distributor outlets. We offer our products through our direct sales force comprised of approximately 450 company-employed sales engineers as well as a relatively small number of independent sales representatives. Our worldwide sales and distribution presence enables us to provide timely and responsive technical support and service to our customers, many of which operate globally, and to capitalize on growth opportunities in both developed and emerging markets around the world.

Our operating companies employ an integrated sales and marketing strategy concentrated on specific battlegrounds – the intersection of key industries, product lines and geographic regions where we believe we can offer differentiated solutions to our customers. We believe this focus on battlegrounds distinguishes us in the marketplace allowing us to quickly identify trends and customer growth opportunities and deploy resources accordingly. Within our battlegrounds, we market to OEMs, encouraging them to incorporate our products into their equipment designs, to distributors and to end-users, helping to foster brand preference. With this strategy, we are able to leverage our market experience, product technology and global reach to sell power transmission, motion control and automation solutions for a host of focused applications.

Distribution

Our products are either incorporated into end products sold by OEMs or sold through industrial distributors as aftermarket products to end users and smaller OEMs. We operate a geographically diversified business. For the year ended December 31, 2021, we derived approximately 51% of our net sales from customers in North America, 29% from customers in Europe and 20% from customers in Asia and the rest of the world. Our global customer base is served by an extensive global sales network comprised of our sales engineers as well as our network of over 3,000 distributor outlets.

Rather than serving as passive conduits for delivery of product, our industrial and high-tech distributors can be active participants in influencing product purchasing decisions. In addition, distributors play a critical role through stocking inventory of our products, which amplifies the accessibility of our products to aftermarket buyers. It is for this reason that distributor partner relationships are an important component of our route-to-market strategy. We enjoy strong established relationships with the leading distributors as well as a broad, diversified base of specialty and regional distributors.

Competition

While we believe that many of our businesses are leaders in many of our served markets, we operate in highly fragmented and very competitive industries within the power transmission motion control market. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, such as helical gear drives or standard servo motors, and some of our competitors are larger than us and have greater financial and other resources. In addition, with respect to certain of our products, we compete with divisions of our OEM customers. Competition in our business lines is based on a number of considerations including quality, reliability, performance, pricing, delivery speed, technology and innovation, design and application engineering support and brand name recognition. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, regular investment in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection is required. We may have to adjust the prices of some of our products to stay competitive. In addition, some of our larger, more sophisticated customers are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. There is substantial and continuing pressure on major OEMs and larger distributors to reduce costs, including the cost of products purchased from outside suppliers such as us. As a result of cost pressures from our customers, our ability to compete depends in part on our ability to generate production cost savings and, in turn, find reliable, cost-effective outside component suppliers or manufacturers for our products. See *"Risk Factors — Risks Related to our Business and Industry— We operate in the highly competitive power transmission and motion control industries and if we are not able to compete successfully our business may be significantly harmed."*

Intellectual Property

We rely on a combination of patents, trademarks, copyright, and trade secret laws in the United States and other jurisdictions, as well as employee and third-party non-disclosure agreements, license arrangements, and domain name registrations to protect our intellectual property. We sell our products under a number of registered and unregistered trademarks, which we believe are widely recognized in the PTMC industry. Although in aggregate our intellectual property is important to our operations, we do not believe any single patent, trademark or trade name is material to our business as a whole with the exception of certain trademarks associated with our Bauer, Boston Gear, Jacobs Vehicle Systems, Kollmorgen, Portescap, Stromag, Svendborg, TB Wood's, Thomson and Warner Electric brands. Any issued patents that cover our proprietary technology and any of our other intellectual property rights may not provide us with adequate protection or be commercially beneficial to us and patents applied for may not be issued. The issuance of a patent is not conclusive as to its validity or its enforceability. Competitors may also be able to design around our patents. If we are unable to protect our patented technologies, our competitors could commercialize technologies or products which are substantially similar to ours.

With respect to proprietary know-how, we rely on trade secret laws in the United States and other jurisdictions and on confidentiality agreements. Monitoring the unauthorized use of our technology is difficult and the steps we have taken may not prevent unauthorized use of our technology. The disclosure or misappropriation of our intellectual property could harm our ability to protect our rights and our competitive position.

Some of our registered and unregistered trademarks include: Ameridrives, Bibby Transmissions, Bauer Gear Motor, Boston Gear, Delevan, Delroyd, Deltran, Formsprag, Huco Dynatork, Inertia Dynamics, Guardian Couplings, Industrial Clutch, Jacobs Vehicle Systems, Jake Brake, Kilian, Kollmorgen, Marland, Matrix, Nook, Nuttall Gear, Portescap, PowerFlex, Stieber, Stromag, Svendborg Brakes, TB Wood's, Thomson, Twiflex, Warner Electric, and Wichita Clutch. From time to time, Altra engages in litigation to protect its intellectual property rights.

Human Capital Resources

Employee Demographics. As of December 31, 2021, we employed approximately 9,600 people on a full-time basis in 31 countries. Approximately 4,600 were employed in the United States and approximately 5,000 were employed outside of the United States. Certain demographics of our employee population are set forth by regional location, gender, and age within the following table:

	Number of Employees	Percentage
Region		
Americas	4,616	48.1%
Asia Pacific	2,232	23.3%
Europe, Middle East, Africa	2,749	28.6%
Gender		
Female	2,997	31.2%
Male	6,594	68.7%
Undeclared	6	0.1%
Age		
<30	1,580	16.5%
30-50	4,870	50.7%
>50	3,147	32.8%

Within the United States, approximately 500 were hourly-rated, unionized employees. Outside the United States, we have government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where certain of our employees are represented by unions and/or works councils. The Company believes that its relationship with employees is good. See *"Risk Factors — Risks Related to Our Business and Industry — We may be subject to work stoppages at our facilities, or our customers may be subjected to work stoppages, which could seriously impact our operations and the profitability of our business."*

Diversity and Inclusion. We are committed to providing a secure workplace that develops and leverages the capabilities of our associates and encourages diversity of thought. Clear corporate policies support our endeavor to ensure a safe, harassment-free work environment led by principles of equality and fairness. To ensure that diversity, equity and inclusion is engrained within our culture, Altra maintains a Diversity, Equity and Inclusion Committee which guides, recommends, and supports efforts to further diversity, equity and inclusion with the oversight of the Nominating and Corporate Governance Committee of Altra's Board of Directors. In 2021 we launched unconscious bias training which will extend throughout our businesses to raise awareness and reduce how bias impacts all aspects of our work. We have established avenues for employees to be heard on issues regarding diversity, equity and inclusion, and we expect to expand this initiative in 2022. In addition, we are refining our human resources toolkit to help us identify, recruit, hire and retain diverse candidates. We strive to build an ever-improving organization, anchored in a dedication to creating an inclusive environment which engages our global talent to enhance operational outcomes.

Employee Engagement. We prioritize employee engagement and value employee feedback. In 2021, approximately 77% of Altra team members responded to and participated in our employee engagement survey. The survey enables us to monitor engagement and results serve as a guide to establish initiatives aimed to enhance the employee experience and analyze efficacy of those initiatives year over year. In addition to our company-wide engagement survey, our businesses also conduct localized, periodic reviews and pulse surveys to gauge employee satisfaction, obtain employee feedback of specific issues on initiatives, and identify shortfalls and opportunities for improvement.

Talent Management. Our aim is to provide an environment that stimulates and fully develops the capabilities of our employees. We recognize that the success of our employees drives effective operational process, innovation, customer satisfaction, and long-term

value creation for our stakeholders. We offer competitive compensation and benefit packages that include, depending on location and eligibility, annual bonuses, retirement plans with Company contributions, stock awards, health care and other benefits, paid time off, parental and family leave, and dependent care resources among many others.

At the core of our strategy and our human capital objectives is attracting, recruiting, and retaining, diverse and talented employees. Our talent management platform, *Talent In Motion*, is designed to support the business and our employees by providing robust tools and processes to enhance the employee experience. Talent In Motion focuses on the complete employee life cycle, including performance management, personally crafted professional development plans, succession planning, organizational assessment, and leadership development training. We evaluate employee performance through our performance management process where we provide opportunities for employees and managers to assess performance, deliver feedback, and craft development plans that act as roadmaps for long-term goal planning and sustained career satisfaction. Succession planning is a vital process that identifies internal talent for development to support our business and employees for future growth. Our organizational assessments examine human capital needs and the skills necessary for employees to deliver on strategic objectives and operational efficiencies. Finally, our leadership development programs cover a wide variety of topics, ranging from coaching and engaging the workforce, to diving into ABS tools. See *"Risk Factors — Risks Related to Our Business and Industry — We depend on the services of key executives, the loss of whom could materially harm our business."* See also *"Risk Factors — Risks Related to Our Business and Industry — If we lose certain of our key sales, marketing, skilled machinist or engineering personnel, our business may be adversely affected."*

Health, Safety and Pandemic Response. At Altra we recognize that safety is critical to our success. Altra maintains a comprehensive program to monitor, track, and evaluate safety across our global businesses. In 2021, we launched our Environmental Health & Safety Focus-20 initiative to zero-in on facilities requiring enhanced support and structure to deliver targeted improvements in safety performance, compliance, risk analysis and engagement. Our safety program includes but is not limited to tracking key metrics such as Total Recordable Case Rate, proactive identification of at-risk conditions and behaviors, and maintaining a comprehensive near miss program, to ensure continuous improvement of our safety performance. Our 2021 Employee Engagement Survey reflects our efforts to create a safe and comprehensive safety program, as approximately 94% of surveyed employees stated they were satisfied with Altra's efforts to maintain a safe and secure work environment. In response to COVID-19, Altra created a Pandemic Response Team to monitor, evaluate and manage our operations and compliance with safety protocols. Throughout the pandemic, Altra has remained focused on two core priorities: 1) safeguarding the health and safety of our associates; and 2) ensuring the continuity of supply for our customers. We have taken several actions intended to enhance the safety of our employees which include but are not limited to the following:

- Maximizing work from home for those employees able to do so;
- Extensive communication to encourage employees to receive the COVID-19 vaccine;
- Holding vaccination clinics where feasible;
- Providing PPE for employees and establishing social distancing procedures;
- Enhanced cleaning and disinfecting of facilities;
- Health screening protocols;
- Implementing visitor protocols for our facilities; and,
- Restricting travel and in-person meetings.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources, generally from more than one supplier. Our suppliers and sources of raw materials are based in both the United States and other countries and we believe that our sources of raw materials are adequate for our needs for the foreseeable future. Our manufacturing operations employ a wide variety of raw materials, including aluminum, copper, electronic components, plastics, rare-earth magnets, and steel. We generally purchase our materials on the open market, where certain commodities such as steel and copper have fluctuated in price significantly in recent years. We have not historically engaged in hedging transactions for commodity suppliers.

Our ability, including manufacturing or distribution capabilities, and that of our suppliers, business partners and contract manufacturers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics, strikes, repairs or enhancements at facilities, excessive demand, raw material shortages, or other reasons, could impair our ability, and that of our suppliers, to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Seasonality

General economic conditions impact our business and financial results, and certain of our businesses experience seasonal and other trends related to the industries and end markets that they serve. For example, sales to OEMs are often stronger immediately preceding and following the launch of new products. In addition, we experience seasonality in our turf and garden business. As our large OEM customers prepare for the spring season, our shipments generally start increasing in December, peak in February and March, and begin to decline in April and May. This allows our customers to have inventory in place for the peak consumer purchasing periods for turf and garden products. The June-through-November period is typically the low season for us and our customers in the turf and garden market. Seasonality is also affected by weather and the level of housing starts. However, as a whole, we are not subject to material seasonality.

Regulatory Matters

We face extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of our products. The following sections describe certain significant regulations to which our businesses are subject. There may be additional regulations that apply to our businesses.

Environmental Laws and Regulations

Our operations and properties are subject to laws and regulations relating to environmental protection, including those governing air emissions, water discharges and waste management, and workplace health and safety. See *"Risk Factors — Risks Related to Our Business and Industry — We are subject to environmental laws that could impose significant costs on us and the failure to comply with such laws could subject us to sanctions and material fines and expenses."*

Export/Import Compliance

We are required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, impose license requirements on the export from the United States of defense articles and defense services (which are items specifically designed or adapted for a military application and/or listed on the United States Munitions List);
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export or reexport of certain dual-use goods, technology and software (which are items that potentially have both commercial and military applications);
- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection.

Other nations' governments have implemented similar export and import control regulations, which may affect our operations or transactions subject to their jurisdictions. See *"Risk Factors – Legal and Compliance Risks – Changes to U.S. trade policy, tariff and import/export regulations and foreign government regulations could adversely affect our business, operating results, foreign operations, sourcing and financial condition."*

Working Capital

We maintain an adequate level of working capital to support the needs of our businesses. There are no unusual industry practices or requirements relating to working capital items. In addition, we believe our sales and payment terms are generally similar to those of our competitors.

Backlog

Our unfilled product orders were approximately $820.8 million and $500.5 million as of December 31, 2021 and 2020 respectively. We expect that the majority of the unfilled orders as of December 31, 2021 will have been delivered to customers within six months of such date. Given the relatively short delivery periods and rapid inventory turnover that are characteristic of most of our products and the shortening of product life cycles, we believe that backlog is indicative of short-term revenue performance, but is not necessarily a reliable indicator of medium-term or long-term revenue performance.

Government Contracts

Although the substantial majority of our revenues in 2021 were from customers other than governmental entities, we do have agreements relating to the sale of products to government entities. As a result, we are subject to various statutes and regulations that apply to companies doing business with governments and government-owned entities.

International Operations

Altra's products are available worldwide, and our principal markets outside the United States are in Europe and Asia. We also have operations around the world, and this geographic diversity allows us to draw on the skills of a worldwide workforce, provide greater stability to our operations, drive economies of scale, provide revenue streams that may help offset economic trends that are specific to individual economies and offer an opportunity to access new markets for products. In addition, we believe that our future growth depends in part on our ability to continue developing products and sales models that successfully target high growth markets.

We estimate that annual revenue derived from customers outside the United States (based on geographic destination) as a percentage of total annual revenue was approximately 51% in 2021 and 52% in 2020.

The manner in which our products are sold outside the United States differs by business and by region. Most of our sales in non-U.S. markets are made by our subsidiaries located outside the United States, though we also sell directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, we generally sell through representatives and distributors.

Information about our Executive Officers

The following sets forth certain information with regard to our executive officers as of February 28, 2022 (ages are as of December 31, 2021):

Carl R. Christenson (age 62) has been our Chairman since April 2014, our Chief Executive Officer since January 2009, and a director since July 2007. Prior to his current position, Mr. Christenson served as our President and Chief Operating Officer from January 2005 to December 2008. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Wood's Incorporated and several positions at the Torrington Company. Mr. Christenson currently serves as a director at IDEX Corporation, a NYSE listed industrial manufacturer of highly engineered products. Mr. Christenson previously served as a director at Vectra Co., f/k/a OM Group, Inc., a NYSE listed technology-driven diversified industrial company, from 2014 to 2015. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic. In addition to more than twenty-five years of experience in manufacturing companies, Mr. Christenson brings vast knowledge of the Company's business, structure, history and culture to the Board and the CEO position.

Christian Storch (age 62) retired from his role as our Executive Vice President and Chief Financial Officer effective January 31, 2022. Prior to his retirement, Mr. Storch served as our Executive Vice President since December 2019 and our Chief Financial Officer since December 2007. From 2001 to 2007, Mr. Storch was the Vice President and Chief Financial Officer at Standex International Corporation ("Standex International"). Mr. Storch also served on the Board of Directors of Standex International from October 2004 to December 2007. Mr. Storch also served as Standex International's Treasurer from 2003 to April 2006 and Manager of Corporate Audit and Assurance Services from July 1999 to 2003. Prior to Standex International, Mr. Storch was a Divisional Financial Director and Corporate Controller at Vossloh AG, a publicly held German transport technology company. Mr. Storch has also previously served as an Audit Manager with Deloitte & Touche LLP. Mr. Storch holds a degree in business administration from the University of Passau, Germany.

Todd B. Patriacca (age 52) became our Executive Vice President, Chief Financial Officer and Treasurer effective February 1, 2022. Prior to his current position, Mr. Patriacca served as our Vice President of Finance, Corporate Controller and Treasurer since February 2010, our Vice President of Finance, Corporate Controller and Assistant Treasurer since October 2008 and previous to that, as Vice President of Finance and Corporate Controller since May 2007 and as Corporate Controller since May 2005. Prior to joining us, Mr. Patriacca was Corporate Finance Manager at MKS Instruments Inc. ("MKS"), a publicly held semi-conductor equipment manufacturer since March 2002. Prior to MKS, Mr. Patriacca spent over ten years at Arthur Andersen LLP in the Assurance Advisory practice. Mr. Patriacca is a Certified Public Accountant and holds a B.A. in History from Colby College and an M.B.A. and an M.S. in Accounting from Northeastern University.

Glenn E. Deegan (age 55) has been our Chief Legal and Human Resources Officer since May 2021. Prior to his current position, Mr. Deegan served as our Executive Vice President since December 2019, our Vice President, Legal and Human Resources, General Counsel and Secretary since June 2009 and our General Counsel and Secretary since September 2008. From March 2007 to August 2008, Mr. Deegan served as Vice President, General Counsel and Secretary of Averion International Corp., a publicly held global provider of clinical research services. Prior to Averion, from June 2001 to March 2007, Mr. Deegan served as Director of Legal Affairs and then as Vice President, General Counsel and Secretary of MacroChem Corporation, a publicly held specialty pharmaceutical company. From 1999 to 2001, Mr. Deegan served as Assistant General Counsel of Summit Technology, Inc., a publicly held manufacturer of ophthalmic laser systems. Mr. Deegan previously spent over six years engaged in the private practice of law and also served as law clerk to the Honorable Francis J. Boyle in the United States District Court for the District of Rhode Island. Mr. Deegan holds a B.S. from Providence College and a J.D. from Boston College.

Craig Schuele (age 58) has been our Executive Vice President since December 2019 and our Vice President of Marketing and Business Development since May 2007 and held the same position with our predecessor since July 2004. He is responsible for global marketing as well as coordinating Altra's merger and acquisition activity. Prior to his current position, Mr. Schuele was our Vice President of Marketing since March 2002, and previous to that he was our Director of Marketing. Mr. Schuele joined our predecessor in 1986 and holds a B.S. degree in Management from Rhode Island College.

Item 1A. Risk Factors

Risks Related to our Business and Industry

We operate in the highly competitive power transmission and motion control industries and if we are not able to compete successfully our business may be significantly harmed.

We operate in highly fragmented and very competitive markets in the power transmission and motion control industries. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, and some of our competitors are larger than us and have greater financial and other resources. With respect to certain of our products, we compete with divisions of our original equipment manufacturer customers. Competition in our business lines is based on a number of considerations, including quality, reliability, pricing, availability, and design and application engineering support. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, regular investment in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection is required. In the future, we may not have sufficient resources to continue to make such investments and may not be able to maintain a competitive position within each of the markets we serve. We may have to adjust the prices of some of our products to stay competitive.

Additionally, some of our larger, more sophisticated customers are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. If we are not selected to become one of these preferred providers, we may lose market share in some of the markets in which we compete.

There is substantial and continuing pressure on major original equipment manufacturers and larger distributors to reduce costs, including the cost of products purchased from outside suppliers. As a result of cost pressures from customers, our ability to compete depends in part on their ability to generate production cost savings and, in turn, to find reliable, cost effective outside suppliers to source components or manufacture their products. If we are unable to generate sufficient cost savings in the future to offset price reductions, then our gross margin could be materially adversely affected.

Our growth could suffer if the markets in which we sell our products and services experience cyclicality.

Our growth will depend in part on the growth of the markets which we serve and on the U.S. and global economies in general. Some of the markets Altra serves are highly cyclical, such as the class eight heavy duty truck, metals, mining and energy markets, including oil, gas and renewable energy. In such an environment, expected cyclical activity or sales may not occur or may be delayed and may result in significant quarter-to-quarter variability in our performance. Any of these factors could adversely affect our business, financial condition and results of operations in any given period.

We must continue to invest in new technologies and manufacturing techniques; however, our ability to develop or adapt to changing technology and manufacturing techniques is uncertain and our failure to do so could place us at a competitive disadvantage.

The successful implementation of our business strategy requires us to invest continuously in new technologies and manufacturing techniques to evolve our existing products and introduce new products to meet our customers' needs in the industries we serve and want to serve.

Our products are characterized by performance and specification requirements that mandate a high degree of manufacturing and engineering expertise. We believe that our customers rigorously evaluate their suppliers on the basis of a number of factors, including:

- product quality and availability;
- price competitiveness;
- technical expertise and development capability;
- reliability and timeliness of delivery;
- product design capability;
- manufacturing expertise; and
- sales support and customer service.

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Our success depends on our ability to invest in new technologies and manufacturing techniques to continue to meet our customers' changing demands with respect to the above factors. We may not be able to make required capital expenditures and, even if we do so, we may be unsuccessful in addressing technological advances or introducing new products necessary to remain competitive within our markets. Furthermore, our own technological developments may not be able to produce a sustainable competitive advantage. If we fail to invest successfully in improvements to our technology and manufacturing techniques, our business may be materially adversely affected.

Our operations are subject to international risks including global commercial activities and production facilities, many of which may be located in jurisdictions that are subject to increased risks of disrupted production that could affect our operating results.

We operate businesses with manufacturing and other facilities worldwide, many of which are located outside the United States, including in Brazil, Canada, Chile, China, Czech Republic, Denmark, France, Germany, India, Mexico, Peru, Russia, Slovakia, St. Kitts, Sweden, Turkey and the United Kingdom. Our net sales to customers outside North America represented approximately 49% of our total net sales for the year ended December 31, 2021. In addition, we sell products to domestic customers for use in their products sold overseas. We also source a significant portion of our products and materials from overseas. As a result, our business is subject to risks associated with doing business internationally, and our future results could be materially adversely affected by a variety of factors, including:

- fluctuations in currency exchange rates;
- capital or currency exchange rate controls;
- tariffs or other trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- interest rates;
- low or negative economic growth rates;
- unexpected changes in regulatory requirements;
- changes in foreign intellectual property law;
- differing labor regulations;
- natural disaster, labor strike, military activity or war, political unrest, or terrorist activity;
- pandemic or other public health concerns;
- requirements relating to withholding taxes on remittances and other payments by subsidiaries;
- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in various jurisdictions;
- potential political instability and the actions of foreign governments; and
- restrictions on our ability to repatriate dividends from our subsidiaries.

In addition, our international operations are governed by various U.S. laws and regulations, including the Foreign Corrupt Practices Act and other similar laws that prohibit us and our business partners from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could materially adversely affect our international operations and, consequently, our operating results.

We rely on distributors and the loss of these distributors could adversely affect our business.

In addition to our direct sales force and manufacturer sales representatives, we depend on the services of distributors to sell our products and provide service and aftermarket support to our customers. We support an extensive distribution network, with over 3,000 distributor locations worldwide. During the year ended December 31, 2021, approximately 25% of our net sales from operations were generated through distributors. Almost all of the distributors with whom we transact business offer competitive products and services to our customers. In addition, the distribution agreements we have are typically non-exclusive and cancelable by the distributor after a short notice period. The loss of any major distributor or a substantial number of smaller distributors or an increase in the distributors' sales of our competitors' products to our customers could materially reduce our sales and profits.

We rely on estimated forecasts of our OEM customers' needs, and inaccuracies in such forecasts could materially adversely affect our business.

We generally sell our products pursuant to individual purchase orders instead of under long-term purchase commitments. Therefore, we rely on estimated demand forecasts, based upon input from our customers, to determine how much material to purchase and product to manufacture. Because our sales are based on purchase orders, our customers may cancel, delay or otherwise modify their purchase commitments with little or no consequence to them and with little or no notice to us. For these reasons, we generally have limited visibility regarding our customers' actual product needs. The quantities or timing required by our customers for our products could vary significantly. Whether in response to changes affecting the industry or a customer's specific business pressures, any cancellation, delay or other modification in our customers' orders could significantly reduce our revenue, impact our working capital, cause our operating results to fluctuate from period to period and make it more difficult for us to predict our revenue. In the event of a cancellation or reduction of an order, we may not have enough time to reduce operating expenses to minimize the effect of the lost revenue on our business and we may purchase too much inventory and spend more capital than expected, which may materially adversely affect our business.

From time to time, our customers may experience deterioration of their businesses. In addition, during periods of economic difficulty, our customers may not be able to accurately estimate demand forecasts and may scale back orders in an abundance of caution. As a result, existing or potential customers may delay or cancel plans to purchase our products and may not be able to fulfill their obligations to us in a timely fashion. Such cancellations, reductions or inability to fulfill obligations could significantly reduce our revenue, impact our working capital, cause our operating results to fluctuate adversely from period to period and make it more difficult for us to predict our revenue.

Disruption of our supply chain and COVID-19 related shutdowns of our suppliers' operations and our operations could have an adverse effect on our business, financial condition and results of operations.

Our ability, including manufacturing or distribution capabilities, and that of our suppliers, business partners and contract manufacturers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics, strikes, repairs or enhancements at our facilities, excessive demand, raw material shortages, semiconductor chip shortages, or other reasons could impair our ability, and that of our suppliers, to manufacture or sell our products. To the extent the current semiconductor chip shortage or other shortages continue, the production of our products may be impacted. If the Company or our suppliers are unable to obtain components from third parties in the quantities and of the quality that we require, on a timely basis and at acceptable prices, we may not be able to deliver our products on a timely or cost-effective basis to our customers. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

COVID-19 was declared a pandemic by the World Health Organization on March 12, 2020. Many countries where we do business, including the United States, many E.U. countries, the United Kingdom, Canada, China, Australia and India, have imposed restrictions on travel and business operations resulting in a substantial reduction of economic activity. Additionally, these restrictions have had and may continue to have a negative effect on the capacity of ports and terminals to process and accommodate commercial activity. The duration of the production and supply chain disruptions, and related financial impact, cannot be estimated at this time. In an effort to contain the spread of the virus and maintain the wellbeing of our employees, and in accordance with governmental requirements, we have experienced temporary closures at certain production facilities, and we have been required to operate some production facilities at reduced capacity. In addition, our suppliers, business partners and customers are also experiencing similar negative impacts from the COVID-19 pandemic. Should the production and distribution delays and closures continue for an extended period, of time they could have a material adverse effect on our results of operations and cash flows.

The materials used to produce our products are subject to price fluctuations and our ability to obtain those products and negotiate profitable agreements with our suppliers could increase costs of production and adversely affect our profitability.

The materials used to produce our products, especially aluminum, copper and steel, are sourced on a global or regional basis and the prices of those materials are susceptible to price fluctuations due to supply and demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. If we are unable to continue to pass a substantial portion of such price increases on to our customers on a timely basis, our future

profitability may be materially adversely affected. In addition, passing through these costs to our customers may also limit our ability to increase our prices in the future.

Our ability to maintain and expand our business depends, in part, on our ability to continue to obtain raw materials and component parts on favorable terms from various suppliers. If we are required to purchase raw materials or component parts subject to agreements that provide less favorable terms, the costs of providing our products may increase, which could decrease our profitability and have a material adverse effect on our business, financial condition and results of operations.

We may be subject to work stoppages at our facilities, or our customers may be subjected to work stoppages, which could seriously impact our operations and the profitability of our business.

As of December 31, 2021, we employed approximately 9,600 people on a full-time basis, of whom approximately 4,600 were employed in the United States and approximately 5,000 were employed outside of the United States. Of our United States employees, approximately 500 were hourly-rated, unionized employees. Outside the United States, we have government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where certain of our employees are represented by unions and/or works councils.

The Company believes that its relationship with employees is good. However, we are party to several U.S. and international collective bargaining arrangements and union contracts, and we may be unable to renew these agreements on terms that are satisfactory to us, if at all.

If our unionized workers or those represented by a works council were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our operations. Such disruption could interfere with our ability to deliver products on a timely basis and could have other negative effects, including decreased productivity and increased labor costs. In addition, if a greater percentage of our work force becomes unionized, our business and financial results could be materially adversely affected. Moreover, many of our direct and indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are used and could cause cancellation of purchase orders with us or otherwise result in reduced revenues from these customers.

Due to the COVID-19 pandemic, we may continue to experience reduced capacity operations and work stoppages at certain facilities resulting from employee absenteeism due to illness and compliance with quarantine requirements imposed by governmental authorities and Company policy. In addition, customers may experience similar negative impacts from the COVID-19 pandemic. Reduced capacity operations, work stoppages and decreased customer operations resulting from these events could impact the Company's operations and have a material adverse effect on our results of operations and cash flows.

We depend on the services of key executives, the loss of whom could materially harm our business.

Our senior executives are important to our success because they are instrumental in setting our strategic direction, operating our business, maintaining and expanding relationships with distributors, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement could be found. We believe that our senior executives could not easily be replaced with executives of equal experience and capabilities, but we cannot prevent our key executives from terminating their employment with us. We do not maintain key person life insurance policies on any of our executives.

If we lose certain of our key sales, marketing, skilled machinist, or engineering personnel, our business may be adversely affected.

Our success depends on our ability to recruit, retain and motivate highly skilled sales, marketing, skilled machinist and engineering personnel. Competition for these persons in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel in the event scarcity continues or increases. If we fail to recruit and retain the necessary personnel, our business and our ability to obtain new customers, develop new products and provide acceptable levels of customer service could suffer. If certain of these key personnel were to terminate their employment with us, we may experience difficulty replacing them, and our business could be harmed.

We may not be able to protect our intellectual property rights, brands or technology effectively, which could allow competitors to duplicate or replicate our technology and could adversely affect our ability to compete.

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions, as well as on license, non-disclosure, employee and consultant assignment and other agreements and domain name registrations in order to protect our proprietary technology and rights. Applications for protection of our intellectual property rights may not be allowed, and the rights, if granted, may not be maintained. In addition, third parties may infringe or challenge our intellectual property rights. In some cases, we rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. Further, in the ordinary course of our operations, we pursue potential claims from time to time relating to the protection of certain products and intellectual property rights, including with respect to some of our more profitable products. Such claims could be time-consuming, expensive and divert resources. If we are unable to

maintain the proprietary nature of our technologies or proprietary protection of our brands, our ability to market or be competitive with respect to some or all of our products may be affected, which could reduce our sales and profitability. See *"Business—Intellectual Property"*.

Unplanned repairs or equipment outages could interrupt production and reduce income or cash flow.

Unplanned repairs or equipment outages, including those due to natural disasters, could result in the disruption of our manufacturing processes. Any interruption in our manufacturing processes would interrupt our production of products, reduce our income and cash flow and could result in a material adverse effect on our business and financial condition.

Our operations are highly dependent on information technology infrastructure, including Enterprise Resource Planning systems, and failures in such infrastructure and failure to comply with data privacy laws or regulations could significantly affect our business.

We depend heavily on our information technology, or IT, infrastructure in order to achieve our business objectives both in our everyday business operations and during our integration efforts related to acquisitions. If we experience a problem that impairs this infrastructure, such as a computer virus, ransomware, natural disaster, act of terrorism, cyber-attack, electrical/telecommunications outage, malware, phishing, other intentional disruption, tampering or manipulation of our IT systems by an employee or unauthorized third party, or failure or other problem with the functioning of an important IT application, or if our third party software vendors discontinue further development, integration or long-term software maintenance support for our information systems, the resulting disruptions could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such events could cause us to lose revenue, could harm our relationships with or cause us to lose customers or suppliers, and could require us to incur significant expense to eliminate these problems and address related security concerns. Information security risks also exist with respect to the use of portable electronic devices, such as smartphones and laptops, which are particularly vulnerable to loss and theft.

Cyber-attacks from computer hackers and cyber criminals, social engineering attacks and other malicious Internet-based activity continue to increase generally, and perpetrators of cyber-attacks may be able to develop and deploy viruses, worms, ransomware, malware, DNS attacks, wireless network attacks, baiting attempts, phishing attempts, spear phishing attempts, distributed denial of service attacks and other malicious software programs that target our IT infrastructure and our networks, and those of our suppliers. These cyber-attacks may expose us to a variety of risks, including a risk of theft of substantial assets, including cash. In addition, a cyber-attack may cause additional costs, such as investigative and remediation costs, the costs of providing our suppliers, customers or other potentially affected parties with notice of the breach, legal fees and the costs of any additional fraud detection activities required by law, a court or a third party.

Techniques used to obtain unauthorized access or to sabotage systems, to impersonate, or to otherwise seek to perpetrate fraudulent acts against commercial parties change frequently, are increasingly sophisticated and generally are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. We cannot be certain that advances in cyber-capabilities or other developments will not compromise or breach the technology protecting our IT infrastructure and networks or our industrial machinery, software or hardware, and we can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate the negative effects of cyber-attacks or other security breaches. If such events affect our systems or products, our reputation and brand names could be materially damaged and use of our products may decrease. Additionally, a portion of our workforce is working remotely due to the COVID-19 pandemic, which may increase these risks. The measures we have taken to maintain adequate cyber security and address these risks and uncertainties may be inadequate.

We are also subject to an increasing number of evolving data privacy and security laws and regulations that impose requirements on us and our technology prior to certain transfer, storage, use, processing, or disclosure of data and prior to sale or use of certain technologies. Failure to comply with such laws and regulations could result in the imposition of fines, penalties and other costs. For example, the European Union's implementation of the General Data Protection Regulation in 2018, the European Union's pending ePrivacy Regulation, the implementation of the ePrivacy Directive by the various European Union member states, and California's implementation of its Consumer Privacy Act of 2018 and Connected Device Privacy Act of 2018, as well as data privacy statutes implemented by other states, or international authorities, could all disrupt our ability to sell products and solutions or use and transfer data because such activities may not be in compliance with applicable law in certain jurisdictions.

We are regularly in the process of implementing enhancements to our Enterprise Resource Planning systems and other business systems (collectively referred to as "ERP"), with the aim of enabling management to achieve better control across our business operations. If these critical enhancements are delayed, in whole or in part, our current ERP systems may not be sufficient to support our planned operations and certain ERP systems may become obsolete. There can be no assurance that the enhancements to our ERP systems will be successfully implemented and failure to do so could have a material adverse effect on our operations. The occurrence of any of these events or other unanticipated problems with our ERP systems could disrupt the management of, and have a material adverse effect on, our business operations.

If any one of these risks materializes, our business, financial condition, cash flows or results of operations could be materially and adversely affected.

Certain of our businesses are exposed to renewable energy markets which depend significantly on the availability and size of government subsidies and economic incentives.

Certain of our businesses sell products to customers within the renewable energy market, which among other energy sources includes wind energy and solar energy. This market is inherently cyclical and can be impacted by governmental policy, the comparative cost differential between various forms of energy, and the general macroeconomic climate.

At present, the cost of many forms of renewable energy may exceed the cost of conventional power generation in locations around the world. Various governments have used different policy initiatives to encourage or accelerate the development and adoption of renewable energy sources such as wind energy and solar energy. Renewable energy policies are in place in China and the United States. Examples of government sponsored financial incentives include capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end-users, distributors, system integrators and manufacturers of renewable energy products to promote the use of renewable energy and to reduce dependency on other forms of energy. Governments may decide to reduce or eliminate these economic incentives for political, financial or other reasons. Reductions in, or eliminations of, government subsidies and economic incentives could reduce demand for our products and, as our customers attempt to compete on a levelized playing field with other forms of nonrenewable energy, also increase pressure to reduce cost throughout the supply chain. Lower demand or increased pricing pressure could adversely affect our business prospects and results of operations.

We may not be able to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement and other business optimization initiatives.

We have in the past undertaken and expect to continue to undertake various restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. We cannot assure you that we will be able to achieve all of the cost savings that we expect to realize from current or future activities and initiatives. Furthermore, in connection with these activities, we may experience a disruption in our ability to perform functions important to our strategy. Unexpected delays, increased costs, challenges with adapting our internal control environment to a new organizational structure, inability to retain and motivate employees or other challenges arising from these initiatives could adversely affect our ability to realize the anticipated savings or other intended benefits of these activities and could have a material adverse impact on our financial condition and operating results.

Financial Risks

Adverse conditions in the credit and capital markets may limit or prevent our and our customers' and suppliers' ability to borrow or raise capital, which could harm our operations and financial performance.

Adverse conditions in the credit and financial markets could prevent us from obtaining financing, if the need arises. Our ability to invest in our global business and refinance or repay maturing debt obligations could require access to the credit and capital markets and sufficient bank credit lines to support cash requirements. If we are unable to access the credit and capital markets on commercially reasonable terms, we could experience a material adverse effect on our business, financial position or results of operations.

Deterioration in financial markets and confidence in major economies could impair our ability to access credit markets and finance our operations. In addition, a tight credit market may adversely affect the ability of our customers to obtain financing for significant purchases and operations and could result in a decrease in or cancellation of orders for our products and services as well as impact the ability of our customers to make payments. Similarly, a tight credit market may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. These conditions would harm our business by adversely affecting our sales, results of operations, profitability, cash flows, financial condition and long-term anticipated growth rate, which could result in potential impairment of certain long-term assets including goodwill.

Goodwill and indefinite-lived intangibles comprise a significant portion of our total assets, and if we determine that goodwill or indefinite-lived intangibles become impaired in the future, net income in such years may be materially and adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Due to the acquisitions we have completed historically, goodwill comprises a significant portion of our total assets. In addition, indefinite-lived intangibles, primarily tradenames and trademarks, comprise a significant portion of our total assets. We review goodwill and indefinite-lived intangibles annually for impairment, and any excess in carrying value over the estimated fair value is charged to the results of operations. Future reviews of goodwill and indefinite-lived intangibles could result in future reductions. Any reduction in net

income resulting from the write down or impairment of goodwill and indefinite-lived intangibles could adversely affect our financial results. If economic conditions deteriorate we may be required to impair goodwill and indefinite-lived intangibles in future periods.

Our leverage could adversely affect our financial health and make us vulnerable to adverse economic and industry conditions.

As of December 31, 2021, we had approximately $1,005.0 million outstanding and $395.0 million available under our Revolving Credit Facility (as defined herein). In addition, as of December 31, 2021, we had approximately $400.0 million outstanding under the Notes (as defined herein). Our indebtedness has important consequences; for example, it could:

- make it more challenging for us to obtain additional financing to fund our business strategy and acquisitions, debt service requirements, capital expenditures and working capital;
- increase our vulnerability to interest rate changes and general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of our cash flow to finance acquisitions and to fund working capital, capital expenditures, research and development efforts and other general corporate activities;
- make it difficult for us to fulfill our obligations under our credit and other debt agreements;
- require us to dispose of significant assets in order to satisfy our debt service and other obligations if we are not able to satisfy these obligations from cash from operations or other sources;
- limit our ability to buy back our common stock or pay cash dividends;
- limit our flexibility in planning for, or reacting to, changes in our business and our markets; and
- place us at a competitive disadvantage relative to our competitors that have less debt.

Substantially all of the domestic personal property of Altra and our domestic subsidiaries and certain shares of certain non-domestic subsidiaries have been pledged as collateral against any outstanding borrowings under the Altra Credit Agreement dated November 17, 2021 (as amended from time to time, the "Credit Agreement" or the "Altra Credit Agreement"), governing the Revolving Credit Facility. In addition, the Altra Credit Agreement requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt will depend on a range of economic, competitive and business factors, many of which are outside our control. There can be no assurance that our business will generate sufficient cash flow from operations to make these payments. If we are unable to meet our expenses and debt obligations, we may need to refinance all or a portion of our indebtedness before maturity, sell assets or issue additional equity. In the future, the then-current economic and credit market conditions may limit our access to additional capital, to the extent that the Altra Credit Agreement would otherwise permit additional financing, or may preclude our ability to refinance our existing indebtedness. There can be no assurance that there will not be a deterioration in the credit markets, a deterioration in the financial condition of our lenders or their ability to fund their commitments or, if necessary, that we will be able to find replacement financing, if need be, on similar or acceptable terms. An inability to access sufficient financing or capital could have an adverse impact on our operations and thus on our operating results and financial position.

The Altra Credit Agreement imposes significant operating and financial restrictions, which may prevent us from pursuing our business strategies or favorable business opportunities.

Subject to a number of important exceptions, under the Altra Credit Agreement we are subject to customary affirmative and negative covenants, such as limitations on:

- debt and preferred stock;
- liens;
- mergers, consolidations, liquidations, dissolutions and asset sales;
- investments, loans, advances, guarantees and acquisitions;
- speculative swaps and hedging arrangements;
- dividends or other distributions on capital stock, redemptions and repurchases of capital stock and prepayments, redemptions and repurchases of junior lien secured and subordinated debt;
- transactions with affiliates;
- restrictions on liens and other restrictive agreements;
- amendments of the operative documents related to junior debt agreements and organizational documents; and
- changes in fiscal year.

The restrictions contained in the Altra Credit Agreement may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under the Altra Credit Agreement. If any such default occurs, the lenders under the Altra Credit

Agreement may elect to declare all of the outstanding debt under the Altra Credit Agreement, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the Altra Credit Agreement also have the right in those circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the Altra Credit Agreement, the lenders under the Altra Credit Agreement will have the right to proceed against the collateral that secures the debt. If the debt under the Altra Credit Agreement were to be accelerated, we may not have the ability to refinance that debt, and if we can, the terms of such refinancing may be less favorable than the current financing terms under the Altra Credit Agreement. In the event that the indebtedness is accelerated, our assets may not be sufficient to repay in full all of our debt.

The Credit Agreement contains usual and customary representations and warranties, usual and customary affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. There can be no assurance that we will be able to remain in compliance with these covenants. If we fail to comply with either of these covenants in a future period and are not able to obtain waivers from the lenders thereunder, we would need to refinance the Revolving Credit Facility. However, there can be no assurance that such refinancing would be available on terms that would be acceptable to us or at all.

Our exposure to variable interest rates, foreign currency exchange rates and swap counter party credit risk could materially and adversely affect our business, operating results and financial condition.

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and foreign currency exchange rate fluctuations. Some of our indebtedness bears interest at variable rates, generally linked to market benchmarks such as LIBOR. Any increase in interest rates would increase our finance expenses relating to our variable rate indebtedness and increase the costs of refinancing our existing indebtedness and issuing new debt. In addition, in July 2017, the U.K.'s Financial Conduct Authority ("FCA"), which regulates LIBOR, announced its intent to phase out LIBOR by the end of 2021. On March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative: (a) immediately after December 31, 2021, in the case of the one-week and two-month U.S. dollar settings; and (b) immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. The United States Federal Reserve has also advised banks to cease entering into new contracts that use USD LIBOR as a reference rate. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has identified the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from the LIBOR benchmarks is anticipated in coming years. Accordingly, the outcome of these reforms is uncertain, and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR's phaseout could cause LIBOR to perform differently than in the past or cause LIBOR to cease to exist. The consequences of these developments cannot be entirely predicted, but could cause potential increases in interest rates on our floating debt rate. These uncertainties or their resolution also could negatively impact our funding costs, loan and other asset values, asset-liability management strategies and other aspects of our business and financial results. In addition, we conduct our business and incur costs in the local currency of the countries in which we operate. As we continue expanding our business into markets such as Europe, China, Australia, India and Brazil, we expect that an increasing amount of our revenue and cost of sales will be denominated in currencies other than the U.S. Dollar, our reporting currency. As a result, we are subject to currency translation risk, whereby changes in exchange rates between the dollar and the other currencies in which we borrow and do business could result in foreign exchange losses and have a material adverse effect on our results of operations.

From time to time, we rely on interest rate swap contracts and cross-currency swap contracts and hedging arrangements to effectively manage our interest rate and currency risk. Failure to perform under derivatives contracts by one or more of our counterparties could disrupt our hedging operations, particularly if we were entitled to a termination payment under the terms of the contract that we did not receive, if we had to make a termination payment upon default of the counterparty, or if we were unable to reposition the swap with a new counterparty.

Changes in accounting standards could affect our financial results.

The Company's accounting and financial reporting policies conform to U.S. generally accepted accounting principles ("GAAP"), which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, the Company is required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the Financial Accounting Standards Board (the "FASB") and the Securities and Exchange Commission. Such new financial accounting standards may change the financial accounting or reporting standards that govern the preparation of the Company's consolidated financial statements. Implementing changes required by new standards, requirements or laws require interpretation of rules and development of new accounting policies and internal controls that, if not appropriately applied, could result in financial statement errors and, deficiencies in internal control as well as significant costs to implement.

Legal and Compliance Risks

Changes to U.S. trade policy, tariff and import/export regulations and foreign government regulations could adversely affect our business, operating results, foreign operations, sourcing and financial condition.

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently sell our products or conduct our business, as well as any negative sentiment toward the U.S. as a result of such changes, could adversely affect our business. Changes to tariffs and other changes in U.S. trade policy have the potential to adversely impact the U.S. economy or certain sectors thereof, our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, operating results and financial condition. In addition, we cannot predict what changes to trade policy will be made in the future, including whether existing trade policies will be maintained or modified or whether the entry into new bilateral or multilateral trade agreements will occur, nor can we predict the effects that any conceivable changes would have on our business.

Our businesses are subject to risks generally associated with doing business abroad, including foreign governmental regulation in the countries in which several of our manufacturing sources and facilities are located, such as Brazil, Canada, Chile, China, Czech Republic, Denmark, France, Germany, India, Mexico, Slovakia, St. Kitts, Sweden, Turkey and the United Kingdom (the "U.K."). We believe that the issue of foreign governmental regulations that would impact our arrangements with our foreign manufacturing sources is of particular concern with regard to countries such as China due to the less mature nature of the Chinese market economy and the historical involvement of the Chinese government in industry. Additionally, we are subject to risks due to uncertainties related to the potential impact of the U.K.'s exit from the E.U. (Brexit) on the Company's business operations in the U.K. and Europe. If regulations were to render the conduct of business in a particular country undesirable or impracticable, if our current foreign manufacturing sources were for any other reason to cease doing business with us, or if we were in a position where we needed to relocate our manufacturing facilities due to regulations or other similar circumstances, such a development could have a material adverse effect on our product sales and on our supply, manufacturing, and distribution channels.

Our business is also subject to risks associated with U.S. and foreign legislation and regulations relating to imports, including quotas, duties, tariffs or taxes, and other charges or restrictions on imports, which could adversely affect our operations and our ability to import products at current or increased levels, and substantially all of our import operations are subject to customs duties on imported products imposed by the governments where our production facilities are located, including raw materials. We cannot predict whether additional U.S. and foreign customs quotas, duties (including antidumping or countervailing duties), tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased, reporting obligations pertaining to "conflict minerals" mined from certain countries, additional workplace regulations, or other restrictions on our imports will be imposed upon the importation of our products in the future or adversely modified, or what effect such actions would have on our costs of operations. For example, our products that are imported to the United States are subject to U.S. customs duties and, in the ordinary course of our business, we may from time to time be subject to claims by the U.S. Customs Service for duties and other charges. Factors that may influence the modification or imposition of these restrictions include the determination by the U.S. Trade Representative that a country has denied adequate intellectual property rights or fair and equitable market access to U.S. firms that rely on intellectual property, trade disputes between the United States and a country that leads to withdrawal of "most favored nation" status for that country, and economic and political changes within a country that are viewed unfavorably by the U.S. government. Future quotas, duties, or tariffs may have a material adverse effect on our business, financial condition, and results of operations. Future trade agreements could also provide our competitors with an advantage over us, or increase our costs, either of which could have a material adverse effect on our business, financial condition, and results of operations.

Product defects, quality issues, inadequate disclosures, misuse and potential product liability claims in relation to the products we manufacture or distribute could result in reputational harm and our having to expend significant time and expense to defend these claims and to pay material damages or settlement amounts.

Defects in, quality issues with respect to, or inadequate disclosure of risks relating to our products or the misuse of our products could lead to lost profits and other economic damage, property damage, personal injury or other liability resulting in third-party claims, criminal liability, significant costs, damage to our reputation and loss of business. Any of these factors could adversely affect our business, financial condition and results of operations.

We face a business risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in injury or other adverse effects. We currently have several product liability claims against us with respect to our products. We may not be able to obtain product liability insurance on acceptable terms in the future, if at all, or obtain insurance that will provide adequate coverage against potential claims. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. An unsuccessful product liability defense could exceed any insurance that we maintain and could have a material adverse effect on our business, financial condition, results of operations or our ability to make payments under our debt obligations when due. In addition, we believe our business depends on the strong brand reputation we have developed. In the event that our reputation is damaged, we may face difficulty in maintaining our pricing positions with respect to some of our products, which would reduce our sales and profitability.

We also risk exposure to product liability claims in connection with products sold by businesses that we acquire. We cannot assure you that third parties that have retained responsibility for product liabilities relating to products manufactured or sold prior to our acquisition of the relevant business, or persons from whom we have acquired a business that are required to indemnify us for certain product liability claims subject to certain caps or limitations on indemnification, will in fact satisfy their obligations to us with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not

comply with their respective obligations including indemnity obligations, or if certain product liability claims for which we are obligated were not retained by third parties or are not subject to these indemnities, we could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liabilities or are required to indemnify us, significant claims arising from products that we have acquired could have a material adverse effect on our ability to realize the benefits from an acquisition, could result in our reducing the value of goodwill that we have recorded in connection with an acquisition, or could otherwise have a material adverse effect on our business, financial condition, or results of operations.

We may be subject to litigation for a variety of claims, which could adversely affect our business, financial condition or results of operations.

In addition to product liability claims and securities class action litigation, which has often been brought against a company following a decline in the market price of its securities, we and our directors and officers may be subject to claims arising from our normal business activities. These may include claims, suits, and proceedings involving stockholder and fiduciary matters, intellectual property, labor and employment, wage and hour, commercial and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation or settlement or other resolution of a legal matter could adversely affect our business, financial condition or results of operations, harm our reputation or otherwise negatively impact our business.

Changes in labor or employment laws could increase our costs and may adversely affect our business.

Various federal, state and international labor and employment laws govern our relationship with employees and affect operating costs. These laws include minimum wage requirements, overtime, unemployment tax rates, workers' compensation rates paid, leaves of absence, mandated health and other benefits, and citizenship requirements. Significant additional government-imposed increases or new requirements in these areas could materially affect our business, financial condition, operating results or cash flow.

In the event our employee-related costs rise significantly, we may have to curtail the number of our employees or shut down certain manufacturing facilities. Any such actions would not only be costly but could also materially adversely affect our business.

We are subject to environmental laws that could impose significant costs on us and the failure to comply with such laws could subject us to sanctions and material fines and expenses.

We are subject to a variety of federal, state, local, foreign and provincial environmental laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances and wastes and the responsibility to investigate and clean up contaminated sites that are or were owned, leased, operated or used by us or our predecessors. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines and penalties may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. From time to time, our operations may not be in full compliance with the terms and conditions of our permits. The operation of manufacturing plants entails risks related to compliance with environmental laws, requirements and permits, and a failure by us to comply with applicable environmental laws, regulations, or permits could result in civil or criminal fines, penalties, enforcement actions, third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, including the installation of pollution control equipment or remedial actions. Moreover, if applicable environmental laws and regulations, or the interpretation or enforcement thereof, become more stringent in the future, we could incur capital or operating costs beyond those currently anticipated.

Certain environmental laws in the United States, such as the federal Superfund law and similar state laws, impose liability for the cost of investigation or remediation of contaminated sites upon the current or, in some cases, the former site owners or operators and upon parties who arranged for the disposal of wastes or transported or sent those wastes to an off-site facility for treatment or disposal, regardless of when the release of hazardous substances occurred or the lawfulness of the activities giving rise to the release. Such liability can be imposed without regard to fault and, under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation. As a practical matter, however, the costs of investigation and remediation generally are allocated among the viable responsible parties on some form of equitable basis. Liability also may include damages to natural resources. In addition, from time to time, we are notified that we are a potentially responsible party and may have liability in connection with off-site disposal facilities. There can be no assurance that we will be able to resolve pending and future matters relating to off-site disposal facilities at all or for nominal sums.

There is contamination at some of our current facilities, primarily related to historical operations at those sites, for which we could be liable for the investigation and remediation under certain environmental laws. The potential for contamination also exists at other of our current or former sites, based on historical uses of those sites. Our costs or liability in connection with potential contamination conditions at our facilities cannot be predicted at this time because the potential existence of contamination has not been investigated or not enough is known about the environmental conditions or likely remedial requirements. Currently, with respect to certain of our facilities, other parties with contractual liability are addressing or have plans or obligations to address those contamination conditions that may pose a material risk to human health, safety or the environment. In addition, there may be environmental conditions currently unknown to us relating to our prior, existing or future sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired which could have a material adverse effect on our business.

We are being indemnified, or expect to be indemnified by third parties, subject to certain caps or limitations on the indemnification, for certain environmental costs and liabilities associated with certain owned or operated sites. We cannot assure you that third parties who indemnify or who are expected to indemnify us for certain environmental costs and liabilities associated with certain owned or operated sites will in fact satisfy their indemnification obligations. If those third parties become unable to, or otherwise do not, comply with their respective indemnity obligations, or if certain contamination or other liability for which we are obligated is not subject to these indemnities, we could become subject to significant liabilities.

We or our products could infringe on the intellectual property of others, which may cause us to engage in costly litigation and, if we are not successful, could cause us to pay substantial damages and prohibit us from selling our products.

Third parties may assert infringement or other intellectual property claims against us based on their patents or other intellectual property claims, and we may have to pay substantial damages, possibly including treble damages, if it is ultimately determined that our products infringe. We may have to obtain a license to sell our products if it is determined that our products infringe upon another party's intellectual property. We might be prohibited from selling our products before we obtain a license, which, if available at all, may require us to pay substantial royalties. Even if infringement claims against us are without merit, defending these types of lawsuits takes significant time, may be expensive and may divert management attention from other business concerns.

Changes in our tax rates or exposure to additional income tax liabilities or assessments could significantly affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in numerous non-U.S. jurisdictions.

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof, the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities may be incorrect and our financial statements could be adversely affected. The impact of these factors referenced in the first sentence of this paragraph may be substantially different from period to period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities and our financial statements could be adversely affected. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could adversely affect our financial statements.

The market price of our common stock may fluctuate with market volatility.

The market price of our common stock has been volatile and may continue to fluctuate in response to a number of factors, some of which are beyond our control. The stock market in general, and the market prices of stocks of industrial companies in particular, have experienced significant price volatility that has adversely affected, and may continue to adversely affect, the market price of our common stock for reasons unrelated to our business or operating results. Broad market fluctuations could adversely affect the market price of our common stock, which in turn could cause impairment of goodwill that could materially and adversely impact our financial condition and results of operations.

It is not uncommon when the market price of a stock has been volatile for holders of that stock to institute securities class action litigation against the company that issues that stock. If any of our stockholders brought such a lawsuit against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit beyond any insurance coverage which we may have for such risks. Such a lawsuit could also divert the time and attention of our management. Any of these events, as well as other circumstances discussed in these Risk Factors, may cause the market price of our common stock to fall.

Risks Related to Strategic Transactions

Our acquisition of businesses and strategic relationships, or our failure to successfully integrate such transactions into our business, could adversely affect our future results and the market price of our common stock.

As part of our growth strategy, we have made and expect to continue to make, acquisitions. Our continued growth may depend on our ability to identify and acquire companies that complement or enhance our business on acceptable terms. We may not be able to identify or complete future acquisitions. We may not be able to integrate successfully our recent and past acquisitions, including the acquisition of Nook and the Fortive Transaction, or any future acquisitions, operate any acquired companies profitably or realize the potential benefits from these acquisitions.

These acquisitions and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our future results and the market price of our common stock:

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- any acquired business, technology, service or product could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable;
- we have in the past, and may in the future incur or assume significant debt in connection with our acquisitions or strategic relationships;
- acquisitions or strategic relationships could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term;
- pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period;
- acquisitions or strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address;
- we could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers;
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition or strategic relationship;
- we may assume by acquisition or strategic relationship unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's activities. The realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations;
- in connection with acquisitions, we may enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results;
- in connection with acquisitions, we have recorded significant goodwill and other intangible assets on our balance sheet. If we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets; and
- we may have interests that diverge from those of strategic partners and we may not be able to direct the management and operations of the strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.

We continually assess the strategic fit of our existing businesses and may divest or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment, and we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected.

A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products offered by us. All of these efforts require varying levels of management focus and resources, which may divert our attention from other business operations. If we do not realize the expected benefits of any divestiture transaction, our consolidated financial position, results of operations and cash flows could be negatively impacted. In addition, divestitures of businesses involve a number of risks, including significant costs and expenses, the loss of customer relationships, and a decrease in revenues and earnings associated with the divested business. Furthermore, divestitures potentially involve significant post-closing separation activities, which could involve the expenditure of material financial resources and significant employee resources. In addition, we may in some cases agree to hold the other party harmless against certain losses arising from a breach of representations or covenants, including specified environmental matters and certain income taxes arising prior to the date of acquisition, which also could involve the expenditure of material financial resources. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impact from the loss of

revenue associated with the divestiture, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition.

We are required to abide by potentially significant restrictions under the Fortive Transaction Tax Matters Agreement which could limit our ability to undertake certain corporate actions (such as the issuance of Altra common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous.

To preserve the tax-free treatment to Fortive and/or its stockholders of the Distribution and certain related transactions, under the Tax Matters Agreement, we are restricted from taking certain actions that could prevent such transactions from being tax-free. These restrictions may limit our ability to pursue certain strategic transactions or engage in other transactions, including using Altra common stock to make acquisitions and in connection with equity capital market transactions that might increase the value of our business.

General Risk Factors

We are subject to tax laws and regulations in many jurisdictions and the inability to successfully defend claims from taxing authorities related to our current or acquired businesses could adversely affect our operating results and financial position.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws between those jurisdictions as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our operating results and financial position. Moreover, changes to tax laws and regulations in the U.S. or other countries where we do business could have an adverse effect on our operating results and financial position.

Global economic changes or continued volatility and disruption in global financial markets could significantly impact our customers and suppliers, weaken the markets we serve and harm our operations and financial performance.

Global economic and financial market conditions have been weak and/or volatile in recent years, and those conditions have adversely affected our business operations and are expected to continue to adversely affect our business. The continued impact of the COVID-19 pandemic on the global economy as a whole will depend on future events. A weakening of current conditions or a future downturn may adversely affect our future results of operations and financial condition. Weak, challenging or volatile economic conditions in the end markets, businesses or geographic areas in which we sell our products could reduce demand for products and result in a decrease in sales volume for a prolonged period of time, which would have a negative impact on our future results of operations. The recent surges in COVID-19 cases due to new variants of the virus and the resurgence of inflation brought on by labor and supply shortages may have an adverse impact upon our business. Should these conditions persist for a prolonged period, this could result in a material adverse effect on our results of operations.

New or more stringent government regulations or standards designed to address climate change could increase our operational costs and severe weather associated with a changing climate could negatively impact our operations and those of our customers and suppliers.

We are subject to domestic and foreign regulations and standards governing emissions controls which are, in part, designed to address climate change. Due to increasing global concern over the effects of climate change, new or more stringent regulations and standards may be mandated. In addition, various stakeholders may demand additional controls beyond what is required by such regulations or standards. Tighter emissions controls as a result of these actions could increase our operational costs and could lead to disruptions in our operations as compliance is attained. Severe weather associated with a changing climate could also negatively impact the operation of our facilities, as well as those of our customers and suppliers.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The number, type, location and size of the materially important physical properties used by our operations as of December 31, 2021, are shown in the following charts, by segment.

	Number and Nature of Facilities			Square footage	
	Manufacturing	Corporate Support	Total	Owned	Leased
Power Transmission Technologies	38	37	75	1,796,192	1,148,064
Automation & Specialty	36	24	60	994,482	607,380
Corporate[1]	—	2	2	104,288	15,204

	Locations					Expiration dates of Leased Facilities (in years)	
	North America	Europe	Asia	Other	Total	Minimum	Maximum
Power Transmission Technologies	24	28	20	3	75	—	10
Automation & Specialty	20	20	19	1	60	—	26
Corporate[1]	2	—	—	—	2	4	4

(1) Corporate headquarters, shared services center, selective engineering functions and selective customer service functions.

We believe our owned and leased facilities are well-maintained and suitable for our operations.

Item 3. ***Legal Proceedings***

We are, from time to time, subject to a variety of litigation and other legal and regulatory claims incidental to our business. We cannot predict the outcome of these lawsuits, legal proceedings and claims with certainty. Based on our experience, current information and applicable law, we do not believe that these proceedings and claims will have a material adverse effect on our business, financial condition and results of operations.

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

Not applicable.

PART II

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

Market Information

Our common stock trades on the NASDAQ Global Market under the symbol "AIMC". As of February 28, 2022, the number of holders on record of our common stock was approximately 95.

Dividends

The Company declared and paid dividends of $0.30 per share of common stock for the year ended December 31, 2021. The Company declared and paid dividends of $0.31 per share of common stock for the year ended December 31, 2020.

On February 9, 2022, the Company declared a dividend of $0.08 per share for the quarter ended March 31, 2022, payable on April 4, 2022 to stockholders of record as of March 17, 2022. See Note 18 to the consolidated financial statements.

Future declarations of quarterly cash dividends are subject to approval by the Board of Directors and to the Board's continuing determination that the declaration of dividends are in the best interest of the Company's stockholders and are in compliance with all laws and agreements of the Company applicable to the declaration and payment of cash dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information concerning our equity compensation plans:

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders[1]	1,069,070[2]	$ —	4,112,948
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	1,069,070	$ —	4,112,948

(1) The 2014 Omnibus Incentive Plan was approved by the Company's stockholders at its 2014 annual meeting.

(2) Represents stock options and the maximum number of shares that may be issued under performance share awards that are outstanding as of December 31, 2021 based on achievement of the highest level of each applicable performance obligation.

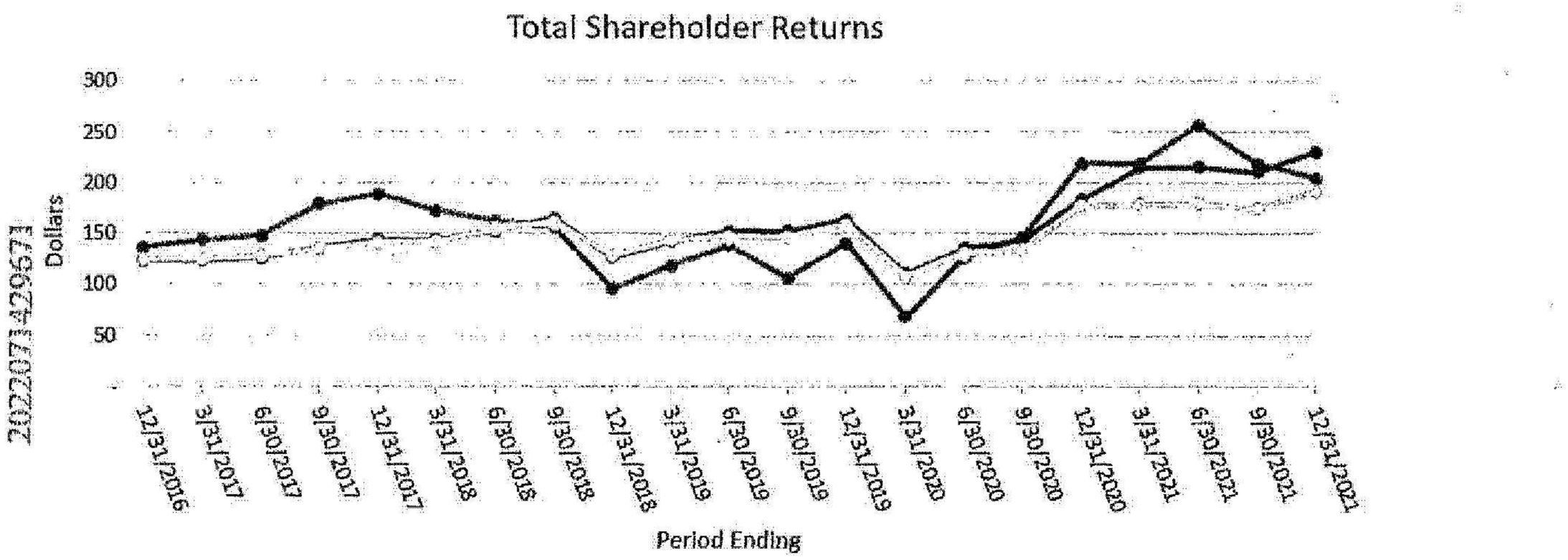
Issuer Repurchases of Equity Securities

On October 19, 2016, our board of directors approved a share repurchase program authorizing the buyback of up to $30.0 million of the Company's common stock. This program expired effective December 31, 2019, and there were no share repurchases during the year ended December 31, 2021.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock for the 5-year period from December 31, 2016, through December 31, 2021, with the cumulative total return on shares of companies comprising the S&P Small

Cap 600 Index and the S&P Small Cap 600 Capped Industrials Index in each case assuming an initial investment of $100, assuming dividend reinvestment.



Item 6. ***Reserved***

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

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the Company's current estimates, expectations and projections about the Company's future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning the Company's possible future results of operations including revenue, costs of goods sold, gross margin, future profitability, future economic improvement, business and growth strategies, financing plans, expected leverage levels, the Company's competitive position and the effects of competition, the projected growth of the industries in which we operate, and the Company's ability to consummate strategic acquisitions and other transactions. In addition, all statements regarding the anticipated effects of the novel coronavirus, or COVID-19, pandemic and the responses thereto, including the pandemic's impact on general economic and market conditions, as well as on our business, customers, end markets, results of operations and financial condition and anticipated actions to be taken by management to sustain the Company during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other statements that are not strictly historic in nature are forward looking. Forward-looking statements include statements that are not historical facts and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "may," "should," "will," "would," "project," "forecast," and similar expressions or variations. These forward-looking statements are based upon information currently available to the Company and are subject to a number of risks, uncertainties, and other factors that could cause the Company's actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Important factors that could cause the Company's actual results to differ materially from the results referred to in the forward-looking statements the Company makes in this report include the risks associated with:

- the effects of intense competition in the markets in which we operate;
- the cyclical nature of the markets in which we operate;
- the Company's ability to invest in new technologies and manufacturing techniques and to develop or adapt to changing technology and manufacturing techniques;
- political and economic conditions globally, nationally, regionally, and in the markets in which we operate;
- international operations, including currency risks;
- the loss of independent distributors on which we rely;
- the accuracy of estimated forecasts of OEM customers;
- the scope and duration of the COVID-19 global pandemic and its impact on global economic systems, our employees, sites, operations, customers, and supply chain, including the impact of the pandemic on manufacturing and supply capabilities throughout the world;
- disruption of our supply chain including the impact of the global semiconductor chip shortage;
- the disruption of the Company's production or commercial activities;
- natural disasters, war, civil unrest, terrorism, fire, floods, tornadoes, earthquakes, hurricanes, pandemics, including, but not limited to, the COVID-19 pandemic, or other matters beyond the Company's control;
- fluctuations in the costs of raw materials used in our products;
- work stoppages and other labor issues involving the Company's facilities or the Company's customers;
- the Company's ability to retain key executives;
- the Company's ability to recruit, retain and motivate key sales, marketing or engineering personnel;
- the Company's ability to obtain or protect intellectual property rights and avoid infringing on the intellectual property rights of others;
- unplanned repairs or equipment outages;
- failure of the Company's operating equipment or information technology infrastructure, including cyber-attacks or other security breaches, and failure to comply with data privacy laws or regulations;
- the Company's ability to implement and maintain enhancements to its Enterprise Resource Planning (ERP) system;
- the Company's exposure to renewable energy markets;
- the Company's ability to achieve the efficiencies, savings and other benefits anticipated from our cost reduction, margin improvement, restructuring, plant consolidation and other business optimization initiatives;
- the Company's ability to achieve its business plans, including with respect to an uncertain economic environment;
- global economic changes and continued volatility and disruption in global financial markets;
- adverse conditions in the credit and capital markets limiting or preventing the Company's and its customers' and suppliers' ability to borrow or raise capital;
- changes in market conditions that would result in the impairment of goodwill, indefinite lived intangibles or other assets of the Company;
- any negative effects of the Company's leverage, which could adversely affect its financial health;
- the significant operating and financial restrictions imposed by the Credit Agreement;

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- the Company's exposure to variable interest rates and foreign currency exchange rates, including risks related to transitioning from LIBOR to a replacement alternative reference rate and risks related to the use of hedging arrangement to manage interest rate and currency risk;
- changes in accounting rules and standards, audits, compliance with the Sarbanes-Oxley Act, and regulatory investigations;
- changes to trade policies, legislation, treaties, regulations and tariffs both in and outside of the United States;
- exposure to United Kingdom political developments, including the effect of its withdrawal from the European Union, and the uncertainty surrounding the effect of Brexit and related negative developments in the European Union and elsewhere;
- defects, quality issues, inadequate disclosure or misuse with respect to our products and capabilities and related potential product liability claims;
- the outcome of litigation to which the Company is a party from time to time;
- changes in labor or employment laws;
- environmental laws and regulations and the Company's failure to comply with such laws;
- tax laws and regulations in various jurisdictions to which the Company is subject and the inability to successfully defend claims from taxing authorities related to the Company's current or acquired businesses;
- changes in the Company's tax rates or exposure to additional income tax liabilities or assessments, as well as audits by tax authorities;
- changes in volatility of the Company's stock price and the risk of litigation following a decline in the price of the Company's stock;
- the Company's ability to successfully execute, manage and integrate key acquisitions and mergers, including the Nook acquisition and the Fortive Transaction;
- the risks associated with the Company's ability to successfully divest or otherwise dispose of businesses that that are deemed not to fit with our strategic plan or are not achieving the desired return on investment;
- the Company's debt and access to capital, credit ratings, indebtedness, and ability to raise additional capital and operate under the terms of the Company's debt obligations;
- restrictions relating to the tax free treatment of the Fortive Transaction; and
- other factors, risks, and uncertainties referenced in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" set forth in this document.

ALL FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS REPORT. EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT ANY EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS REPORT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO US OR ANY PERSON ACTING ON THE COMPANY'S BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION AND IN OUR RISK FACTORS SET FORTH IN PART I, ITEM 1A OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K AND IN OTHER REPORTS FILED WITH THE SEC BY THE COMPANY.

The following discussion of the financial condition and results of operations of Altra Industrial Motion Corp. and its subsidiaries should be read together with the consolidated financial statements of Altra Industrial Motion Corp. and its subsidiaries and related notes included elsewhere in the this Annual Report on Form 10-K. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Forward-Looking Statements" and "Risk Factors". Unless the context requires otherwise, the terms "Altra," "Altra Industrial Motion Corp.," "the Company," "we," "us" and "our" refer to Altra Industrial Motion Corp. and its subsidiaries.

The following generally discusses 2021 and 2020 items and year-to-year comparison between 2021 and 2020. Discussion of historical items and year-to-year comparisons between 2020 and 2019 that are not included in this discussion can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 26, 2021.

General

We are a leading global designer, producer and marketer of a wide range of electromechanical power transmission motion control ("PTMC") products. Our technologies are used in various motion related applications and across a wide variety of high-volume manufacturing and non-manufacturing processes in which reliability and precision are critical to avoid costly down time and enhance the overall efficiency of operations.

We market our products under well recognized and established brands, which have been in existence for an average of over 85 years. We serve a diversified group of customers comprised of over 1,000 direct original equipment manufacturers ("OEMs") including GE, Honeywell and Siemens, and also benefit from established, long-term relationships with leading industrial distributors, including Applied Industrial Technologies, Grainger, and Motion Industries. Many of our customers operate globally across a large

number of industries, ranging from transportation, turf and agriculture, energy and mining to factory automation, medical and robotics. Our relationships with these customers often span multiple decades, which we believe reflects the high level of performance, quality and service we deliver, supplemented by the breadth of our offering, vast geographic footprint and our ability to rapidly develop custom solutions for complex customer requirements.

On October 1, 2018, Altra consummated the Fortive Transaction and acquired the A&S Business for an aggregate purchase price of approximately $2,855.7 million, subject to certain post-closing adjustments, which consisted of $1,400.0 million of cash and debt instruments transferred to Fortive and shares of Altra common stock received by Fortive shareholders valued at approximately $1,455.7 million. The initial accounting for the Fortive Transaction (including the allocation of the purchase price to acquired assets and liabilities) was completed during the year ended December 31, 2019.

Business Outlook

Our future financial performance depends, in large part, on conditions in the markets that we serve and on conditions in the U.S., European, and global economies in general. In the year ended December 30, 2021, our team was required to manage through a challenging environment, including supply chain constraints, labor shortages, inflation pressures, and the continued impact of COVID-19. Despite these challenges, our businesses experienced broad-based demand trends which contributed to strong backlog levels. Moreover, our strong cash generation allowed us to make continued progress de-levering our balance sheet by paying down a total of $155 million of debt in 2021.

Looking ahead to 2022, we expect continued strength across most of our end markets. We enter the year with strong backlog levels and have implemented several pricing initiatives that we expect will improve profitability in the coming quarters. However, we anticipate the first half of 2022 will continue to be constrained by headwinds from inflation, labor availability and supply chain challenges. We will remain focused on leveraging the Altra Business System to drive organic growth initiatives, to integrate the Nook business, and to execute on our strategy to position Altra as a resilient premier industrial company for the long-term.

Critical Accounting Policies and Significant Accounting Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. The methods, estimates and judgments we use in applying our critical accounting policies have a significant impact on the results we report in our financial statements. We evaluate our estimates and judgments on an on-going basis. Our estimates are based upon historical experience and assumptions that we believe are reasonable under the circumstances. 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 change our reported results.

Our significant accounting policies are discussed in Note 1 to the financial statements. We believe the following accounting policies and estimates 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.

Inventory. Inventories are generally stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. The cost of inventory includes direct materials, direct labor, and production overhead. We state inventories acquired through acquisitions at their fair value at the date of acquisition based on the replacement cost of raw materials, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts, and, for work-in-process, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts and costs to complete.

We periodically review our quantities of inventories on hand and compare these amounts to the historical and expected usage of each particular product or product line. We record as a charge to cost of sales any amounts required to reduce the carrying value of inventories to net realizable value.

We record an inventory excess and obsolescence reserve for obsolete, excess and slow-moving inventory. In calculating our inventory excess and obsolescence reserve, we analyze historical and projected data regarding customer demand within specific product categories and make assumptions regarding economic conditions within customer specific industries, as well as product changes. Our accounting estimate related to inventory excess and obsolescence is a critical accounting estimate because our assumptions are based on factors that can be variable and largely beyond our control, and changes in our reserve for inventory excess and obsolescence could materially affect our results of operations.

Business Combinations. Business combinations are accounted for at fair value. Acquisition costs are generally expensed as incurred and recorded in selling, general and administrative expenses. The accounting for business combinations is a critical accounting estimate because it requires estimates and judgment as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair value for assets and liabilities

acquired. The fair value assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill, or require acceleration of the amortization expense of finite-lived intangible assets

Goodwill, Intangibles and other long-lived assets. In connection with our acquisitions, goodwill and intangible assets were identified and recorded at fair value. We recorded intangible assets for customer relationships, trade names and trademarks, product technology, patents, in-process research and development ("IPR&D") and goodwill. In valuing the customer relationships, trade names and trademarks and product technology, we utilized variations of the income approach. The income approach was considered the most appropriate valuation technique because the inherent value of these assets is their ability to generate current and future income. The income approach relies on historical financial and qualitative information, as well as assumptions and estimates for projected financial information. Projected financial information is subject to risk if our estimates are incorrect. The most significant estimate relates to our projected revenues and profitability. If we do not meet the projected revenues and profitability used in the valuation calculations then the intangible assets could be impaired. In determining the value of customer relationships, we reviewed historical customer attrition rates which were determined to be approximately 1% - 12% per year. Most of our customers tend to be long-term customers with very little turnover. While we do not typically have long-term contracts with customers, we have established long-term relationships with customers which make it difficult for competitors to displace us. Additionally, we assessed historical revenue growth within our industry and customers' industries in determining the value of customer relationships. The value of our customer relationships intangible asset could become impaired if future results differ significantly from any of the underlying assumptions. This could include a higher customer attrition rate or a change in industry trends such as the use of long-term contracts which we may not be able to obtain successfully. Customer relationships and product technology and patents are considered finite-lived assets, with estimated lives ranging from 4 to 29 years. The estimated lives were determined by calculating the number of years necessary to obtain 95% of the value of the discounted cash flows of the respective intangible asset.

Goodwill, trademarks, IPR&D and the majority of our trade names are considered indefinite lived assets. Our trade names and our trademarks identify us and differentiate us from competitors, and therefore competition does not limit the useful life of these assets. Additionally, we believe that our trade names and trademarks will continue to generate product sales for an indefinite period.

Accounting standards require that an annual goodwill impairment assessment be conducted at the reporting unit level using either a quantitative or qualitative approach. The Company has determined that its Power Transmission Technologies ("PTT") reporting segment is comprised of three reporting units. The Company has also determined that its A&S Business reporting segment is comprised of four reporting units.

In connection with the Company's annual impairment review, goodwill is assessed for impairment by comparing the fair value of the reporting unit to the carrying value. The Company's measurement date is October 31st. The Company determines the fair value of its reporting units using the discounted cash flow model and, where appropriate, the Company also uses the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples. The Company estimates future cash flows based upon historical results and current market projections, discounted at a market comparable rate. An impairment loss would be recognized to the extent that a reporting unit's carrying amount exceeded its deemed fair value.

Management believes the preparation of revenue and profitability growth rates for use in the long-range plan and the discount rate requires significant use of judgment. If any of our reporting units do not meet our forecasted revenue and/or profitability estimates, we could be required to perform an interim goodwill impairment analysis in future periods. In addition, if our discount rate increases, we could be required to perform an interim goodwill impairment analysis.

For our indefinite lived intangible assets, mainly trademarks, we estimate the fair value by first estimating the total revenue attributable to the trademarks. Second, we estimate an appropriate royalty rate using the return on assets method by estimating the required financial return on our assets, excluding trademarks, less the overall return generated by our total asset base. The return as a percentage of revenue provides an indication of our royalty rate. We compared the estimated fair value of the trademarks with the carrying value of the trademarks and did not identify any impairment as of the annual impairment date or for any of the periods presented.

Long-lived assets, including definite-lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of a long lived asset may not be recovered. Long-lived assets are considered to be impaired if the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time.

Management continuously monitors for events and circumstances that could negatively impact the key assumptions in determining fair value. While management believes the judgements and assumptions used in the impairment tests are reasonable, management considers it a critical accounting estimate because different assumptions or changes in general industry and economic conditions could change the estimated fair values and, therefore, future impairment charges could be required, which could be material to the financial statements. Refer to Note 7 for additional discussion and results of the Company's annual impairment review.

Recent Accounting Standards

See the discussion of significant accounting policies in Note 1 of the consolidated financial statements for the year ended December 31, 2021.

Results of Operations.

Amounts in millions, except percentage data

	Years Ended December 31,		
	2021	2020	2019
Net sales	$ 1,899.8	$ 1,726.0	$ 1,834.1
Cost of sales	1,224.4	1,103.6	1,177.8
Gross profit	675.4	622.4	656.3
Gross profit percentage	35.6%	36.1%	35.8%
Selling, general and administrative expenses	368.7	332.2	359.0
Impairment charges	142.4	147.5	—
Research and development expenses	63.9	57.8	59.1
Restructuring costs	3.0	7.4	14.1
Income from operations	97.4	77.5	224.1
Interest expense, net	94.5	72.1	73.8
Other non-operating (income) expense, net	(4.9)	1.4	2.1
Income before income taxes	7.8	4.0	148.2
(Benefit)/Provision for income taxes	(19.9)	29.5	21.0
Net income/(loss)	$ 27.7	$ (25.5)	$ 127.2

Segment Performance.

Amounts in millions, except percentage data

	Years Ended December 31,		
	2021	2020	2019
Net Sales:			
Power Transmission Technologies	$ 924.8	$ 818.6	$ 907.7
Automation & Specialty	979.0	911.8	931.0
Intra-segment eliminations	(4.0)	(4.4)	(4.6)
Net sales	$ 1,899.8	$ 1,726.0	$ 1,834.1
Income from operations:			
Segment earnings:			
Power Transmission Technologies	$ 128.6	$ 97.5	$ 113.5
Automation & Specialty	(8.3)	(10.4)	132.3
Corporate	(19.9)	(2.2)	(7.6)
Restructuring and consolidation costs	(3.0)	(7.4)	(14.1)
Income from operations	$ 97.4	$ 77.5	$ 224.1

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
Net sales	$ 1,899.8	$ 1,726.0	$ 173.8	10.1%

Net Sales. The increase in net sales during the year ended December 31, 2021 when compared to the year ended December 31, 2020 is primarily due to strength across most end markets, especially the turf and garden, factory automation, fork-lift truck and agriculture end markets. Changes in foreign exchange and price had a favorable impact on net sales of $37.6 million and $30.1 million, respectively, for the year ended December 31, 2021.

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
Gross profit	$ 675.4	$ 622.4	$ 53.0	8.5%
Gross profit as a percent of net sales	35.6%	36.1%		

Gross profit. The decrease in gross profit as a percentage of net sales during the year ended December 31, 2021 when compared to the year ended December 31, 2020 was primarily due to increasing costs associated with logistics, supply chain and labor. In addition, we experienced unfavorable product mix in 2021 due to slowness in China for class 8 heavy duty trucks and strong COVID-19 related medical sales in 2020. Changes in foreign exchange and price had a favorable impact on gross profit of $14.2 million and $30.1 million, respectively, for the year ended December 31, 2021.

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
Selling, general and administrative expense ("SG&A")	$ 368.7	$ 332.2	$ 36.5	11.0%
SG&A as a percent of net sales	19.4%	19.2%		

Selling, general and administrative expenses. The increase in SG&A during the year ended December 31, 2021 when compared to the year ended December 31, 2020 was primarily driven by expenses returning that were eliminated, reduced or deferred in the prior year such as reinstating merit increases, increased healthcare expenses and backfilling open positions. Foreign exchange had an unfavorable impact on SG&A of $5.7 million.

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
Research and development expenses ("R&D")	$ 63.9	$ 57.8	$ 6.1	10.6%

Research and development expenses. The increase in R&D during the year ended December 31, 2021 when compared to the year ended December 31, 2020 was primarily due to expenses returning that were deferred, such as reinstating merit increases and backfilling open positions. Foreign exchange had an unfavorable impact of approximately $1.3 million for the year ended December 31, 2021. We expect research and development costs to be approximately 2.5% - 3.5% of sales in future periods.

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
Restructuring costs	$ 3.0	$ 7.4	$ (4.4)	(59.5)%

Restructuring costs. During the quarter ended September 30, 2017, we commenced a restructuring plan ("2017 Altra Plan") as a result of Altra's purchase of Stromag (the "Stromag Acquisition") and to rationalize our global renewable energy business. The actions taken pursuant to the 2017 Altra Plan included reducing headcount, facility consolidations and the elimination of certain costs. The total 2017 Altra Plan savings are in line with our expectations. We do not expect to incur any additional material costs as a result of the 2017 Altra Plan.

During 2019, we commenced a restructuring plan ("2019 Altra Plan") to drive efficiencies, reduce the number of facilities and optimize our operating margin. We have incurred and expect to incur expenses related to workforce reductions, lease termination costs and other facility rationalization costs. We expect to incur an additional $1 - $2 million in restructuring expenses under the 2019 Altra Plan over the next 2 years, primarily related to plant consolidation and headcount reductions. We achieved savings of $4.1 million during the year ended December 31, 2021 under the 2019 Altra Plan and estimate additional future savings to be approximately $1 - $2 million over the next 2 years. The cost savings for the year ended December 31, 2021 were recognized as improvements in SG&A and cost of sales of approximately $1.5 million and $2.6 million, respectively.

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
Interest expense, net	$ 94.5	$ 72.1	$ 22.4	31.1%

Interest expense. The increase in interest expense during the year ended December 31, 2021 when compared to the year ended December 31, 2020 was primarily due to the write-off of debt issuance costs related to the extinguishment of the 2018 Term Loan Facility (as defined below) of approximately $15.4 million of non-cash interest expense. In addition, in connection with the new Credit Agreement (as defined below), we reclassified the remaining balance of the unrealized loss from the termination of the interest rate swap from accumulated other comprehensive income (loss) to interest expense of approximately $14.9 million of non-cash interest expense. The increase in interest expense was partially offset by a decrease in cash interest expense due to the impact of debt paydowns of approximately $150.0 million under the 2018 Credit Agreement (as defined below) and $5.0 million under the new Credit Agreement. We expect our interest expense in 2022 to continue to decrease as additional principal payments on our debt are made.

Amounts in millions, except percentage data	Years Ended December 31,			
	2021	2020	Change	%
(Benefit)/Provision for income taxes	$ (19.9)	$ 29.5	$ (49.4)	(167.5)%
(Benefit)/Provision for income taxes as a percent of income before income taxes	(255.1%)	737.5%		

(Benefit)/Provision for income taxes. The benefit for income tax as a percentage of income before income taxes increased during the year ended December 31, 2021 when compared to the year ended December 31, 2020. The provision for income tax as a percent of income before income taxes during the year ended December 31, 2020 was impacted by a $139.1 million non-cash impairment charge recorded at the JVS reporting unit in the United States and China. The benefit for income tax as a percent of income before income taxes during the year ending December 31, 2021 was impacted by a $142.4 million non-cash impairment charge recorded related to the classification of the JVS business as an asset held for sale and by a $2.8 million provision related to disallowed executive compensation. We expect our provision for income taxes before discrete items to be approximately 21% to 23% in future periods.

Segment Performance

Power Transmission Technologies

Net sales in the Power Transmission Technologies segment were $924.8 million in the year ended December 31, 2021, an increase of approximately $106.2 million or 13.0%, from the year ended December 31, 2020. The increase was primarily due to the broad based strength across most of our end markets, especially the material handling, turf and garden and agriculture end markets. In addition, changes in foreign currency exchange rates for the year ended December 31, 2021 had a favorable impact on net sales of $19.6 million. Price had a favorable impact on net sales for the year ended December 31, 2021 of $21.6 million. Segment operating income increased by approximately $31.1 million compared to the prior year, which was primarily driven by the increase in net sales and was partially offset by increasing costs from logistics, supply chain and labor.

Automation & Specialty

Net sales in the Automation & Specialty business segment were $979.0 million in the year ended December 31, 2021, an increase of approximately $67.2 million from the year ended December 31, 2020. The increase was primarily due to strength in the factory automation and marine end markets. Changes in foreign exchange and price had a favorable impact on net sales of $18.0 million and $8.5 million, respectively, for the year ended December 31, 2021. The increase was partially offset by a decline in the heavy-duty truck end market and the medical end market. The A&S segment had a loss from operations for the year ended December 31, 2021 due to the non-cash impairment charge of $142.4 million recorded in the fourth quarter of 2021 at the JVS reporting unit related to the held for sale classification. Similarly, for the year ended December 31, 2020, the Company recorded non-cash impairment charges of $8.4 million and $139.1 million for indefinite-lived intangible assets and goodwill, respectively. Excluding the impact of these non-cash impairment charges in 2020 and 2021, income from operations would have decreased by approximately $3.0 million for the year ended December 31, 2021 as compared to the prior year, primarily due to increasing costs from logistics, supply chain and labor, partially offset by the increase in sales.

Liquidity and Capital Resources

Overview

We finance our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under the Revolving Credit Facility (as defined below). At December 31, 2021, we have the ability under the Revolving Credit Facility to borrow an additional $390.2 million subject to satisfying customary conditions. We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures, acquisitions, pensions, dividends and share repurchases.

We believe, based on current and projected levels of cash flows from operating activities, together with our ability to borrow under the Revolving Credit Facility (as defined herein), we have sufficient liquidity to meet our short-term and long-term needs to make required payments of interest on our debt, make amortization payments under the Credit Facilities (as defined herein), fund our operating needs, fund working capital and capital expenditure requirements and comply with the financial ratios in our debt agreements. In the event additional funds are needed for operations, we could attempt to obtain new debt and/or refinance existing debt, or attempt to raise capital in the equity markets. There can be no assurance, however, that additional debt or equity financing will be available on commercially acceptable terms, if at all.

Notes

On September 26, 2018, Stevens Holding Company, Inc., a wholly owned subsidiary of the Company ("Stevens Holding"), announced the pricing of $400 million aggregate principal amount of Stevens Holding's 6.125% senior notes due 2026 (the "Notes") in a private debt offering pursuant to Rule 144A and Regulation S under the Securities Act of 1933 (the "Private Placement"). On October 1, 2018, the Private Placement closed, and Stevens Holding sold $150 million aggregate principal amount of the Notes (the "Primary Notes") and an unaffiliated selling securityholder sold $250 million aggregate principal amount of the Notes (the "Selling Securityholder Notes"). The Notes will mature on October 1, 2026. Interest on the Notes accrues from October 1, 2018, and the first interest payment date on the Notes was April 1, 2019. The Notes may be redeemed at the option of Stevens Holding on or after October 1, 2023, in the manner and at the redemption prices specified in the indenture governing the Notes, plus accrued and unpaid interest thereon, if any, to, but excluding, the date of redemption. The Notes are guaranteed on a senior unsecured basis by Altra and certain of its domestic subsidiaries.

The unaffiliated selling securityholder received the Selling Securityholder Notes from Fortive prior to the closing of the Private Placement in exchange for certain outstanding Fortive debt held or acquired by the unaffiliated selling securityholder. Stevens Holding used the net proceeds of the Primary Notes to fund a dividend payment to Fortive prior to the consummation of the Merger, and Stevens Holding did not receive any proceeds from the sale of the Selling Securityholder Notes.

2021 Altra Credit Agreement

On November 17, 2021, the Company entered into a new Credit Agreement (the "Credit Agreement" or the "Altra Credit Agreement") with certain subsidiaries of the Company (together with the Company, the "Borrowers") , the lenders party to the Credit Agreement from time to time (collectively, the "Lenders"), Bank of Montreal as administrative agent (the "Administrative Agent"), as sustainability structuring agent and collateral agent thereunder, and under the security and guarantee documents for the Lenders, and BMO Capital Markets Corp., Citizens Bank, N.A., JPMorgan Chase Bank, N.A., and Wells Fargo Securities, LLC as joint lead arrangers and joint bookrunners. Pursuant to the Credit Agreement, the Lenders made available to the Borrowers a term loan facility of $400.0 million (the "Term Loan Facility" or "Term Loan" or "Term Loan A") and a revolving credit facility of $1,000.0 million (the "Revolving Credit Facility" or "Revolver", and together with the Term Loan Facility, the "Credit Facilities"). The aggregate proceeds of the Credit Facilities were used to repay in full and extinguish all outstanding indebtedness for borrowed money under the 2018 Credit Agreement. The amounts available under the Credit Facilities are to be available for general corporate purposes and to repay existing indebtedness. The stated maturity of both of the Credit Facilities is November 17, 2026, and there are scheduled quarterly principal payments due on the outstanding amount of the Term Loan Facility.

The Credit Facilities are guaranteed on a senior secured basis by certain direct and indirect domestic subsidiaries of the Company (each a "Guarantor" and collectively the "Guarantors"; the Guarantors collectively with the Borrowers, the "Loan Parties").

The amounts available under the Revolving Credit Facility may be drawn upon in accordance with the terms of the Credit Agreement. All amounts outstanding under the Credit Facilities are due on the stated maturity or such earlier time, if any, required under the Credit Agreement. The amounts owed under either of the Credit Facilities may be prepaid at any time, subject to usual notification and breakage payment provisions. Interest on the amounts outstanding under the Credit Facilities is calculated using either a Base Rate or Eurocurrency Rate, plus the applicable margin. The applicable margins for Eurocurrency Loans are between 1.000% to 1.750%, and for Base Rate Loans are between 0.000% and 0.750%. The amounts of the margins are calculated based on the Total Leverage Ratio (as defined in the Credit Agreement). A portion of the Revolving Credit Facility may be used for the issuance of letters of credit, and a portion of the amount of the Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies. The interest rate on the Credit Facilities was 1.590% at December 31, 2021.

Revolving borrowings and issuances of letters of credit under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the accuracy of representations and warranties and the absence of defaults.

The Credit Agreement contains usual and customary representations and warranties, usual and customary affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Borrowers to maintain certain financial covenants relating to consolidated leverage and interest coverage, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The obligations of the borrowers of the Credit Facilities under the Credit Agreement may be accelerated upon customary events of default, including non-payment of principal, interest, fees and other amounts, inaccuracy of representations and warranties, violation of covenants, cross default and cross acceleration, voluntary and involuntary bankruptcy or insolvency proceedings, inability to pay debts as they become due, material judgments, ERISA events, actual or asserted invalidity of security documents or guarantees and change in control.

Pursuant to the Credit Agreement, on November 17, 2021, the Loan Parties and the Administrative Agent entered into a Guarantee and Collateral Agreement (the "Guarantee and Collateral Agreement"), pursuant to which each Loan Party pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all personal property, whether now owned by or owing to, or after acquired by or arising in favor of such Loan Party (including under any trade name or derivations), and whether owned or consigned by or to, or leased from or to, such Loan Party, and regardless of where located, except for specific excluded personal property identified in the Guarantee and Collateral Agreement (collectively, the "Collateral"). Notwithstanding the foregoing, the Collateral does not include, among other items, more than 65% of the capital stock of the first tier foreign subsidiaries of the Company. The Guarantee and Collateral Agreement contains other customary representations, warranties and covenants of the parties.

In connection with the Guarantee and Collateral Agreement, certain of the Loan Parties delivered a Patent Security Agreement and a Trademark Security Agreement in favor of the Administrative Agent pursuant to which each of the Loan Parties signatory thereto pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all registered patents, patent applications, registered trademarks and trademark applications owned by such Loan Parties.

2018 Altra Credit Agreement

On October 1, 2018, the Company entered into a Credit Agreement (the "2018 Credit Agreement") with certain subsidiaries of Altra, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and a syndicate of lenders. The 2018 Credit Agreement provided for a seven-year senior secured term loan to the Company in an aggregate principal amount of $1,340.0 million (the "2018 Term Loan Facility") and a five-year senior secured revolving credit facility available to the Company and certain of its subsidiaries in an aggregate committed principal amount of $300.0 million (the "2018 Revolving Credit Facility" and together with the 2018 Term Loan Facility, the "2018 Credit Facilities"). The initial proceeds of the 2018 Term Loan Facility were used to (i) consummate the Direct Sales, (ii) repay in full and extinguish all outstanding indebtedness for borrowed money under the Company's previous credit agreement and (iii) pay certain fees, costs, and expenses in connection with the consummation of the Fortive Transaction. Any proceeds of the 2018 Term Loan Facility not so used could be used for general corporate purposes and the proceeds of the 2018 Revolving Credit Facility were used for working capital and general corporate purposes.

The 2018 Credit Facilities were guaranteed on a senior secured basis by the Company and by each direct or indirect wholly owned domestic subsidiary of the Company, subject to certain customary exceptions.

Interest on the amounts outstanding under the 2018 Credit Facility was calculated using either an ABR Rate or Eurocurrency Rate, plus the applicable margin. In addition, the Company was required to pay fees per annum on the unused amount of the 2018 Revolving Credit Facility, based upon the applicable margin.

Revolving borrowings and issuances of letters of credit under the 2018 Revolving Credit Facility were subject to the satisfaction of customary conditions, including the accuracy of representations and warranties and the absence of defaults.

The 2018 Credit Agreement contained usual and customary representations and warranties, and usual and customary affirmative and negative covenants, including limitations on liens, investments, restricted payments, additional indebtedness and asset sales and mergers. In addition, the 2018 Credit Agreement required that the Company maintain a specified maximum senior secured leverage ratio and a specified minimum interest coverage ratio. The obligations of the borrowers of the 2018 Credit Facilities under the 2018 Credit Agreement also contained customary events of default.

Working Capital Line of Credit

One foreign subsidiary of the Company has a line of credit used for operating purposes. As of December 31, 2021, the Company had 1.9 million Chinese RMB, or $0.3 million, outstanding on the line of credit.

Borrowings

Below is a summary of borrowings as of December 31, 2021 and 2020, respectively:

	Amounts in millions Years Ended December 31,	
	2021	2020
Debt:		
Term loan	$ 400.0	$ 1,030.0
Revolver	605.0	-
Notes	400.0	400.0
Mortgages and other	9.2	12.9
Finance leases	0.1	0.3
Total gross debt	$ 1,414.3	$ 1,443.2

Below is a reconciliation of net debt for the year ended December 31, 2021:

	Amounts in millions Years Ended December 31,	
	2021	2020
Total gross debt	$ 1,414.3	$ 1,443.2
Cash	(246.1)	(254.4)
Net debt	$ 1,168.2	$ 1,188.8

Cash and Cash Equivalents

The following is a summary of our cash balances and cash flows (in millions) as of and for the years ended December 31, 2021 and 2020, respectively.

	2021	2020	Change
Cash and cash equivalents at the beginning of the year	$ 254.4	$ 167.3	$ 87.1
Cash flows provided by operating activities	217.0	262.5	(45.5)
Cash flows provided by (used in) in investing activities	(163.6)	15.6	(179.2)
Cash flows provided by (used in) financing activities	(52.5)	(193.2)	140.7
Effect of exchange rate changes on cash and cash equivalents	(9.2)	2.2	(11.4)
Cash and cash equivalents at the end of the year	$ 246.1	$ 254.4	$ (8.3)

Cash Flows for 2021

Net cash provided by operating activities was approximately $217.0 million for the year ended December 31, 2021, a decrease of approximately $45.5 million as compared to the prior year. The decrease in net cash provided was primarily due to unfavorable changes in operating assets and liabilities of approximately $102.4 million, which reflect timing difference between the receipt and payment of cash associated with transactions and when they are recognized in our results of operations. The decrease was offset by net income of $27.7 million for the year ended December 31, 2021, compared to a net loss of $25.5 million for the year ended December 31, 2020, a $142.4 million non-cash held for sale impairment charge, a $25.7 million non-cash amortization of interest rate swap expense, and a $15.4 million non-cash loss on extinguishment of debt.

Net cash used in investing activities was approximately $163.6 million for the year ended December 31, 2021, an increase of approximately $179.2 million as compared to the prior year. The increase in net cash used was primarily due to the purchase of Nook Industries for $125.2 million, net of cash acquired, as well as increase in property, plant and equipment purchases. Additionally, during the first quarter of 2020 we terminated our cross-currency interest rate swap and received proceeds of $56.2 million.

Net cash used in financing activities was approximately $52.5 million for the year ended December 31, 2021, a decrease of approximately $140.7 million as compared to the prior year. The decrease in net cash used was primarily due to borrowings and paydowns on our debt during 2021 as compared to the prior year. During the year ended December 31, 2021, we repaid $1,030.0 million on our Term Loan B Facility offset by borrowings under our new Credit Agreement of $1,010.0, to which we repaid $5.0

million on our Revolving Credit Facility during the fourth quarter of 2021, compared to the prior year paydown of $160.0 million. Total debt paid in 2021 was $155.0 million, which was offset by $130.0 million borrowed under our Revolving Credit Facility to finance the acquisition of Nook Industries.

We intend to use our remaining cash and cash equivalents and cash flow from operations to provide for our working capital needs, to fund potential future acquisitions, to service our debt, including principal payments, for capital expenditures, for pension funding, and to pay dividends to our stockholders. As of December 31, 2021, we have approximately $168.6 million of cash and cash equivalents held by foreign subsidiaries. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the availability of additional borrowings under our Altra Credit Facilities provide additional potential sources of liquidity should they be required.

Capital Expenditures

We made capital expenditures of approximately $40.6 million and $33.7 million in the years ended December 31, 2021 and 2020, respectively. The increase in capital expenditures during 2021 was due to purchases returning that were eliminated, reduced or deferred in the prior year related to the economic impact of the COVID-19 pandemic. These capital expenditures will support on-going business needs. In 2022, we expect capital expenditures to be in the range of $45.0 million to $50.0 million .

Long-Term Cash Requirements

Our cash requirements greater than twelve months include payments related to our debt obligations and operating and finance leases. Refer to Note 11 *Long-Term Debt* and Note 4 *Leases* in the Notes to Consolidated Financial Statements for further detail of our contractual obligations and the timing of expected future payments.

From time to time, we may have cash funding requirements associated with our pension plans. As of December 31, 2021, there were no funding requirements for 2022 to 2026. These amounts are based on actuarial assumptions and actual amounts could be materially different.

We may be required to make cash outlays related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities.

Stock-based Compensation

The 2014 Omnibus Incentive Plan (the "2014 Plan") was approved by the Company's stockholders at its 2014 annual meeting. The 2014 Plan provides for various forms of stock-based compensation to our directors, executive personnel and other key employees and consultants. Under the 2014 Plan, the total number of shares of common stock available for delivery pursuant to the grant of awards ("Awards") was originally 750,000. Shares of our common stock subject to Awards or grants awarded under our prior 2004 Equity Incentive Plan and outstanding as of the effective date of the 2014 Plan (except for substitute awards) that terminate without being exercised, expire, are forfeited or canceled, are exchanged for Awards that did not involve shares of common stock, are not issued on the stock settlement of a stock appreciation right, are withheld by the Company or tendered by a participant (either actually or by attestation) to pay an option exercise price or to pay the withholding tax on any Award, or are settled in cash in lieu of shares will again be available for Awards under the 2014 Plan. An amendment to the 2014 Plan to, among other things, make an additional 2,200,000 shares of common stock available for grant under the 2014 Plan was approved by the Company's stockholders at the special meeting of stockholders on September 4, 2018. An additional amendment to the 2014 Plan to, among other things, make an additional 3,000,000 shares of common stock available for grant under the 2014 Plan was approved by the Company's stockholders at its 2020 annual meeting of stockholders on April 28, 2020.

As of December 31, 2021, there were 707.0 thousand shares of unvested restricted stock outstanding under the 2014 Plan. The remaining compensation cost to be recognized through 2024 is $19.8 million. Based on the stock price at December 31, 2021, of $51.57 per share, the intrinsic value of these awards as of December 31, 2021, was $36.5 million.

Income Taxes

We are subject to taxation in multiple jurisdictions throughout the world. Our effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which we transfer funds between jurisdictions and repatriate income, and changes in law. Generally, the tax liability for each legal entity is determined either (a) on a non-consolidated and non-combined basis or (b) on a consolidated and combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated and non-combined affiliated entities. As a result, we may pay income taxes to some jurisdictions even though on an overall basis we incur a net loss for the period.

Seasonality

General economic conditions impact our business and financial results, and certain of our businesses experience seasonal and other trends related to the industries and end markets that they serve. For example, sales to OEMs are often stronger immediately preceding and following the launch of new products. In addition, we experience seasonality in our turf and garden business. As our large OEM customers prepare for the spring season, our shipments generally start increasing in December, peak in February and March, and begin to decline in April and May. This allows our customers to have inventory in place for the peak consumer purchasing periods for turf and garden products. The June-through-November period is typically the low season for us and our customers in the turf and garden market. Seasonality is also affected by weather and the level of housing starts. However, as a whole, we are not subject to material seasonality.

Inflation

Inflation can affect the costs of goods and services we use. The majority of the countries that are of significance to us, from either a manufacturing or sales viewpoint, have recently experienced rising inflation, and there can be no assurance that inflation will moderate in future periods. The competitive environment in which we operate inevitably creates pressure on us to provide our customers with cost-effective products and services.

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

We are exposed to various market risk factors such as fluctuating interest rates, changes in foreign currency rates and changes in commodity prices. At present, we do not utilize any other derivative instruments to manage these risks.

Currency translation. We are exposed to market risk from changes in foreign currency exchange rates primarily in connection with our foreign subsidiaries. The results of operations of our foreign subsidiaries are translated into U.S. Dollars at the average exchange rates for each period concerned. The balance sheets of foreign subsidiaries are translated into U.S. Dollars at the exchange rates in effect at the end of each period. Any adjustments resulting from the translation are recorded as other comprehensive income. For the year ended December 31, 2021, approximately 46.3% of our revenues and approximately 53.4% of our total operating income were denominated in foreign currencies.

We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2021. As of December 31, 2021, the analysis indicated that such an adverse movement would cause our revenues and operating income to fluctuate by approximately 4.4% and 5.1%, respectively.

Currency transaction exposure. Currency transaction exposure arises where actual sales, purchases and financing transactions are made by a business or company in a currency other than its own functional currency. Any transactional differences at an international location are recorded in net income on a monthly basis. From time to time, the Company enters into contractual derivative arrangements to manage changes in market conditions, related foreign currency exposure and occasionally on commodity prices.

Interest rate risk. We are subject to market exposure to changes in interest rates on some of our financing activities. This exposure relates to borrowings under our Altra Credit Facilities that are subject to variable interest rates. Interest on the amounts outstanding under the credit facilities is calculated using the Eurodollar rate, plus the applicable margin. As of December 31, 2021, we had $1,005.0 million in borrowings under our Altra Credit Facilities. A hypothetical change in interest rates of 1% on our outstanding variable rate debt would increase our annual interest expense by approximately $10.1 million.

Commodity price exposure. We have exposure to changes in commodity prices principally related to metals including steel, copper and aluminum. We primarily manage our risk associated with such increases through the use of surcharges or general pricing increases for the related products. We do not engage in the use of financial instruments to hedge our commodities price exposure.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Altra Industrial Motion Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Altra Industrial Motion Corp. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also 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, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

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 Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates 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 financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill —Thomson Reporting Unit — Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using the discounted cash flow model and for the Thomson reporting unit, the Company also used the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to earnings before interest, taxes, depreciation, and amortization (EBITDA) and revenue multiples. The goodwill balance was $1.6 billion as of December 31, 2021, of which $443.4 million was allocated to the Thomson reporting unit. The fair value of the Thomson reporting unit exceeded the carrying value by less than 10% as of the annual goodwill impairment date and, therefore, no impairment was recognized. All other reporting units had fair values that exceed their carrying value by 10% or more, as of the annual goodwill impairment date.

Given the significant estimates and assumptions management makes to estimate the fair value of the Thomson reporting unit and the sensitivity of Thomson operations to changes in certain markets, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future revenues, profit margins, EBITDA and revenue multiples, and the selection of the discount rate for Thomson required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future revenues, profit margins, and EBITDA and revenue multiples ("forecasts"), and the selection of the discount rate for the Thomson reporting unit included the following, among others:

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- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of Thomson, such as controls related to management's forecasts and selection of the discount rate.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) external information.
- With the assistance of our fair value specialists, we evaluated the discount rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rate selected by management.
- With the assistance of our fair value specialists, we evaluated the EBITDA and revenue multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline companies.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 28, 2022

We have served as the Company's auditor since 2009.

ALTRA INDUSTRIAL MOTION CORP.

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

	Years Ended December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 246.1	$ 254.4
Trade receivables, less allowance for credit losses of $4.1 and $4.9 million at December 31, 2021 and 2020, respectively	224.5	240.8
Inventories	267.8	210.4
Income tax receivable	11.7	6.9
Assets held for sale	377.3	—
Prepaid expenses and other current assets	40.4	35.7
Total current assets	1,167.8	748.2
Property, plant and equipment, net	275.8	344.2
Intangible assets, net	1,057.2	1,459.6
Goodwill	1,564.0	1,596.0
Deferred income taxes	2.3	4.9
Other non-current assets	13.5	14.2
Operating lease right of use assets	50.0	41.0
Total assets	$ 4,130.6	$ 4,208.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 173.3	$ 163.6
Accrued payroll	81.8	76.2
Accruals and other current liabilities	77.0	73.0
Income tax payable	6.0	17.9
Current portion of long-term debt	11.1	16.6
Liabilities held for sale	53.0	—
Operating lease liabilities	14.3	13.3
Total current liabilities	416.5	360.6
Long-term debt, net of current portion	1,401.0	1,408.1
Deferred income taxes	250.5	359.6
Pension liabilities	29.9	35.4
Long-term taxes payable	2.7	3.6
Other long-term liabilities	7.3	14.3
Operating lease liabilities, net of current portion	37.6	29.8
Stockholders' equity:		
Common stock ($0.001 par value, 120,000,000 shares authorized, 64,923,539 and 64,676,567 shares issued and outstanding at December 31, 2021 and 2020, respectively)	0.1	0.1
Additional paid-in capital	1,718.4	1,706.0
Retained earnings	277.6	269.5
Accumulated other comprehensive income/(loss)	(11.0)	21.1
Total stockholders' equity	1,985.1	1,996.7
Total liabilities and stockholders' equity	$ 4,130.6	$ 4,208.1

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Operations
Amounts in millions, except per share data

	Years Ended December 31,		
	2021	2020	2019
Net sales	$ 1,899.8	$ 1,726.0	$ 1,834.1
Cost of sales	1,224.4	1,103.6	1,177.8
Gross profit	675.4	622.4	656.3
Operating expenses:			
Selling, general and administrative expenses	368.7	332.2	359.0
Impairment charges	142.4	147.5	—
Research and development expenses	63.9	57.8	59.1
Restructuring costs	3.0	7.4	14.1
	578.0	544.9	432.2
Income from operations	97.4	77.5	224.1
Other non-operating income and expense:			
Interest expense, net	94.5	72.1	73.8
Other non-operating (income)/expense, net	(4.9)	1.4	2.1
	89.6	73.5	75.9
Income before income taxes	7.8	4.0	148.2
(Benefit)/Provision for income taxes	(19.9)	29.5	21.0
Net income/(loss)	$ 27.7	$ (25.5)	$ 127.2
Weighted average shares, basic	64.8	64.6	64.3
Weighted average shares, diluted	65.4	64.6	64.5
Net income/(loss) per share:			
Basic	$ 0.43	$ (0.39)	$ 1.98
Diluted	$ 0.42	$ (0.39)	$ 1.97
Cash dividend declared per share	$ 0.30	$ 0.31	$ 0.68

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Comprehensive Income
Amounts in millions, except per share data

	Years Ended December 31,		
	2021	2020	2019
Net income/(loss)	$ 27.7	$ (25.5)	$ 127.2
Other comprehensive income:			
Change in fair value of interest rate swap, net of tax	—	(11.9)	(9.9)
Reclassification of interest rate swap, net of tax	21.5	6.9	—
Pension & other post retirement benefit obligation adjustment, net of tax	3.3	(2.6)	(1.4)
Reclassification adjustment of pension plan, net of tax	0.6	0.4	0.1
Change in fair value of net investment hedge, net of tax	—	31.2	19.8
Foreign currency translation adjustment	(57.5)	87.0	(26.9)
Total other comprehensive (loss)/income:	(32.1)	111.0	(18.3)
Total comprehensive (loss)/income	$ (4.4)	$ 85.5	$ 108.9

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Stockholders' Equity
Amounts in millions, except per share data

	Common Stock	Shares	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2019	$ 0.1	64.2	$ 1,687.1	$ 232.6	$ (71.6)	$ 1,848.2
Stock-based compensation and vesting of restricted stock	—	—	9.6	—	—	9.6
Net income	—	—	—	127.2	—	127.2
Dividends declared, $0.68 per share	—	—	—	(44.4)	—	(44.4)
Total comprehensive loss, net of tax	—	—	—	—	(18.3)	(18.3)
Balance at December 31, 2019	$ 0.1	64.2	$ 1,696.7	$ 315.4	$ (89.9)	$ 1,922.3
Stock-based compensation and vesting of restricted stock	—	0.5	9.3	—	—	9.3
Net loss	—	—	—	(25.5)	—	(25.5)
Dividends declared, $0.31 per share	—	—	—	(20.4)	—	(20.4)
Total comprehensive income, net of tax	—	—	—	—	111.0	111.0
Balance at December 31, 2020	$ 0.1	64.7	$ 1,706.0	$ 269.5	$ 21.1	$ 1,996.7
Stock-based compensation and vesting of restricted stock	—	0.1	10.2	—	—	10.2
Issuance of common stock upon exercise of options	—	0.1	2.2	—	—	2.2
Net income	—	—	—	27.7	—	27.7
Dividends declared, $0.30 per share	—	—	—	(19.6)	—	(19.6)
Total comprehensive loss, net of tax	—	—	—	—	(32.1)	(32.1)
Balance at December 31, 2021	$ 0.1	64.9	$ 1,718.4	$ 277.6	$ (11.0)	$ 1,985.1

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Cash Flows
Amounts in millions

	Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities			
Net income/(loss)	$ 27.7	$ (25.5)	$ 127.2
Adjustments to reconcile net income to net cash flows:			
Depreciation	51.9	57.8	58.0
Amortization of intangible assets	70.4	69.8	70.4
Amortization of deferred financing costs	4.0	4.6	4.6
Loss on foreign currency, net	1.5	1.2	—
Accretion of debt discount	0.4	0.5	0.5
Non-cash amortization of interest rate swap expense	25.7	9.0	—
Impairment charges	142.4	147.5	—
Payment for interest rate swap settlement	—	(34.7)	—
(Gain) Loss on disposals and other	(0.3)	0.7	0.1
Loss on extinguishment of debt	15.4	—	—
Benefit for deferred taxes	(82.1)	(28.3)	(33.1)
Stock based compensation	15.7	13.2	13.6
Changes in assets and liabilities, net of assets acquired:			
Trade receivables	4.4	10.6	14.8
Inventories	(67.4)	19.0	5.8
Accounts payable and accrued liabilities	37.0	18.8	(16.2)
Other current assets and liabilities	(22.4)	(4.5)	14.6
Other operating assets and liabilities	(7.3)	2.8	(4.4)
Net cash provided by operating activities	217.0	262.5	255.9
Cash flows from investing activities			
Purchase of property, plant and equipment	(40.6)	(33.7)	(51.7)
Proceeds from sale of property	2.2	—	0.3
Proceeds from cross currency interest rate swap settlement	—	56.2	—
Investment in MTEK Industry AB	—	(5.0)	—
Acquisition of Nook Industries, net of cash acquired	(125.2)	—	—
A&S Business acquisition purchase price adjustment	—	(1.9)	(29.5)
Net cash provided by (used in) investing activities	(163.6)	15.6	(80.9)
Cash flows from financing activities			
Payments of debt issuance costs	(3.7)	—	—
Payments on Term Loan B Facility	(1,030.0)	(160.0)	(130.0)
Payments on Revolving Credit Facility	(5.0)	(100.0)	—
Borrowing under Term Loan A Facility	400.0	—	—
Borrowing under Revolving Credit Facility	610.0	100.0	—
Dividend payments	(18.3)	(27.8)	(44.4)
Payments of equipment, working capital notes, mortgages and other debt	(5.9)	(1.5)	(1.1)
Proceeds from equipment, working capital notes, mortgages and other debt	3.7	—	1.6
Shares surrendered for tax withholding	(5.5)	(3.9)	(4.0)
Proceeds from issuance of common stock upon exercise of options	2.2	—	—
Net cash used in financing activities	(52.5)	(193.2)	(177.9)
Effect of exchange rate changes on cash and cash equivalents	(9.2)	2.2	1.2
Net change in cash and cash equivalents	(8.3)	87.1	(1.7)
Cash and cash equivalents at beginning of year	254.4	167.3	169.0
Cash and cash equivalents at end of year	$ 246.1	$ 254.4	$ 167.3
Cash paid during the year for:			
Interest paid on borrowings	$ 49.3	$ 58.1	$ 68.8
Income taxes paid	82.3	61.7	45.4
Non-cash Financing and Investing:			
Nook Industries purchase price holdback	$ 8.2	$ —	$ —
Acquisition of property, plant and equipment included in accounts payable	6.8	4.3	3.9

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

1. Description of Business and Summary of Significant Accounting Policies

Basis of Preparation and Description of Business

Headquartered in Braintree, Massachusetts, Altra Industrial Motion Corp. (the "Company") is a leading global designer, producer and marketer of a wide range of electro-mechanical power transmission motion control ("PTMC") products. The Company brings together strong brands with production facilities in 16 countries. Altra's leading brands currently include Ameridrives Couplings, Bauer Gear Motor, Bibby Turboflex, Boston Gear, Delroyd Worm Gear, Formsprag Clutch, Guardian Couplings, Huco, Industrial Clutch, Inertia Dynamics, Jacobs Vehicle Systems (see Note 18 to the consolidated financial statements for further information regarding the agreement to sell the Jacobs Vehicle Systems business), Kilian Manufacturing, Kollmorgen, Lamiflex Couplings, Marland Clutch, Matrix, Nook Industries, Nuttall Gear, Stieber Clutch, Stromag, Svendborg Brakes, Portescap, TB Wood's, Thomson, Twiflex, Warner Electric, Warner Linear, and Wichita Clutch.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Net Income/(Loss) Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding and diluted earnings per share is based on the weighted average number of shares of common stock outstanding and all potentially dilutive common stock equivalents outstanding. Common stock equivalent shares are included in the per share calculations when the effect of their inclusion is dilutive.

The following is a reconciliation of basic to diluted shares outstanding:

	Years Ended December 31,		
	2021	2020	2019
Shares used in net income per common share - basic	64.8	64.6	64.3
Effect of dilutive shares	0.6	—	0.2
Shares used in net income per common share - diluted	65.4	64.6	64.5
Shares excluded as their inclusion would be anti-dilutive	—	0.2	—

Fair Value of Financial Instruments

Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy, as follows:

- Level 1- Quoted prices in active markets for identical assets or liabilities.
- Level 2- Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived.
- Level 3- Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents and are classified as Level 1. The carrying values of financial instruments, including accounts receivable, cash equivalents, accounts payable, and other accrued liabilities are carried at cost, which approximates fair value, and are classified as Level 1. Debt under the Altra Credit Agreement (as defined herein) is classified as Level 2 and is comprised of the Term Loan Facility and the Revolving Credit Facility (both as defined herein). The carrying amount of the Term Loan Facility of $400.0 million and the Revolving Credit Facility of $605.0 million approximates fair value due to the variable rate and the fact that the agreement was negotiated in November 2021. The carrying amount of the Notes (as defined herein) was $400.0 million and the estimated fair value of the Notes was $427.0 million at December 31, 2021. The Notes are classified as Level 2.

The Company determines the fair value of financial instruments using quoted market prices whenever available and classifies these investments as Level 1. When quoted market prices are not available for various types of financial instruments (such as derivative instruments), the Company uses standard models with market-based inputs, which take into account the present value of

estimated future cash flows and the ability of the Company or the financial counterparty to perform. These investments are classified as Level 2. For cross-currency interest rate swaps and interest rate swaps, the significant inputs to these models are interest rate curves for discounting future cash flows and are adjusted for credit risk. See additional discussion of the Company's use of financial instruments including cross-currency interest rate swaps and interest rate swaps included in Note 15.

In December 2020, the Company invested $5.0 million for a minority equity interest in a privately held manufacturing software company, MTEK Industry AB ("MTEK"), over which the Company does not exert significant influence. The equity investment does not have a readily determinable fair value and does not qualify for the practical expedient to estimate fair value using the net asset value per share. Therefore, in accordance with ASU 2016-01, the Company elected to measure the investment at its cost less impairment, if any, adjusted for observable price changes in orderly transactions for identical or a similar investment of the same issuer. This investment is considered a Level 3 asset based on the lack of observable inputs and is classified within other non-current assets in the consolidated balance sheets. The Company monitors its equity investment in MTEK for indicators of impairments or upward adjustments on an ongoing basis. If the Company determines that such an indicator is present, an adjustment will be recorded, which will be measured as the difference between the carrying value and estimated fair value. As of December 31, 2021, there were no indicators that support an adjustment to MTEK's carrying value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

Foreign Currency Translation

Assets and liabilities of subsidiaries operating outside of the United States with a functional currency other than the U.S. Dollar are translated into U.S. Dollars using exchange rates at the end of the respective period. Revenues and expenses are translated at average exchange rates effective during the respective period.

Foreign currency translation adjustments are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Net foreign currency transaction gains and losses are included in the results of operations in the period incurred and included in other non-operating expense (income), net in the accompanying consolidated statements of operations. Net foreign currency transaction gains and losses for the years ended December 31, 2021, 2020 and 2019 were inconsequential.

Trade Receivables

All trade account receivables are reported net of allowances for credit losses. The allowance for credit losses represents the Company's best estimate of the credit losses expected from our trade account receivables over the life of the underlying assets. Assets with similar risk characteristics are pooled together for determination of their current expected credit losses. The Company regularly performs detailed reviews of its pooled assets to evaluate the collectability of receivables based on a combination of past, current, and future financial and qualitative factors that may affect customers' ability to pay. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected.

Inventories

Inventories are generally stated at the lower of cost or net realizable value using the first-in, first-out ("FIFO") method.

The carrying value of inventories acquired by the Company in its acquisitions reflects fair value at the date of acquisition as determined by the Company based on the replacement cost of raw materials, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts, and for work-in-process the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts and costs to complete.

The Company periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product or product line. The Company records a charge to cost of sales for any amounts required to reduce the carrying value of inventories to its estimated net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation.

Depreciation of property, plant and equipment, including finance leases, is provided using the straight-line method over the estimated useful life of the asset, as follows:

Buildings and improvements	7 to 45 years
Machinery and equipment	2 to 15 years
Finance lease	Life of lease

Leasehold improvements are depreciated on a straight-line basis over the estimated life of the asset or the life of the lease, if shorter.

Improvements and replacements are capitalized to the extent that they increase the useful economic life or increase the expected economic benefit of the underlying asset. Repairs and maintenance expenditures are charged to expense as incurred.

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Lease Accounting Policy

Arrangements that are determined to be leases at inception are recognized in operating lease right of use (ROU) assets, current lease liabilities, and long-term lease liabilities in the consolidated balance sheet. Operating lease liabilities are recognized based on the present value of the future fixed lease payments over the lease term at lease commencement date. As the Company's leases typically do not provide an implicit rate, the Company applies its incremental borrowing rate based on the economic environment at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease prepayments made and initial direct costs incurred and is reduced by lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases are recognized on a straight-line basis over the lease term.

Intangible Assets

Intangible assets represent product technology, patents, tradenames, trademarks, customer relationships, and in-process research and development ("IPR&D"). Product technology, patents and customer relationships are amortized on a straight-line basis over 4 to 29 years, which approximates the period of economic benefit. Trademarks, IPR&D and the majority of our trade names are considered indefinite-lived assets and are not being amortized. Amortization of the IPR&D asset will commence when the asset is placed into service. Intangibles are stated at fair value on the date of acquisition. Intangibles are stated net of accumulated amortization.

Goodwill

Goodwill represents the excess of the purchase price paid by the Company over the fair value of the net assets acquired in each of the Company's acquisitions.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

The Company conducts an annual impairment review of goodwill and indefinite-lived intangible assets in October of each year, unless events occur which trigger the need for an interim impairment review.

In connection with the Company's annual impairment review, goodwill is assessed for impairment by comparing the fair value of the reporting unit to the carrying value. The Company's measurement date is October 31st. The Company determines the fair value of its reporting units using the discounted cash flow model and, where appropriate, the Company also uses the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to earnings before interest, taxes, depreciation, amortization (EBITDA) multiples and revenue multiples. The Company estimates future cash flows based upon historical results and current market projections, discounted at a market comparable rate. An impairment loss would be recognized to the extent that a reporting unit's carrying amount exceeded its deemed fair value. Refer to Note 7 for additional discussion of the Company's annual impairment review.

For the Company's indefinite-lived intangible assets, mainly trademarks, the Company estimated the fair value first by estimating the total revenue attributable to the trademarks. Second, the Company estimated an appropriate royalty rate using the return on assets method by estimating the required financial return on our assets, excluding trademarks, less the overall return generated by our total asset base. The return as a percentage of revenue provides an indication of our royalty rate (between 1.0% and 2.0%). The Company compared the estimated fair value of our trademarks with the carrying value of the trademarks. Refer to Note 7 for additional discussion of the Company's annual impairment review.

Preparation of forecasts of revenue and profitability growth for use in the long-range plan and the discount rate require significant use of judgment. Changes to the discount rate and the forecasted cash flows could affect the estimated fair value of one or more of the Company's reporting units and intangible assets and could result in an impairment charge in a future period.

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

Long-lived assets, including definite-lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of a long-lived asset may not be recovered. Long-lived assets are considered to be impaired if the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time.

Held for Sale

Assets and liabilities to be disposed of by sale ("disposal groups") are reclassified into "held for sale" if their carrying amounts are principally expected to be recovered through a sale transaction rather than through continuing use. The reclassification occurs when the disposal group is available for immediate sale and the sale is probable. These criteria are generally met when an agreement to sell exists, or management has committed to a plan to sell the assets within one year. Disposal groups are measured at the lower of carrying amount or fair value less costs to sell and are not depreciated or amortized. When the net realizable value of a disposal group increases during a period, a gain can be recognized to the extent that it does not increase the value of the disposal group beyond its original carrying value when the disposal group was reclassified as held for sale. The fair value of a disposal group, less any costs to sell, is assessed each reporting period it remains classified as held for sale and any remeasurement to the lower of carrying value or fair value less costs to sell is reported as an adjustment to the carrying value of the disposal group. Refer to Financial Note 3, "Acquisitions and Divestitures," for more information.

Revenue Recognition

The Company recognizes revenue under the core principle of depicting the transfer of control to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

Our sales revenue for product sales is recognized based on a point in time model, when control transfers to our customers, which is generally when products are shipped from our manufacturing facilities or when delivered to the customer's named location. Certain large distribution customers receive annual volume discounts, which are estimated at the time the sale is recorded based on the estimated annual sales. Product return reserves are accrued at the time of sale based on the historical relationship between shipments and returns and are recorded as a reduction of net sales. When the Company performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities and, accordingly, the costs are accrued for when the related revenue is recognized. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. See Note 2 (*Revenue Recognition*) to the consolidated financial statements for further disclosures regarding revenue.

Shipping and Handling Costs

Shipping and handling costs associated with sales are classified as a component of cost of sales. Amounts collected from our customers for shipping and handling are recognized as revenue.

Warranty Costs

Estimated expenses related to product warranties are accrued at the time products are sold to customers. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

Self-Insurance

Certain exposures are self-insured up to pre-determined amounts, above which third-party insurance applies, including exposures for medical claims, workers' compensation, vehicle insurance, product liability costs and general liability exposure. The accompanying balance sheets include reserves for the estimated costs associated with these self-insured risks, based on historic experience factors and management's estimates for known and anticipated claims. A portion of medical insurance costs are offset by

charging employees a premium equivalent to group insurance rates. The costs of retained loss for the self-insurance programs, at each balance sheet date, have not been material in any period.

Research and Development

Research and development costs are expensed as incurred.

Advertising

Advertising costs are charged to selling, general and administrative expenses as incurred and amounted to approximately $6.0 million, $5.0 million and $6.6 million, for the years ended December 31, 2021, 2020 and 2019, respectively.

Income Taxes

The Company records income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. The Company evaluates the realizability of its net deferred tax assets and assesses the need for a valuation allowance on a quarterly basis. The future benefit to be derived from its deferred tax assets is dependent upon the Company's ability to generate sufficient future taxable income to realize the assets. The Company records a valuation allowance to reduce its net deferred tax assets to the amount that may be more likely than not to be realized.

To the extent the Company establishes a valuation allowance on net deferred tax assets generated from operations, an expense will be recorded within the provision for income taxes. In periods subsequent to establishing a valuation allowance on net deferred assets from operations, if the Company were to determine that it would be able to realize its net deferred tax assets in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded as a reduction to income tax expense in the period such determination was made.

We assess our income tax positions and record tax benefits for all years subject to examination, based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the amount that has a greater than 50% likelihood of being realized upon settlement with the taxing authority that has full knowledge of all relevant information. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense in the consolidated statement of operations and included in accruals and other long-term liabilities in the Company's consolidated balance sheet, when applicable. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following is a reconciliation of changes in Accumulated Other Comprehensive Income (Loss) for the periods presented:

	Gains and (Losses) on Cash Flow Hedges	Pension & Other Post Retirement Benefit Plans	Cumulative Foreign Currency Translation Adjustment	Total
Accumulated other comprehensive income/(loss) by component, January 1, 2019	$ (6.6)	$ (0.2)	$ (64.8)	$ (71.6)
Change in fair value of interest rate swap, net of tax	(9.9)	—	—	(9.9)
Pension adjustments, net of tax	—	(1.4)	—	(1.4)
Reclassification of pension adjustments, net of tax	—	0.1	—	0.1
Foreign currency translation adjustments	—	—	(26.9)	(26.9)
Change in fair value of net investment hedge, net of tax	—	—	19.8	19.8
Net current-period other comprehensive income/(loss)	(9.9)	(1.3)	(7.1)	(18.3)
Accumulated other comprehensive income/(loss) by component, December 31, 2019	$ (16.5)	$ (1.5)	$ (71.9)	$ (89.9)
Change in fair value of interest rate swap, net of tax	(11.9)	—	—	(11.9)
Reclassification of interest rate swap to income, net of tax	6.9	—	—	6.9
Pension adjustments, net of tax	—	(2.6)	—	(2.6)
Reclassification of pension adjustments, net of tax	—	0.4	—	0.4
Foreign currency translation adjustments	—	—	87.0	87.0
Change in fair value of net investment hedge, net of tax	—	—	31.2	31.2
Net current-period other comprehensive income/(loss)	(5.0)	(2.2)	118.2	111.0
Accumulated other comprehensive income/(loss) by component, December 31, 2020	$ (21.5)	$ (3.7)	$ 46.3	$ 21.5
Reclassification of interest rate swap to income, net of tax	21.5	—	—	21.5
Pension & other post retirement benefit obligation adjustment, net of tax	—	3.3	—	3.3
Reclassification of pension adjustments, net of tax	—	0.6	—	0.6
Foreign currency translation adjustments	—	—	(57.5)	(57.5)
Net current-period other comprehensive income/(loss)	21.5	3.9	(57.5)	(32.1)
Accumulated other comprehensive income/(loss) by component, December 31, 2021	$ -	$ 0.2	$ (11.2)	$ (11.0)

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes*. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles of Topic 740, and clarifies and amends existing guidance to improve consistent application. This ASU becomes effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted the standard as of January 1, 2021 with no material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). This ASU provides relief from certain accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The relief provided by this ASU is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The optional amendments are effective as of March 12, 2020 through December 31, 2022. The Company has not applied any optional expedients and exceptions to date, and will continue to evaluate the impact of the guidance and whether it will apply the optional expedients and exceptions.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends the accounting related to contract assets and liabilities acquired in business combinations. Under current GAAP, an entity generally recognizes assets and liabilities acquired in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU 2021-08 requires that entities recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and should be applied prospectively to business combinations occurring on or after the effective date of the amendment. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of this new guidance on the consolidated financial statements.

2. Revenue Recognition

We sell our products through three primary commercial channels: original equipment manufacturers (OEMs), industrial distributors and direct to end users. Each of our segments sells similar products, which are balanced across end-user industries including, without limitation, energy, food processing, general industrial, material handling, mining, transportation, industrial automation, robotics, medical devices, and turf & garden.

As the Company's standard payment terms are less than one year, the Company has elected the practical expedient under Accounting Standards Codification ("ASC") 606-10-32-18 to not assess whether a contract has a significant financing component. Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment from the Company's manufacturing site or delivery to the customer's named location. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer. In certain circumstances, the Company manufactures customized product without alternative use for its customers, which would generally result in the transfer of control over time. The Company has evaluated the amount of revenue subject to recognition over time and concluded that it is immaterial.

The following table disaggregates our revenue for each reportable segment. The Company believes that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

	Years Ended December 31,		
	2021	2020	2019
Net Sales:			
Power Transmission Technologies	$ 924.8	$ 818.6	$ 907.7
Automation & Specialty	979.0	911.8	931.0
Inter-segment eliminations	(4.0)	(4.4)	(4.6)
Net sales	$ 1,899.8	$ 1,726.0	$ 1,834.1

Net sales by geographic region based on point of shipment origin are as follows:

	Net Sales Years Ended December 31,		
	2021	2020	2019
North America (primarily U.S.)	$ 1,018.3	$ 914.9	$ 1,036.5
Europe excluding Germany	341.9	289.3	307.7
Germany	200.0	185.8	222.7
China	222.9	222.5	159.6
Asia and other (excluding China)	116.7	113.5	107.6
Total	$ 1,899.8	$ 1,726.0	$ 1,834.1

The payment terms and conditions in our customer contracts vary. In some cases, customers will partially prepay for their goods; in other cases, after appropriate credit evaluations, payment will be due in arrears. In addition, there are constraints that cause variability in the ultimate consideration to be recognized. These constraints typically include early payment discounts, volume rebates, rights of return, surcharges, and other customer consolidation.

Payments received from customers are recorded as accounts receivable when an unconditional right to the consideration exists. A contract asset is recognized when the Company satisfies a performance obligation by transferring a promised good to the customer before consideration is due. A contract liability is recognized when consideration is received from a customer prior to the Company satisfying the related performance obligation. Contract assets and contract liabilities are recognized in other current assets and other current liabilities, respectively, in the Company's consolidated balance sheets.

The Company had inconsequential contract assets for the year to date periods ended December 31, 2021 and December 31, 2020, respectively. The opening and closing balances of the Company's current contract liabilities as of the year to date periods ended December 31, 2021 and December 31, 2020 are as follows:

	Years Ended December 31,	
	2021	2020
Beginning balance	$ 10.3	$ 8.4
Closing balance	13.5	10.3
Increase	$ 3.2	$ 1.9

In the twelve-month period ended December 31, 2021 and December 31, 2020, respectively, all outstanding revenue has been recognized related to our contract liabilities at the beginning of the related period.

3. Acquisitions and Divestitures

The following business combination and divestiture activity took place during the year ended December 31, 2021:

Nook Industries Acquisition

On December 31, 2021, the Company acquired all of the issued and outstanding equity interests of Nook Industries, LLC ("Nook"), a leader in the U.S. engineered linear motion industry. The acquisition expands the Company's current portfolio of linear product offerings. The acquisition is being accounted for as a business combination using the acquisition method of accounting and the results have been consolidated into the Company's Automation & Specialty ("A&S") segment.

The aggregate purchase price of approximately $138.5 million, inclusive of certain post-closing adjustments but subject to others, consisted of $125.2 million of cash transferred, net of $5.1 million of cash acquired, and a noncontingent purchase price holdback of $8.2 million. The purchase price holdback was recorded in accruals and other current liabilities at December 31, 2021 and was released in January 2022. The Company borrowed $130.0 million under its Revolving Credit Facility to finance the transaction.

The fair value of all the acquired identifiable assets and liabilities summarized below are based on preliminary valuations and are subject to change as the Company obtains additional information during the acquisition measurement period. The purchase price allocation as of the acquisition date is as follows:

	At Acquisition Date
Total cash consideration	$ 130.3
Purchase price holdback	8.2
Fair value of consideration transferred	138.5
Recognized identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	5.1
Receivables	3.7
Inventory	10.8
Prepaids and other current assets	0.4
Property, plant and equipment	12.8
Deferred tax asset	0.9
Other non-current assets	5.0
Intangibles	55.1
Accounts payable	(2.9)
Accrued payroll	(0.7)
Accrued expenses and other current liabilities	(2.7)
Other long term liability	(4.6)
Total identifiable net assets acquired	82.9
Goodwill	$ 55.6

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill, which is deductible for income tax purposes in the United States. The goodwill in this acquisition is attributable to the Company's expectation to achieve synergies, such as the ability to cross-sell product, and the ability to optimize the cost structure.

Intangible assets acquired consist of:	
Customer relationships	$ 54.0
Trade name	1.1
Total intangible assets	$ 55.1

Customer relationships and trade name are subject to amortization, and will be recognized on a straight-line basis over the estimated useful lives of 18 years and 4 years, respectively, which represents the anticipated period over which the Company estimates it will benefit from the acquired assets.

The following table sets forth the unaudited pro forma results of operations of the Company for the years ended December 31, 2021 and December 31, 2020 as if the Company had acquired Nook on January 1, 2020. The pro forma information contains the actual operating results of the Company and the Nook business, adjusted to include the pro forma impact of (i) additional depreciation expense as a result of estimated depreciation based on the fair value of fixed assets; (ii) additional expense as a result of the estimated amortization of identifiable intangible assets; (iii) additional interest expense associated with the borrowings used to finance the acquisition and (iv) inventory fair value adjustment. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred at the beginning of the period or that may be obtained in the future.

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	Pro forma (unaudited)	
	Years Ended December 31,	
	2021	2020
Total revenues	$ 1,940.6	$ 1,764.1
Net income (loss)	31.0	(30.0)
Basic earnings per share	$ 0.48	$ (0.46)
Diluted earnings per share	$ 0.47	$ (0.46)

JVS Divestiture

In the fourth quarter of 2021, we committed to a plan to sell our JVS business within our Automation & Specialty reporting segment in an effort to exit the heavy-duty trucks and transportation industry. On February 8, 2022, we entered into a purchase and sale agreement with Cummins Inc (the "Buyer"). The sale, which is expected to be completed in 2022, is subject to antitrust and regulatory approval requirements, as well as other customary closing conditions. The Company determined the criteria to be classified as held for sale were met and the assets and liabilities were presented as held for sale in the Consolidated Balance Sheets and measured at the lower of carrying value or fair value less cost to sell until the transaction is completed. The Company determined that the disposal group classified as held for sale does not meet the criteria for classification as discontinued operations as the disposal is not considered a strategic shift that has a major effect on the Company's operations and financial results. The JVS business is not a significant disposal based on its quantitative and qualitative evaluation.

Before measuring the fair value less costs to sell of the disposal group as a whole, the Company first reviewed individual assets and liabilities to determine if any fair value adjustments were required and concluded no individual asset impairments were required. Then, based on the purchase and sale agreement entered into by the Company and the Buyer, the Company determined the fair value of the disposal group to be equal to the selling price, less costs to sell. Based on this review, the Company recorded a non-cash goodwill impairment charge of $60.0 million as the sale was considered to be a triggering event to evaluate goodwill impairment for the JVS reporting unit. Additionally, the Company recorded an asset held for sale impairment charge of $82.4 million, for a total impairment charge of $142.4 million in 2021.

The assets and liabilities of the JVS business classified as held for sale at December 31, 2021 were as follows:

	December 31,2021
Assets	
Current Assets	
Trade receivables	$ 11.3
Inventories	16.3
Prepaid expenses and other current assets	2.3
Property, plant and equipment, net	64.6
Goodwill	—
Intangible assets, net	364.5
Other assets	0.7
Impairment on carrying value (1)	(82.4)
Total assets held for sale	$ 377.3
Liabilities	
Current Liabilities	
Accounts payable	$ 20.8
Other current liabilities	9.8
Deferred tax liabilities	22.3
Other liabilities	0.1
Total liabilities held for sale	$ 53.0

(1) Includes the effect of approximately $10.8 million of favorable cumulative foreign currency translation adjustment and accumulated other post retirement benefit obligation gains.

The following business combination activity took place during the year ended December 31, 2018:

Automation & Specialty Acquisition

On October 1, 2018, the Company and Fortive Corporation ("Fortive") consummated the combination (the "Fortive Transaction") of Altra with four operating companies from Fortive's Automation & Specialty platform (the "A&S Business"), and as a result, the consolidated financial statements reflect the A&S Business's results of operations from October 1, 2018 onward.

The A&S Business, consisting of four key brands, Kollmorgen, Portescap, Thomson and Jacobs Vehicle Systems, designs, manufactures, markets and sells electromechanical and electronic motion control products, including standard and custom motors, drives and controls; linear motion systems, ball screws, linear bearings, clutches/brakes, linear actuators and mechanical components; and through Jacobs Vehicle Systems, supplemental braking systems for commercial vehicles.

As of December 31, 2019, the allocation of the purchase price of the A&S Business was complete. The Company recorded $29.5 million of purchase price adjustments and certain measurement period adjustments for the year to date period ended December

31, 2019 resulting in an increase to goodwill in the amount of $47.5 million. The purchase price allocation below includes such adjustments.

	At Acquisition Date	Measurement Period Adjustments	At Acquisition Date (As Adjusted)
Consideration transferred:			
Total cash consideration	$ 1,003.4	$ —	$ 1,003.4
Total equity consideration	1,458.7	—	1,458.7
A&S acquisition purchase price adjustment	—	29.5	29.5
Fair value of consideration transferred	$ 2,462.1	$ 29.5	$ 2,491.6
Recognized identifiable assets acquired and liabilities assumed:			
Cash: less cash on A&S balance sheet at 10/1/2018	54.1	(0.6)	53.5
Receivables	129.7	(0.8)	128.9
Inventory	89.1	(3.8)	85.3
Prepaids and other current assets	6.9	(0.2)	6.7
Property, plant and equipment	178.3	(1.3)	177.0
Intangibles	1,454.0	—	1,454.0
Other non-current assets	7.9	(0.4)	7.5
Accounts payable	(98.9)	0.8	(98.1)
Accrued payroll	(15.2)	0.5	(14.7)
Accrued expenses and other current liabilities	(33.7)	(0.4)	(34.1)
Pension liability and other post employment benefits	(12.0)	(0.3)	(12.3)
Deferred tax liability	(355.7)	(11.2)	(366.9)
Other long term liability	(2.6)	(0.3)	(2.9)
Senior unsecured notes assumed	(400.0)	—	(400.0)
Total identifiable net assets assumed	1,001.9	(18.0)	983.9
Goodwill	$ 1,460.2	$ 47.5	$ 1,507.7

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill, which is not deductible for income tax purposes in the United States. The goodwill in this acquisition is attributable to the Company's expectation to achieve synergies, such as facility consolidations, global procurement efficiencies, the ability to cross-sell product, and the ability to penetrate certain geographic areas.

Intangible assets acquired consist of:	
Customer relationships	$ 1,025.0
Trade names and trademarks	209.0
Technology	204.0
In-process research and development ("IPR&D")	16.0
Total intangible assets	$ 1,454.0

Customer relationships and technology are subject to amortization, and will be recognized on a straight-line basis over the estimated useful lives of 22 – 29 years and 7-10 years, respectively, which represents the anticipated period over which the Company estimates it will benefit from the acquired assets. The tradenames and trademarks are considered to have an indefinite life and will not be amortized.

The major acquired technology IPR&D relates to the next generation of valvetrain technologies at the JVS business, which focus on improving engine brake performance, improving fuel efficiency and meeting future worldwide emissions regulations. The IPR&D projects are not currently amortized and will be reviewed for impairment at least annually and amortization will commence when the assets are placed into service. There was no evidence of impairment to IPR&D as of December 31, 2020. As of December 31, 2021, the acquired IPR&D was reclassified as held for sale in connection with the plan to sell the JVS business.

4. Lease Accounting

We lease property and equipment under finance and operating leases. At December 31, 2021, the Company's right-of-use ("ROU") assets and lease liabilities for operating and finance leases totaled approximately $50.1 and $52.0 million, respectively. At December 31, 2020, the Company's ROU assets and lease liabilities for operating and finance leases totaled approximately $41.3 and $43.4 million, respectively. Finance lease ROU assets are included in non-current other assets and finance lease liabilities are included in current and non-current other liabilities on the Company's consolidated balance sheets.

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

	Years Ended December 31,	
	2021	2020
Lease cost[1]:		
Operating lease cost	16.1	14.2
Short-term lease cost	0.4	0.3
Total lease cost	$ 16.5	$ 14.5

(1) Finance lease costs and variable lease costs are immaterial to the Company. The Company does not have lease or sub-lease income.

Maturities of Lease Liabilities	Operating Leases	Finance Leases
2022	$ 15.8	$ 0.1
2023	12.8	—
2024	9.0	—
2025	6.2	—
2026	4.1	—
After 2026	9.1	—
Total lease payments	57.0	0.1
Less interest	(5.1)	—
Present value of lease liabilities	$ 51.9	$ 0.1

	Years Ended December 31,	
	2021	2020
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ —	$ —
Operating cash flows from operating leases	$ 16.4	$ 14.6
Financing cash flows from finance leases	$ —	$ —
Weighted average remaining lease term - finance leases (in years)	1.29	1.83
Weighted average remaining lease term - operating leases (in years)	5.03	3.53
Average discount rate - finance leases	5.07%	5.50%
Average discount rate - operating leases	3.52%	3.56%

5. Inventories

Inventories consisted of the following:

	Years Ended December 31,	
	2021	2020
Raw materials	$ 124.1	$ 95.2
Work in process	26.7	22.1
Finished goods	117.0	93.1
	$ 267.8	$ 210.4

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Years Ended December 31,	
	2021	2020
Land	$ 40.6	$ 44.6
Buildings and improvements	141.3	149.7
Machinery and equipment	419.4	466.8
	601.3	661.1
Less-Accumulated depreciation	(325.5)	(316.9)
	$ 275.8	$ 344.2

The Company recorded $51.9 million, $57.8 million and $58.0 million of depreciation expense in the years ended December 31, 2021, 2020, and 2019, respectively.

7. Goodwill and Intangible Assets

In connection with the Company's annual impairment review, goodwill is assessed for impairment by comparing the fair value of the reporting unit to the carrying value. As of the annual impairment review, which was as of October 31, 2021, the fair value of the Thomson reporting unit exceeded its carrying value by less than 10%. Due to the timing of the Nook acquisition, which closed on December 31, 2021, the acquired goodwill at Nook was not considered in the annual impairment review. Excluding the acquired goodwill related to the acquisition of Nook, the goodwill balance at the Thomson reporting unit was $443.4 million, out of a total goodwill balance of $1.6 billion as of December 31, 2021. All other reporting units have fair values that exceed their carrying value by 10% or more.

During the first quarter of 2020, the Company considered the economic impact of the COVID-19 pandemic to be a triggering event for the JVS reporting unit and, as a result, the Company performed an interim impairment review. As a result of both the COVID-19 related economic downturn and its impact on JVS's anticipated financial results, the Company concluded that it was more likely than not that the JVS reporting unit's carrying value exceeded its fair value and performed an interim impairment review for both JVS's goodwill and tradename intangible asset. As a result of the interim impairment testing performed, the Company recorded non-cash impairment charges of $8.4 million and $139.1 million for indefinite-lived intangible assets and goodwill, respectively, at March 31, 2020.

The changes in the carrying value of goodwill by segment for the years ended December 31, 2021 and 2020 are as follows:

	Power Transmission Technologies	Automation & Specialty	Total
Goodwill	$ 441.9	$ 1,284.8	$ 1,726.7
Accumulated impairment loss	(31.8)	—	(31.8)
Balance January 1, 2020	$ 410.1	$ 1,284.8	$ 1,694.9
Impact of changes in foreign currency and other	10.5	29.7	40.2
Goodwill impairment charge	—	(139.1)	(139.1)
Balance December 31, 2020	420.6	1,175.4	1,596.0
Impact of changes in foreign currency and other	(9.6)	(18.0)	(27.6)
Acquired goodwill related to the acquisition of Nook Industries	—	55.6	55.6
Other (1)	—	(60.0)	(60.0)
Balance December 31, 2021	$ 411.0	$ 1,153.0	$ 1,564.0

(1) Reflects the goodwill of the JVS reporting unit, which is the disposal group classified as held for sale in 2021. Refer to Note 3 for further information.

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset:

	December 31, 2021			December 31, 2020		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Other intangible assets						
Intangible assets not subject to amortization:						
Tradenames and trademarks	$ 212.2	$ —	$ 212.2	$ 259.7	$ —	$ 259.7
In-process research and development	—	—	—	16.0	—	16.0
Intangible assets subject to amortization:						
Customer relationships	960.2	206.4	753.8	1,220.2	195.0	1,025.2
Product technology and patents	141.4	50.2	91.2	211.2	52.5	158.7
Total intangible assets	$ 1,313.8	$ 256.6	$ 1,057.2	$1,707.1	$ 247.5	$1,459.6

Changes in our gross intangible assets from December 31, 2020 to December 31, 2021 were primarily the result of the JVS disposal group being classified as held for sale, as well as current year amortization and foreign currency translation effects.

The Company recorded $70.4 million, $69.8 million, and $70.4 million of amortization for the years ended December 31, 2021, 2020 and 2019, respectively.

Customer relationships, product technology and patents are amortized over their useful lives ranging from 4 to 29 years. The weighted average estimated useful life of intangible assets subject to amortization is approximately 14 years.

The estimated amortization expense for intangible assets is approximately $56.8 million in 2022, $55.7 million in 2023, $55.3 million in 2024, $54.9 million in 2025, $53.9 million in 2026, and $568.4 million thereafter. The estimated future amortization excludes the amortization of the JVS intangible assets as a result of the JVS disposal group being classified as held for sale.

8. Warranty Costs

The contractual warranty period of the Company's products generally ranges from three months to two years with certain warranties extending for longer periods. Estimated expenses related to product warranties are accrued at the time products are sold to customers and are recorded in accruals and other current liabilities on the consolidated balance sheet. Estimates are established using historical information as to the nature, frequency and average costs of warranty claims. Changes in the carrying amount of accrued product warranty costs for each of the years ended December 31, 2021, 2020 and 2019 are as follows:

	Years Ended December 31,		
	2021	2020	2019
Balance at beginning of year	$ 9.6	$ 10.0	$ 9.4
Accrued current period warranty expense	3.7	3.5	4.0
Payments and adjustments	(5.0)	(3.9)	(3.4)
Balance at end of year	$ 8.3	$ 9.6	$ 10.0

9. Income Taxes

Income before income taxes by domestic and foreign locations consists of the following:

	Years Ended December 31,		
	2021	2020	2019
Domestic	$ (143.8)	$ (38.1)	$ 39.6
Foreign	151.6	42.1	108.6
Total	$ 7.8	$ 4.0	$ 148.2

The components of the provision for income taxes consist of the following:

	Years Ended December 31,		
	2021	2020	2019
Current:			
Federal	$ 18.8	$ 14.5	$ 16.6
State	3.8	2.2	4.6
Non-U.S.	39.6	41.1	32.9
	62.2	57.8	54.1
Deferred:			
Federal	(70.8)	(15.3)	(6.7)
State	(6.1)	(2.1)	(5.2)
Non-U.S.	(5.2)	(10.9)	(21.2)
	(82.1)	(28.3)	(33.1)
(Benefit)/Provision for income taxes	$ (19.9)	$ 29.5	$ 21.0

A reconciliation from tax at the U.S. federal statutory rate to the Company's provision for income taxes is as follows:

	Years Ended December 31,		
	2021	2020	2019
Tax at U.S. federal income tax rate	$ 1.7	$ 0.9	$ 31.1
State taxes, net of federal income tax effect	0.7	0.3	1.8
Other changes in tax rate	(0.2)	(0.2)	(10.6)
Outside basis difference	(11.5)	—	—
Foreign taxes	2.3	3.9	0.7
Global intangible low-taxed income	0.8	(2.1)	1.3
Valuation allowance	0.5	0.5	0.1
Tax credits and incentives	(2.0)	(2.5)	(2.6)
Impairment charges	(14.5)	29.0	—
Other	2.3	(0.3)	(0.8)
(Benefit)/Provision for income taxes	$ (19.9)	$ 29.5	$ 21.0

The Company and its subsidiaries file a consolidated federal income tax return in the United States, as well as consolidated and separate income tax returns in various states. The Company and its subsidiaries also file consolidated and separate income tax returns in various non U.S. jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in all of these jurisdictions. With the exception of certain foreign jurisdictions, the Company is no longer subject to income tax examinations for the tax years prior to 2018. Additionally, the Company has indemnification agreements with the sellers of the Nook, A&S Business, Guardian, Svendborg, Lamiflex, Bauer, and Stromag entities that may provide for reimbursement to the Company for payments made in satisfaction of income tax liabilities relating to pre-acquisition periods.

The Company does not have any material unrecognized tax benefits for the years ended December 31, 2021, 2020 and 2019. Interest and penalties related to unrecognized tax benefits are recognized in income tax expense, if applicable.

Deferred income taxes 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. Significant components of the deferred tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

	Years Ended December 31,	
	2021	2020
Deferred tax assets:		
Post-retirement obligations	$ 5.7	$ 6.2
Tax credits	1.8	1.8
Expenses not currently deductible	28.7	28.5
Net operating loss carryover	6.0	5.9
Debt and derivative instruments	8.6	2.2
Operating lease liabilities	12.1	9.2
Other	15.2	3.2
Total deferred tax assets	78.1	57.0
Valuation allowance for deferred tax assets	(4.3)	(4.8)
Net deferred tax assets	73.8	52.2
Deferred tax liabilities:		
Property, plant and equipment	35.7	38.1
Intangible assets	256.6	343.4
Goodwill	9.9	9.5
Operating lease right of use asset	11.6	8.8
Other	8.2	7.1
Total deferred liabilities	322.0	406.9
Net deferred tax liabilities	$ 248.2	$ 354.7

On December 31, 2021 the Company had state net operating loss (NOL) carry forwards of $13.3 million, which expire between 2025 and 2038, and non U.S. NOL and capital loss carryforwards of $19.6 million, of which substantially all have an unlimited carryforward period. The NOL carryforwards available are subject to limitations on their annual usage. The Company also has federal and state tax credits of $1.7 million available to reduce future income taxes that expire between 2021 and 2035.

Valuation allowances are established for deferred tax assets when management believes it is more likely than not that the associated benefit may not be realized. The Company periodically reviews the adequacy of its valuation allowances and recognizes tax benefits only as reassessments indicate that it is more likely than not the benefits will be realized. Valuation allowances have been established due to the uncertainty of realizing the benefits of certain net operating losses, capital loss carryforwards, tax credits, and other tax attributes. The valuation allowances are primarily related to certain non-U.S. NOL carryforwards, capital loss carryforwards, and U.S. federal foreign tax credits.

As of December 31, 2021, the Company has approximately $239.6 million of undistributed earnings in its foreign subsidiaries. During the fourth quarter of 2021, the Company determined that approximately $208.5 million of these earnings are no longer considered permanently reinvested. The incremental tax cost to repatriate these earnings to the US is immaterial. The Company has not provided deferred taxes on approximately $31.1 million of undistributed earnings from non-U.S. subsidiaries as of December 31, 2021 which are indefinitely reinvested in operations. As a result of the multiple avenues to repatriate earnings to minimize the tax cost, and further given that a large portion of these earnings are not liquid, it is not practical to determine the income tax liability that would be payable if such earnings were not reinvested indefinitely.

In March 2020, in response to the impact of the COVID-19 pandemic in the U.S. and across the globe, the United States Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. In December 2020, Congress passed a second relief package, the Consolidated Appropriations Act, 2021. The enactment period impacts to the Company were immaterial to income tax expense.

10. Pension and Other Employee Benefits

Defined Benefit (Pension)

The Company sponsors various defined benefit (pension) plans for certain active employees.

The following tables represent the reconciliation of the benefit obligation, fair value of plan assets and funded status of the respective defined benefit (pension) plans as of December 31, 2021, 2020 and 2019:

	Year Ended December 31,		
	2021	2020	2019
Change in benefit obligation:			
Obligation at beginning of year	$ 48.3	$ 42.2	$ 63.2
Acquired benefit obligation	—	—	—
Service cost	0.7	0.7	0.5
Interest cost	0.2	0.3	0.6
Contributions	0.2	0.2	0.2
Settlement transfer to third party (1)	—	—	(19.4)
Actuarial (gains) losses	(0.6)	2.4	(0.4)
Amendments	(0.7)	0.9	(0.7)
Foreign exchange effect	(2.7)	4.0	(0.2)
Benefits paid	(2.2)	(2.4)	(1.6)
Obligation at end of year	$ 43.2	$ 48.3	$ 42.2
Change in plan assets:			
Fair value of plan assets, beginning of year	$ 12.9	$ 11.4	$ 31.2
Settlement transfer to third party (1)	—	—	(19.4)
Actual return on plan assets	1.2	0.6	(0.7)
Contributions	0.5	0.6	0.5
Foreign exchange effect	(0.5)	1.1	0.2
Benefits paid	(0.8)	(0.8)	(0.4)
Fair value of plan assets, end of year	$ 13.3	$ 12.9	$ 11.4
Unfunded status	29.9	35.4	30.8
Amounts recognized in the balance sheet consist of:			
Total non-current liabilities	$ 29.9	$ 35.4	$ 30.8

(1) For the year ended December 31, 2019, represents settlement transfer to a third party for $19.4 million related to the Company's Swiss Plan

For the pension plan presented above, the accumulated and projected benefit obligations exceed the fair value of plan assets.

Certain, primarily unionized, employees are entitled to limited grandfathered postretirement benefits (medical, dental, and life insurance coverage). The accumulated benefit obligation for the post-retirement benefit plans, which are not funded, at December 31, 2021, 2020 and 2019 are $4.2 million, $6.0 million and $5.9 million respectively. The balances are included within other long-term liabilities on the consolidated balance sheet. The Company recorded an inconsequential amount of income for of the years ended December 31, 2021, 2020 and 2019. The Company recorded a gain in AOCIL during the year ended December 31, 2021 of $1.7 million ($1.3 million net of tax).

The key economic assumptions used in the computation of the respective benefit obligations at December 31, 2021, 2020 and 2019, presented below are as follows:

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	Non-US Pension Benefits		
	2021	2020	2019
Discount rate	0.67%	0.61%	1.10%
Rate of compensation increase	2.02%	2.10%	2.01%

The following table represents the components of the net periodic benefit cost associated with the respective plans:

	Pension Benefits		
	Non-US Plans		
	Years Ended December 31,		
	2021	2020	2019
Service cost	$ 0.7	$ 0.7	$ 0.5
Interest cost	0.2	0.3	0.6
Expected return on plan assets	(0.4)	(0.5)	(1.1)
Amortization of actuarial losses and prior year service costs	0.6	0.4	0.1
Net periodic benefit cost	$ 1.1	$ 0.9	$ 0.1

The key economic assumptions used in the computation of the respective net periodic benefit cost for the periods presented above are as follows:

	Pension Benefits		
	Non-US Plan		
	Years Ended December 31,		
	2021	2020	2019
Discount rate	2.66%	1.86%	0.91%
Rate of compensation increase	2.60%	2.63%	1.75%
Expected return on plan assets	3.40%	3.70%	3.75%

The expected long-term rate of return represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption reflects expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Amounts recognized in accumulated other comprehensive income (loss) as of December 31, 2021, 2020 and 2019 consist of the following:

	Years Ended December 31,		
	2021	2020	2019
Unrecognized actuarial (loss) gain	$ (2.1)	$ (4.2)	$ (2.1)
Unrecognized prior service credit	1.0	0.5	0.6
Accumulated other comprehensive (loss) income (net of $0.8 million, $1.0 million and $0.6 million of tax benefit, respectively)	$ (1.1)	$ (3.7)	$ (1.5)

The unrecognized prior service cost included in accumulated other compressive income (loss) and expected to be recognized in net periodic pension cost during the year ending December 31, 2022 is $0.1 million (net of $0.0 million tax). The actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension cost during the year ending December 31, 2022 is $0.2 million (net of $0.1 million of tax).

Other changes recognized in other comprehensive income (loss) in the years ended December 31, 2021, 2020 and 2019 were as follows:

	Years Ended December 31,		
	2021	2020	2019
Incurred net actuarial (loss) gain	$ 1.3	$ (2.6)	$ (1.4)
Amortization of prior service credit	—	(0.1)	(0.1)
Amortization of net actuarial (loss) gain	0.6	0.5	0.2
Settlement recognition of net actuarial (loss)	0.7	—	—
Total recognized in accumulated other comprehensive (loss) income (net of ($0.6 million), $0.5 million and $0.8 million) of tax (loss)/benefit, respectively)	$ 2.6	$ (2.2)	$ (1.3)

Fair Value of Plan Assets

The fair value of the Company's pension plan assets at December 31, 2021, 2020 and 2019 by asset category is as follows:

	Years Ended December 31,		
	2021	2020	2019
Asset Category:			
Cash and cash equivalents (Level 1)	$ 1.0	$ 0.8	$ 0.8
Fixed income (Level 1)	3.8	3.8	3.5
Investment grade (Level 2)	4.3	4.4	3.9
Other private investments (Level 3)	4.2	3.9	3.2
Total assets at fair value	$ 13.3	$ 12.9	$ 11.4

The investment strategy is to achieve a rate of return on the plan's assets that meets the performance of liabilities as calculated using a bank's liability index with appropriate adjustments for benefit payments, service cost and actuarial assumption changes. A determinant of the plan's return is the asset allocation policy. The plan's asset mix will be reviewed by the Company periodically, but at least quarterly, to rebalance within the target guidelines. The Company will also periodically review investment managers to determine if the respective manager has performed satisfactorily when compared to the defined objectives, similar invested portfolios and specific market indices.

Expected cash flows

The following table provides the amounts of expected benefit payments, which are made from the plans' assets and includes the participants' share of the costs, which is funded by participant contributions. The amounts in the table are actuarially determined and reflect the Company's best estimate given its current knowledge; actual amounts could be materially different.

	Pension Benefits
Expected benefit payments (from plan assets)	
2022	$ 2.3
2023	**2.0**
2024	2.5
2025	**2.1**
2026	1.9
Thereafter	**9.4**

The Company has no minimum cash funding requirements associated with its pension plans for years 2022 through 2026.

Defined Contribution Plans

Under the terms of the Company's defined contribution plans, eligible employees may contribute up to 75% percent of their eligible compensation to the plan on a pre-tax basis, subject to annual IRS limitations. The Company makes matching contributions equal to half of the first six percent of eligible compensation contributed by each employee and made a unilateral contribution (including for non-contributing employees). The Company's expense associated with the defined contribution plans was $11.8 million, $11.4 million and $10.0 million during the years ended December 31, 2021, 2020 and 2019, respectively.

11. Long-Term Debt

	Years Ended December 31,	
	2021	2020
Debt:		
Term loan	$ 400.0	$ 1,030.0
Revolver	605.0	—
Notes	400.0	400.0
Mortgages and other	9.2	12.9
Finance leases	0.1	0.3
Total gross debt	1,414.3	1,443.2
Less: debt discount and deferred financing costs	(2.2)	(18.5)
Total debt, net of debt discount and deferred financing costs	1,412.1	1,424.7
Less current portion of long-term debt	(11.1)	(16.6)
Total long-term debt	$ 1,401.0	$ 1,408.1

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2021 Credit Agreement

On November 17, 2021, the Company entered into a new Credit Agreement (the "Credit Agreement"). The Credit Agreement provides for a five-year term loan in an aggregate principal amount of $400.0 million (the "Term Loan Facility") and a five-year revolving credit facility in an aggregate committed principal amount of $1.0 billion (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities"). The Company immediately provided notice to the administrative agent of the Credit Agreement to draw down $480.0 million under the Revolving Credit Facility. The aggregate proceeds of $880.0 million under the Credit Facilities were used to repay in full and extinguish all outstanding indebtedness for borrowed money under the 2018 Credit Agreement. The remaining availability under the Revolving Credit Facility will be used for working capital and general corporate purposes.

The Credit Facilities are guaranteed on a senior secured basis by certain direct and indirect domestic subsidiaries of the Company (each a "Guarantor" and collectively the "Guarantors"; the Guarantors collectively with the Borrowers, the "Loan Parties").

The stated maturity date of the Credit Facilities is November 17, 2026, and there are scheduled quarterly principal payments due on the outstanding amount on the Term Loan Facility. The amounts available under the Revolving Credit Facility may be drawn upon in accordance with the terms of the Credit Agreement. All amounts outstanding under the Credit Facilities are due on the stated maturity or such earlier time, if any, required under the Credit Agreement. The amounts owed under either of the Credit Facilities may be prepaid at any time, subject to usual notification and breakage payment provisions. Interest on the amounts outstanding under the Credit Facilities is calculated using either a Base Rate or Eurocurrency Rate, plus the applicable margin. The applicable margins for Eurocurrency Loans are between 1.000% to 1.750%, and for Base Rate Loans are between 0.000% and 0.750%. The amounts of the margins are calculated based on the Total Leverage Ratio (as defined in the Credit Agreement). A portion of the Revolving Credit Facility may be used for the issuance of letters of credit, and a portion of the amount of the Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies. The interest rate on the Credit Facilities was 1.590% at December 31, 2021.

Revolving borrowings and issuances of letters of credit under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the accuracy of representations and warranties and the absence of defaults.

The Credit Agreement contains usual and customary representations and warranties, usual and customary affirmative and negative covenants and restrictions, which among other things, will require the Borrowers to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The obligations of the borrowers of the Credit Facilities under the Credit Agreement may be accelerated upon customary events of default, including non-payment of principal, interest, fees and other amounts, inaccuracy of representations and warranties, violation of covenants, cross default and cross acceleration, voluntary and involuntary bankruptcy or insolvency proceedings, inability to pay debts as they become due, material judgments, ERISA events, actual or asserted invalidity of security documents or guarantees and change in control.

The Company incurred $3.7 million in issuance costs, which is being amortized over the term of the debt as an adjustment to the effective interest rate on the outstanding borrowings.

On November 30, 2021, the Company provided notice to the administrative agent of the Altra Credit Agreement to repay $5.0 million under the Altra Revolving Credit Facility. On December 30, 2021, the Company provided notice to the administrative agent of the Altra Credit Agreement to draw down $130.0 million under the 2021 Altra Revolving Credit Facility. The Company used the proceeds to finance its purchase of Nook Industries.

As of December 31, 2021, the Company had $1,005.0 million outstanding on the Credit Agreement. As of December 31, 2021 and 2020, the Company had $4.8 million and $4.5 million in letters of credit outstanding, respectively. The Company had $390.2 million available to borrow under the Credit Facilities at December 31, 2021, subject to customary conditions including the accuracy of representation and warranties and the absence of defaults.

Notes

On October 1, 2018, (the "A&S Closing Date"), upon the closing of the Fortive Transaction the Company assumed $400 million aggregate principal amount of 6.125% senior notes due 2026 (the "Notes"). The Notes will mature on October 1, 2026. Interest on the Notes accrues from October 1, 2018 and is payable semi-annually commencing on April 1, 2019. The Notes may be redeemed at the option of the issuer on or after October 1, 2023. The Notes are guaranteed on a senior unsecured basis by the Company and certain of its domestic subsidiaries.

2018 Credit Agreement

On October 1, 2018, the Company and certain subsidiaries maintained credit facilities with JPMorgan Chase Bank, N.A., as administrative and collateral agent, and a syndicate of lenders, which provided for a term loan in an aggregate principal amount of $1,340.0 million (the "2018 Term Loan Facility") and a revolving credit facility in an aggregate committed principal amount of $300.0 million (the "2018 Revolving Credit Facility" and together with the 2018 Term Loan Facility, the "2018 Credit Facilities").

On November 17, 2021, in connection with the new Credit Agreement, the 2018 Credit Agreement was terminated and all outstanding indebtedness for borrowed money thereunder was repaid in full. The Company paid an aggregate of $881.0 million due under the 2018 Credit Agreement, including unpaid principal and accrued interest. Upon termination of the 2018 Credit Agreement, the Company recognized $15.4 million as a loss on the debt extinguishment of the term loan for the twelve months ended December 31, 2021 due to the write off of the unamortized debt issuance costs. The Company classified the loss on the debt extinguishment within interest expense in the consolidated statement of operations.

Mortgages and Other Agreements

The Company's subsidiaries in Europe have entered into certain long-term fixed rate term loans that are generally secured by the local property, plant and equipment. The debt has interest rates that range from 1.00% to 2.5%, with various quarterly and monthly installments through 2028.

Finance Leases

The Company leases certain equipment under finance lease arrangements, whose obligations are included in both short-term and long-term debt. Finance lease obligations amounted to approximately $0.1 million and $0.3 million at December 31, 2021 and 2020, respectively. Assets subject to finance leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of December 31, 2021 or 2020 under any of the overdraft agreements.

Working Capital Line of Credit

One foreign subsidiary of the Company has a line of credit used for operating purposes. As of December 31, 2021, the Company had 1.9 million Chinese RMB, or $0.3 million, outstanding on the line of credit.

Maturities on Long-Term Borrowings

Maturities on long-term borrowings, excluding finance leases and debt issuance costs, are as follows:	Amount
2022	**$ 11.1**
2023	20.9
2024	**20.2**
2025	20.2
2026	**1,335.0**
Thereafter	6.8
Total	**$ 1,414.2**

12. Stockholders' Equity

Common Stock (shares not in thousands)

Effective October 1, 2018, the Company amended its Articles of Incorporation to increase the number of authorized shares of Altra common stock from 90,000,000 shares to 120,000,000 shares. As of December 31, 2021 and 2020, there were 64,923,539 and 64,676,567 shares of common stock issued and outstanding, respectively.

Preferred Stock

On December 20, 2006, the Company amended and restated its certificate of incorporation authorizing 10,000,000 shares of undesignated Preferred Stock ("Preferred Stock"). The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have such designations and powers, preferences, rights, qualifications, limitations and restrictions as determined by the Company's Board of Directors. There was no Preferred Stock issued or outstanding at December 31, 2021, 2020, or 2019.

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Restricted Common Stock

The 2014 Omnibus Incentive Plan (the "2014 Plan") provides for various forms of stock based compensation to our directors, executive personnel and other key employees and consultants. Under the 2014 Plan, the total number of shares of common stock available for delivery pursuant to the grant of awards ("Awards") was approximately 4.1 million as of December 31, 2021.

The restricted stock and restricted stock units issued pursuant to the 2014 Plan generally vest ratably over a period ranging from immediately to five years from the date of grant, provided that the vesting of the restricted stock or restricted stock units may accelerate upon the occurrence of certain events. Restricted stock and restricted stock units awarded under the 2014 Plan are generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements.

The 2014 Plan permits the Company to grant, among other things, restricted stock, restricted stock units, stock options and performance share awards to key employees. Certain awards include vesting based upon achievement of specified market conditions. Compensation expense recorded (in selling, general and administrative expense) during the years ended December 31, 2021, 2020 and 2019 was $15.7 million, $13.2 million, and $13.6 million, respectively. The Company recognizes stock-based compensation expense on a straight-line basis for the shares vesting ratably under the plan and uses the graded-vesting method of recognizing stock-based compensation expense for the performance share awards based on the probability of the specific performance metrics being achieved over the requisite service period. Total remaining unrecognized compensation cost is approximately $19.8 million as of December 31, 2021, and will be recognized over a weighted average remaining period of three years.

Automation & Specialty Awards

In October 2018, the Company issued 536,030 restricted stock units to certain Automation & Specialty employees as a result of the acquisition and in accordance with the terms of the Employee Matters Agreement. The aggregate fair value of these awards totaled $21.0 million. Based upon the vesting provisions of these awards, $3.1 million of the fair value attributed to preacquisition services of the A&S employees and was recognized as purchase price consideration. The remaining compensation will be recognized over the remaining service period.

Stock Options

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes valuation model that uses the following weighted-average assumptions:

	Years Ended December 31,	
	2021	2020
Expected term (in years)	6.0 - 6.5	6.0
Expected volatility factor	43.11% - 42.16%	30.37%
Risk free interest rate	0.66% - 0.75%	1.42%
Expected dividend yield	0.80% - 0.82%	1.95%

The expected life of the options was calculated using the simplified method. The Company uses the simplified method to determine the expected term, as management does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The Company's expected volatility assumption for options granted is based on the historical volatility

of the Company's common stock price over the expected life of the options. The weighted average risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. The dividend yield uses the most recent quarterly dividend and the stock price as of the grant date, annualized and continuously compounded.

The following table summarizes the stock option activity under the Company's plan for the year ended December 31, 2021:

	Weighted Average Remaining Contractual Life in Years	Options (In thousands)	Weighted-average grant date fair value	Aggregate Intrinsic Value (In millions)
Outstanding at January 1, 2021		460.7	$ 32.48	
Granted		124.7	59.40	
Exercised		(72.2)	30.72	
Canceled/Forfeited		(13.2)	39.43	
Outstanding at December 31, 2021	8.0	500.0	$ 39.26	$ 7.1
Exercisable at December 31, 2021	7.8	231.3	$ 35.83	$ 3.9
Unvested and expected to vest at December 31, 2021	8.2	254.4	$ 42.02	$ 3.1

The intrinsic value of options exercised during the year ended December 31, 2021 was $2.5 million. Cash proceeds from the exercise of stock options for the year ended December 31, 2021 was $2.2 million.

Restricted Stock Units

The following table summarizes the Restricted Stock Unit ("RSU") activity under the Company's plan for the year ended December 31, 2021:

	Shares (In thousands)	Weighted-average grant date fair value	Aggregate Intrinsic Value (In millions)
Unvested at January 1, 2021	515.8	$ 35.26	
Granted	158.1	59.32	
Vested	(221.3)	38.40	
Canceled/Forfeited	(32.1)	40.50	
Unvested at December 31, 2021	420.5	$ 42.21	$ 21.7

The total fair value and total intrinsic value of RSUs vested during the year ended December 31, 2021 was $8.5 million and $13.0 million, respectively.

Performance Share Awards

During fiscal 2021, 2020 and 2019, the Company granted Performance Share Awards ("PSAs") to certain of its officers and employees. The performance objective of the PSAs measures the Total Shareholder Return ("TSR") against the TSR for a peer group of companies over a measurement period of three years from the time of grant. Award payouts for the PSAs are based on the percentile rank of the Company's TSR compared to the TSR of peer group companies over the performance period. The following table summarizes the PSA activity under the Company's plan for the year ended December 31, 2021:

	Shares (In thousands)	Weighted-average grant date fair value	Aggregate Intrinsic Value (In millions)
Unvested at January 1, 2021	268.0	$ 36.21	
Granted	63.7	63.03	
Vested	(28.3)	45.80	
Canceled/Forfeited	(16.9)	51.25	
Unvested at December 31, 2021	286.5	$ 40.23	$ 14.8

The total fair value and total intrinsic value of PSAs vested during the year ended December 31, 2021 was $1.3 million and $1.6 million, respectively.

The fair value of PSAs is determined utilizing the Monte Carlo simulation model. The following weighted-average assumptions were used in the Monte Carlo simulation model, which were based on historical data and standard industry valuation practices and methodology:

	Years Ended December 31,	
	2021	2020
PSA fair value per share	$ 64.43	$ 34.35
Expected volatility factor	55.85%	34.23%
Risk free interest rate	0.18%	1.35%
Expected dividend yield	0.00%	0.00%

Share Repurchase Program

On October 19, 2016, our board of directors approved a share repurchase program authorizing the buyback of up to $30.0 million of the Company's common stock through December 31, 2019. This program expired effective December 31, 2019.

13. Concentrations

Financial instruments, which are potentially subject to counterparty performance and concentrations of credit risk, consist primarily of trade accounts receivable. The Company manages these risks by conducting credit evaluations of customers prior to delivery or commencement of services. When the Company enters into a sales contract, collateral is normally not required from the customer. Payments are typically due within 30 days of billing. An allowance for potential credit losses is maintained, and losses have historically been within management's expectations. No customer represented greater than 10% of total sales for the years ended December 31, 2021, 2020 and 2019.

The Company is also subject to counter party performance risk of loss in the event of non-performance by counterparties to financial instruments, such as cash and investments and derivative transactions. Cash and investments are held by well-established financial institutions and invested in AAA rated mutual funds or United States Government securities. The Company is exposed to swap counterparty credit risk with financial institutions. The Company's counterparties are well-established financial institutions.

14. Restructuring, Asset Impairment, and Transition Expenses

From time to time, the Company will initiate various restructuring programs and incur severance and other restructuring costs.

During 2017, the Company commenced a restructuring plan ("2017 Altra Plan") as a result of the Company's purchase of Stromag and to rationalize its global renewable energy business. The actions taken pursuant to the 2017 Altra Plan included reducing headcount, facility consolidations and the elimination of certain costs. In 2021, the Company did not incur any costs as a result of the 2017 Altra Plan. In 2020, the Company incurred $0.5 million related to headcount reduction. The amounts for 2019 were comprised of $1.8 million related to headcount reduction, $1.5 million in facility consolidation costs, $1.5 million in relocation costs, and $0.9 million in other restructuring expenses. The Company does not expect to incur any additional material costs as a result of the 2017 Altra Plan.

During 2019, the Company commenced a restructuring plan ("2019 Altra Plan") to drive efficiencies, reduce the number of facilities and optimize its operating margin. The Company expects to incur an additional $1 - $2 million in restructuring expenses under the 2019 Altra Plan over the next two years, primarily related to headcount reductions and plant consolidations. For the year to date period ended December 31, 2021, the Company recorded approximately $2.0 million in expenses related to workforce reductions, $0.8 million in expenses related to facilities consolidation and relocation costs, and $0.2 million in other restructuring expense related charges. For the year to date period ended December 31, 2020, the Company recorded approximately $5.0 million in expenses related to workforce reductions, $0.6 million in expenses related to facilities consolidation and relocation costs, and $1.3 million in other restructuring expense related charges. For the year to date period ended December 31, 2019, the Company recorded approximately $5.9 million in expenses related to workforce reductions, $1.5 million in expenses related to facilities consolidation and relocation costs, and $1.0 million in other restructuring expense related charges.

The following table is a reconciliation of the accrued restructuring costs between January 1, 2019 and December 31, 2021.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Balance at January 1, 2019	$ 1.9	$ —	$ 1.9
Restructuring expense incurred	5.7	8.4	14.1
Cash payments	(6.1)	(5.8)	(11.9)
Balance at December 31, 2019	1.5	2.6	4.1
Restructuring expense incurred	0.5	6.9	7.4
Cash payments	(1.5)	(7.7)	(9.2)
Balance at December 31, 2020	0.5	1.8	2.3
Restructuring expense incurred	—	3.0	3.0
Cash payments	(0.5)	(4.3)	(4.8)
Balance at December 31, 2021	$ —	$ 0.5	$ 0.5

The total accrued restructuring reserve as of December 31, 2021 relates to severance to be paid to former employees and facility consolidation and relocation costs under the 2019 Altra Plan and is recorded in accruals and other current liabilities on the accompanying consolidated balance sheet.

The following table is a reconciliation of restructuring expense by segment for the year ending December 31, 2021.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Power Transmission Technologies	$ —	$ 1.8	$ 1.8
Automation & Specialty	—	1.2	1.2
Expense for the year ending December 31, 2021	$ —	$ 3.0	$ 3.0

The following table is a reconciliation of restructuring expense by segment for the year ending December 31, 2020.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Power Transmission Technologies	$ 0.5	$ 4.2	$ 4.7
Automation & Specialty	—	2.7	2.7
Expense for the year ending December 31, 2020	$ 0.5	$ 6.9	$ 7.4

The following table is a reconciliation of restructuring expense by segment for the year ending December 31, 2019.

	2017 Altra Plan	2019 Altra Plan	Total All Plans
Power Transmission Technologies	$ 5.7	$ 0.8	$ 6.5
Automation & Specialty	—	7.6	7.6
Expense for the year ending December 31, 2019	$ 5.7	$ 8.4	$ 14.1

15. Derivative Financial Instruments

The Company may manage changes in market conditions related to interest on debt obligations and foreign currency exposures by entering into derivative instruments, including interest rate and foreign currency swap agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each period. The Company determines the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard models with market-based inputs, which take into account the present value of estimated future cash flows and the ability of Altra or the financial counterparty to perform. For cross-currency interest rate swaps, the significant inputs are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows. For interest rate swaps, the significant inputs to these models are interest rate curves for discounting future cash flows that are adjusted for credit risk. Both cross-currency interest rate swaps and interest rate swaps are Level 2 investments. Refer to Note 1 for a description of the fair value levels. For designated

hedging relationships, the Company formally documents the hedging relationship consistent with the requirements of ASC 815, *Derivatives*.

Cross-Currency Interest Rate Swaps

In December 2018, the Company entered into cross-currency swap agreements to hedge its net investment in Euro-denominated assets against future volatility in the exchange rate between the U.S. dollar and the Euro. By doing so, the Company synthetically converted a portion of its U.S. dollar-based long-term debt into Euro-denominated long-term debt. At inception, the cross-currency swaps were designated as net investment hedges.

For net investment hedges, changes in the fair value of the effective portion of the derivatives' gains or losses are reported as foreign currency translation gains or losses in accumulated other comprehensive income (loss) ("AOCIL"). The gains or losses on derivative instruments reported in AOCIL are reclassified to earnings in the period in which earnings are affected by the underlying item, such as a disposal or substantial liquidations of the entities being hedged. For the year ended December 31, 2019, the Company recorded a gain in AOCIL of approximately $19.8 million, net of $3.6 million of tax. During the first quarter of 2020, the global economy declined substantially due to the impact of COVID-19. This decline resulted in a significant increase in the value of the U.S. dollar. The appreciation of the U.S. dollar resulted in the Company's cross-currency interest rate swaps being substantially in-the-money. Given the increased cash value of the hedges and the Company's overall desire to strengthen its cash position, the Company terminated the cross-currency interest rate swaps during the first quarter of 2020. The Company received the cash value of the cross-currency interest rate swaps of approximately $56.2 million upon termination. In addition, the Company paid the interest owed and received the interest due, resulting in the recognition of approximately $3.3 million in net interest income, and paid termination fees of approximately $0.9 million. Through the date of the termination of the cross-currency interest rate swaps, the Company recorded a gain in AOCIL of approximately $31.2 million, net of $9.9 million of tax. At December 31, 2021 and 2020, the Company had a gain in AOCIL of approximately $44.8 million, net of $11.4 million of tax. That balance will remain in AOCIL until the period in which earnings are affected by the underlying item, such as a disposal or substantial liquidations of the entities being hedged.

Interest Rate Swaps

In January 2017, the Company entered into an interest rate swap agreement designed to fix the variable interest rate payable on a portion of its outstanding borrowings. This interest rate swap matured on January 31, 2020. Additionally, in December 2018, the Company entered into an interest rate swap agreement designed to manage the cash flow risk caused by interest rate changes on the forecasted interest payments expected to occur related to a portion of its outstanding borrowings under the 2018 Altra Credit Agreement.

The interest rate swap agreement was designed to manage exposure to interest rates on the Company's variable rate indebtedness and was recognized on the balance sheet at fair value. The Company designated this interest rate swap agreement as a cash flow hedge and changes in the fair value of the swap were recognized in other comprehensive income until the hedged items were recognized in earnings.

During the second quarter of 2020, the Company terminated the interest rate swap agreement. The Company paid the cash value of the interest rate swaps of approximately $34.7 million upon termination. In addition, the Company paid the interest owed and received the interest due, resulting in the recognition of approximately $0.1 million in net interest expense, and paid termination fees of approximately $0.1 million. Through the date of the termination of the interest rate swap, the Company recorded a loss in AOCIL of approximately $11.9 million, net of $3.8 million of tax benefit. For the year ended December 31, 2019, the Company recorded a loss in AOCIL of approximately $9.9 million, net of $1.7 million of tax benefit. The loss on the interest rate swap reported in AOCIL will be reclassified to earnings in future periods when the hedged transaction affects earnings or if it is determined that it is probable that the hedged transaction will not occur. The Company recorded $11.5 million and $3.3 million of net interest expense for the year to date periods ended December 31, 2020 and 2019, respectively. Approximately $9.0 million ($6.9 million net of tax) of the net interest expense is non-cash amortization, due to the termination of the interest rate swap, reclassified from AOCIL for the year to date period ended December 31, 2020.

In November 2021, the Company terminated the 2018 Credit Agreement. As a result of the decision to terminate the 2018 Credit Agreement, the remaining balance of the unrealized loss in AOCIL of $14.9 million was immediately reclassified to "Interest expense, net" in the accompanying consolidated statement of earnings. During the year ended December 31, 2021, the Company reclassified $25.7 million ($21.5 million net of tax) of non-cash interest expense from AOCIL to earnings.

The following table summarizes the balance of the Company's derivative instruments designated as cash flow hedges (in millions).

	Amount of Gain/(Loss) in AOCIL	
	2021	2020
Cash flow hedge:		
Interest rate swap agreement	$ -	$ (25.7)

16. Commitments and Contingencies

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims, and workers' compensation claims. With respect to these proceedings, management believes that the Company will prevail, has adequate insurance coverage or has established appropriate reserves 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 adversely to the Company, there could be a material adverse effect on the results of operations, cash flows, or financial condition of the Company. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. For matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses, individually and in the aggregate, will not have a material effect on our consolidated financial statements.

Our estimates regarding potential losses and materiality are based on our judgment and assessment of the claims utilizing currently available information. Although we will continue to reassess our reserves and estimates based on future developments, our objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from our current estimates. We will continue to consider the applicable guidance in ASC 450-20, based on the facts known at the time of our future filings, as it relates to legal contingencies, and will adjust our disclosures as may be required under the guidance.

There were no material amounts accrued in the accompanying consolidated balance sheets for potential litigation as of December 31, 2021 or 2020.

The Company also risks exposure to product liability claims in connection with products it has sold and those sold by businesses that the Company acquired. Although in some cases third parties have retained responsibility for product liability claims relating to products manufactured or sold prior to the acquisition of the relevant business and in other cases the persons from whom the Company has acquired a business may be required to indemnify the Company for certain product liability claims subject to certain caps or limitations on indemnification, the Company cannot assure that those third parties will in fact satisfy their obligations with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not comply with their respective obligations including indemnity obligations, or if certain product liability claims for which the Company is obligated were not retained by third parties or are not subject to these indemnities, the Company could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liability claims or are required to indemnify the Company, significant claims arising from products that have been acquired could have a material adverse effect on the Company's ability to realize the benefits from an acquisition, could result in the reduction of the value of goodwill that the Company recorded in connection with an acquisition, or could otherwise have a material adverse effect on the Company's business, financial condition, or operations.

Environmental

There is contamination at some of the Company's current facilities, primarily related to historical operations at those sites, for which the Company could be liable for the investigation and remediation under certain environmental laws. The potential for contamination also exists at other of the Company's current or former sites, based on historical uses of those sites. The Company currently is not undertaking any remediation or investigations and the costs or liability in connection with potential contamination conditions at these facilities cannot be predicted at this time because the potential existence of contamination has not been investigated or not enough is known about the environmental conditions or likely remedial requirements. Currently, other parties with contractual liability are addressing or have plans or obligations to address those contamination conditions that may pose a material risk to human health, safety or the environment. In addition, while the Company attempts to evaluate the risk of liability associated with these facilities at the time the Company acquired them, there may be environmental conditions currently unknown to the Company relating to prior, existing or future sites or operations or those of predecessor companies whose liabilities the Company may have assumed or acquired which could have a material adverse effect on the Company's business.

The Company is being indemnified, or expects to be indemnified, by third parties subject to certain caps or limitations on the indemnification, for certain environmental costs and liabilities associated with certain owned or operated sites. Accordingly, based on the indemnification and the experience with similar sites of the environmental consultants who the Company has hired, the Company does not expect such costs and liabilities to have a material adverse effect on its business, operations or earnings. There can be no

assurance, however, that those third parties will in fact satisfy their indemnification obligations. If those third parties become unable to, or otherwise do not, comply with their respective indemnity obligations, or if certain contamination or other liability for which the Company is obligated is not subject to these indemnities, the Company could become subject to significant liabilities.

From time to time, the Company is notified that it is a potentially responsible party and may have liability in connection with off-site disposal facilities. To date, the Company has generally resolved matters involving off-site disposal facilities for a nominal sum but there can be no assurance that the Company will be able to resolve pending or future matters in a similar fashion.

17. Segment and Geographic Information

The internal reporting structure used by our Chief Operating Decision Maker ("CODM") to assess performance and allocate resources determines the basis for our reportable operating segments. Our CODM is our Chief Executive Officer, and he evaluates operations and allocates resources based on a measure of income from operations. Our operations are organized in two reporting segments that are aligned with key product types and end markets served, Power Transmission Technologies and Automation & Specialty:

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- *Power Transmission Technologies.* This segment includes the following key product offerings:
  - *Couplings, Clutches & Brakes.* Couplings are the interface between two shafts, which enable power to be transmitted from one shaft to the other. Clutches in this segment are devices that use mechanical, hydraulic, pneumatic, or friction type connections to facilitate engaging or disengaging two rotating members. Brakes are combinations of interacting parts that work to slow or stop machinery. Products in this segment are generally used in heavy industrial applications and energy markets.
  - *Electromagnetic Clutches & Brakes.* Products in this segment include brakes and clutches that are used to electronically slow, stop, engage or disengage equipment utilizing electromagnetic friction type connections. Products in this segment are used in industrial and commercial markets including agricultural machinery, material handling, motion control, and turf & garden.
  - *Gearing.* Gears are utilized to reduce the speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. Gears produced by the Company are primarily utilized in industrial applications.
- *Automation & Specialty. Our Automation & Specialty segment consists of four key brands:*
  - *Kollmorgen:* Provides rotary precision motion solutions, including servo motors, stepper motors, high performance electronic drives and motion controllers and related software, and precision linear actuators. These products are used in advanced material handling, aerospace and defense, factory automation, medical, packaging, printing, semiconductor, robotic and other applications.
  - *Portescap:* Provides high-efficiency miniature motors and motion control products, including brush and brushless DC motors, can stack motors and disc magnet motors. These products are used in medical, industrial power tool and general industrial equipment applications.
  - *Thomson:* Provides systems that enable and support the transition of rotary motion to linear motion. Products include linear bearings, guides, glides, lead and ball screws, industrial linear actuators, clutch brakes, precision gears, resolvers and inductors. These products are used in factory automation, medical, mobile off-highway, material handling, food processing and other niche applications.
  - *Jacobs Vehicle Systems (JVS):* Provides renowned "Jake Brake" diesel engine braking systems and valve actuation mechanisms for the commercial vehicle market, including compression release, bleeder and exhaust brakes. These products are primarily used in heavy duty Class 8 truck engine applications. On February 8, 2022, we entered into an agreement with Cummins to divest all of our equity interest of the entities which collectively constitute the Jacobs Vehicle Systems business. See Note 18 to the consolidated financial statements for further information.

Segment financial information and a reconciliation of segment results to consolidated results follows:

	Year Ended December 31,		
	2021	2020	2019
Net Sales:			
Power Transmission Technologies	$ 924.8	$ 818.6	$ 907.7
Automation & Specialty	979.0	911.8	931.0
Inter-segment eliminations	(4.0)	(4.4)	(4.6)
Net sales	$ 1,899.8	$ 1,726.0	$ 1,834.1
Income from operations:			
Segment earnings:			
Power Transmission Technologies	$ 128.6	$ 97.5	$ 113.5
Automation & Specialty (1)	(8.3)	(10.4)	132.3
Corporate (2)	(19.9)	(2.2)	(7.6)
Restructuring and consolidation costs	(3.0)	(7.4)	(14.1)
Income from operations	97.4	77.5	224.1
Other non-operating (income) expense:			
Net interest expense	94.5	72.1	73.8
Other non-operating expense (income), net	(4.9)	1.4	2.1
	89.6	73.5	75.9
Income before income taxes	7.8	4.0	148.2
(Benefit)/Provision for income taxes	(19.9)	29.5	21.0
Net income/(loss)	$ 27.7	$ (25.5)	$ 127.2

(1) During the fourth quarter of 2021, the Company recorded a non-cash impairment charge of $142.4 million at the JVS reporting unit related to the held for sale classification. During the first quarter of 2020, the Company recorded non-cash impairment charges of $8.4 million and $139.1 million for indefinite-lived intangible assets and goodwill, respectively, at the JVS reporting unit.

(2) Certain expenses are maintained at the corporate level and not allocated to the segments. These include various administrative expenses related to the corporate headquarters, depreciation on capitalized software costs, non-capitalizable software implementation costs and acquisition related expenses.

Selected information by segment (continued)

	Years Ended December 31,		
	2021	2020	2019
Depreciation and amortization:			
Power Transmission Technologies	$ 31.5	$ 32.9	$ 33.6
Automation & Specialty	88.2	91.5	92.0
Corporate	2.6	3.2	2.8
Total depreciation and amortization	$ 122.3	$ 127.6	$ 128.4

	Years Ended December 31,	
	2021	2020
Total assets:		
Power Transmission Technologies	$ 1,069.4	$ 1,063.3
Automation & Specialty	2,879.2	2,997.3
Corporate (1)	182.0	147.5
Total assets	$ 4,130.6	$ 4,208.1

(1) Corporate assets are primarily cash and cash equivalents, tax related asset accounts, certain capitalized software costs, property, plant and equipment and deferred financing costs.

	Net Sales			Property, Plant and Equipment	
	Years Ended December 31,			Years Ended December 31,	
	2021	2020	2019	2021	2020
North America (primarily U.S.)	$ 1,018.3	$ 914.9	$ 1,036.5	$ 134.6	$ 191.1
Europe excluding Germany	341.9	289.3	307.7	48.5	52.6
Germany	200.0	185.8	222.7	55.4	63.9
China	222.9	222.5	159.6	24.7	23.3
Asia and other (excluding China)	116.7	113.5	107.6	12.6	13.3
Total	$ 1,899.8	$ 1,726.0	$ 1,834.1	$ 275.8	$ 344.2

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates. Amounts attributed to the geographic regions for property, plant and equipment are based on the location of the entity, which holds such assets.

18. Subsequent Events

On February 8, 2022, the Company entered into a purchase and sale agreement (the "Purchase Agreement") with Cummins Inc., an Indiana corporation ("Cummins"), pursuant to which, subject to the terms and conditions set forth therein, the Company has agreed to sell to Cummins all of the issued and outstanding equity interests of the entities which collectively constitute its Jacobs Vehicle Systems business segment for $325 million, in cash, subject to customary adjustments for cash and indebtedness and for changes in working capital from an agreed upon working capital target.

On February 9, 2022, the Company declared a dividend of $0.08 per share for the quarter ended March 31, 2022, payable on April 4, 2022 to stockholders of record as of March 17, 2022.

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

None.

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

1. Disclosure Controls and Procedures

As of December 31, 2021, or the Evaluation Date, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, such as this Form 10-K, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective at a reasonable assurance level.

2. Internal Control Over Financial Reporting

(a) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive officer and chief financial officer, and implemented by our Board of Directors, management and other personnel 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. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our 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 the policies or procedures may deteriorate.

As discussed in Note 3 to the consolidated financial statements included in this Annual Report on Form 10-K, we acquired all of the issued and outstanding equity interests of Nook Industries, LLC on December 31, 2021. The financial statements of Nook Industries reflect total assets constituting 4% of the Company's total assets as of December 31, 2021. As a result of the timing of the acquisition and as permitted by the Securities and Exchange Commission, management has excluded internal controls at Nook Industries from its assessment of the internal control over financial reporting as of December 31, 2021.

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2021 based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission *(COSO)*. Management has concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K.

(b) Report of the Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Altra Industrial Motion Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Altra Industrial Motion Corp. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 28, 2022, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting of Nook Industries, LLC, which was acquired on December 31, 2021 and whose financial statements constitute 4% of total assets of the consolidated financial statement amounts as of December 31, 2021. Accordingly, our audit did not include the internal control over financial reporting of the Nook Industries, LLC.

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 Report on Internal Control over Financial Reporting. 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/ Deloitte & Touche LLP

Boston, Massachusetts
February 28, 2022

(c) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a–15(f) under the Exchange Act) that occurred during our quarter ended December 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

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

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2021.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2021.

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

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2021.

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

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2021.

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

The information required by this item is incorporated by reference to our definitive 2022 Proxy Statement to be filed no later than 120 days after December 31, 2021.

PART IV

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

(a) List of documents filed as part of this report:

(1) Financial Statements.

i. Consolidated Balance Sheets as of December 31, 2021 and 2020

ii. Consolidated Statements of Operations for the Fiscal Years ended December 31, 2021, 2020 and 2019

iii. Consolidated Statements of Comprehensive Income for the Fiscal Years ended December 31, 2021, 2020 and 2019

iv. Consolidated Statements of Stockholders' Equity as of December 31, 2021, 2020 and 2019

v. Consolidated Statements of Cash Flows for the Fiscal Years ended December 31, 2021, 2020 and 2019

(2) Financial Statement Schedule

ii. Schedule II — Valuation and Qualifying Accounts

(3) Exhibits List

Number	Description
2.1(1)	LLC Purchase Agreement, dated as of October 25, 2004, among Warner Electric Holding, Inc., Colfax Corporation and CPT Acquisition Corp., a subsidiary of Altra Holdings, Inc. (P)
2.2(1)	Assignment and Assumption Agreement, dated as of November 21, 2004, between Altra Holdings, Inc. and Altra Industrial Motion, Inc. (P)
2.3	Equity Purchase Agreement, dated as of December 31, 2021, among Altra Industrial Motion Corp., Nook Industries, LLC, Nook Industries Holdings, Inc., the shareholders of Nook Industries, LLC party thereto, and Joseph H. Nook, III, as the sellers' representative.* **
2.4	Purchase and Sale Agreement, dated February 8, 2022, between Cummins Inc. and Altra Industrial Motion Corp.*
3.1(2)	Second Amended and Restated Certificate of Incorporation of Altra Holdings, Inc.
3.2(12)	Certificate of Amendment to the Second Amended and Restated Articles of Incorporation of Altra Industrial Motion Corp., as filed with the Secretary of State of the State of Delaware
3.3(3)	Second Amended and Restated Bylaws of Altra Holdings, Inc.
3.4(6)	Certificate of Ownership and Merger of Altra Merger Sub, Inc. with and into Altra Holdings, Inc., to effect the Company name change, as filed with the Secretary of State of the State of Delaware on November 22, 2013.
4.1(2)	Form of Common Stock Certificate.
4.2(11)	Indenture, dated as of October 1, 2018, among Stevens Holding Company, Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A.
4.3(11)	Supplemental Indenture, dated as of October 1, 2018, among Stevens Holding Company, Inc., Altra Industrial Motion Corp., the other guarantors party thereto and The Bank of New York Mellon Trust Company, N.A.
4.4(13)	Description of Securities
10.1(4)	Amended and Restated Employment Agreement, dated as of January 1, 2009, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Carl Christenson.†
10.2(5)	Amended and Restated Employment Agreement, dated as of November 5, 2012, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Christian Storch.†
10.3(3)	Form of Indemnity Agreement entered into between Altra Holdings, Inc. and the Directors and certain officers.†
10.4(7)	Form of Change of Control Agreement entered into among Altra Industrial Motion Corp. and certain officers.†
10.5(12)	Altra Industrial Motion Corp. 2014 Omnibus Incentive Plan, as amended and restated.†
10.6(9)	Separation and Distribution Agreement, dated as of March 7, 2018, among Fortive Corporations, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.7(10)	A&R Commitment Letter, dated as of March 28, 2018 among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.8(10)	Employee Matters Agreement, dated as of March 7, 2018 among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.9(11)	Tax Matters Agreement, dated as of October 1, 2018, among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.10(11)	Transition Services Agreement, dated as of October 1, 2018, among Fortive Corporation, Stevens Holding Company, Inc. and Altra Industrial Motion Corp.
10.11(11)	Intellectual Property Cross-License Agreement, dated as of October 1, 2018, between Fortive Corporation and Altra Industrial Motion Corp.
10.12(11)	Credit Agreement, dated as of October 1, 2018, among Altra Industrial Motion Corp., the designated subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.**

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10.13(8)	Form of Altra Industrial Motion Corp.'s Restricted Stock Unit Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated. †
10.14(8)	Form of Altra Industrial Motion Corp.'s Restricted Stock Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated. †
10.15(8)	Form of Altra Industrial Motion Corp.'s Nonqualified Stock Option Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated †
10.16(14)	Form of Altra Industrial Motion Corp.'s Restricted Stock Unit Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan.†
10.17(14)	Form of Altra Industrial Motion Corp.'s Performance Share Award Agreement under Altra Industrial Motion Corp.'s 2014 Omnibus Incentive Plan, as amended and restated. †
10.18	Credit Agreement, dated as of November 17, 2021, among Altra Industrial Motion Corp., the designated subsidiary borrowers party thereto, the lenders party thereto and Bank of Montreal, as administrative agent, sustainability structuring agent and collateral agent* **
10.19	Guarantee and Collateral Agreement, dated November 17, 2021, among Altra Industrial Motion Corp. and certain of its subsidiaries in favor of Bank of Montreal.*
10.20	Patent Security Agreement, dated November 17, 2021, among certain subsidiaries of Altra Industrial Motion Corp. in favor of Bank of Montreal.*
10.21	Trademark Security Agreement, dated November 17, 2021, among Altra Industrial Motion Corp. and certain of its subsidiaries in favor of Bank of Montreal.*
21.1	Subsidiaries of Altra Industrial Motion Corp.*
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.*
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, are formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Audited Consolidated Statement of Operations, (ii) the Audited Consolidated Statement of Comprehensive Income, (iii) the Audited Consolidated Balance Sheet, (iv) the Audited Consolidated Statement of Cash Flows, (v) the Statements of Stockholders' Equity, (vi) Notes to Audited Consolidated Financial Statements, (vii) Valuation and Qualifying Accounts.*
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in iXBRL and contained in Exhibit 101.

(1) Incorporated by reference to Altra Industrial Motion, Inc.'s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on May 16, 2005.
(2) Incorporated by reference to Altra Holdings, Inc.'s Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on December 4, 2006.
(3) Incorporated by reference to Altra Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2008.
(4) Incorporated by reference to Altra Holdings, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2008.
(5) Incorporated by reference to Altra Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 7, 2012.
(6) Incorporated by reference to Altra Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2013.
(7) Incorporated by reference to Altra Industrial Motion Corp.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2015.
(8) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 10-Q filed with the Securities and Exchange Commission on July 24, 2020.
(9) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 8-K filed on March 9, 2018.

(10) Incorporated by reference to Altra Industrial Motion Corp.'s Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 5, 2018.
(11) Incorporated by reference to Altra Industrial Motion Corp.'s Current Report on Form 8-K, filed with the SEC on October 1, 2018.
(12) Incorporated by reference to Annex A filed with Altra Industrial Motion Corp.'s Proxy Statement filed with the Securities and Exchange Commission on March 26, 2020.
(13) Incorporated by reference to Altra Industrial Motion Corp.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2019.
(14) Incorporated by reference to Altra Industrial Motion Corp.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2020.
* Filed herewith.

** Management contract or compensatory plan or arrangement.

*** Schedules and exhibits to these agreements have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplemental copies of such omitted schedules and exhibits to the Securities and Exchange Commission upon request.

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

Note: Altra Holdings, Inc. changed its name to Altra Industrial Motion Corp. effective November 22, 2013.

Item 15(a)(2)

ALTRA INDUSTRIAL MOTION CORP.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Allowance for Credit Losses:	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
For the year ended December 31, 2019	$ 5.6	$ 0.9	$ (1.4)	$ 5.1
For the year ended December 31, 2020	5.1	0.0	(0.2)	4.9
For the year ended December 31, 2021	$ 4.9	$ 0.1	$ (0.9)	$ 4.1

Exhibit Index

Number	Description
2.3	Equity Purchase Agreement, dated as of December 31, 2021, among Altra Industrial Motion Corp., Nook Industries, LLC, Nook Industries Holdings, Inc., the shareholders of Nook Industries, LLC party thereto, and Joseph H. Nook, III, as the sellers' representative.
2.4	Purchase and Sale Agreement, dated February 8, 2022, between Cummins Inc. and Altra Industrial Motion Corp.
10.18	Credit Agreement, dated as of November 17, 2021, among Altra Industrial Motion Corp., the designated subsidiary borrowers party thereto, the lenders party thereto and Bank of Montreal, as administrative agent, sustainability structuring agent and collateral agent
10.19	Guarantee and Collateral Agreement, dated November 17, 2021, among Altra Industrial Motion Corp. and certain of its subsidiaries in favor of Bank of Montreal
10.20	Patent Security Agreement, dated November 17, 2021, among certain subsidiaries of Altra Industrial Motion Corp. in favor of Bank of Montreal.
10.21	Trademark Security Agreement, dated November 17, 2021, among Altra Industrial Motion Corp. and certain of its subsidiaries in favor of Bank of Montreal.
21.1	Subsidiaries of Altra Industrial Motion Corp.
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, are formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Audited Consolidated Statement of Operations, (ii) the Audited Consolidated Statement of Comprehensive Income, (iii) the Audited Consolidated Balance Sheet, (iv) the Audited Consolidated Statement of Cash Flows, (v) the Statements of Stockholders' Equity, (vi) Notes to Audited Consolidated Financial Statements, (vii) Valuation and Qualifying Accounts.
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in iXBRL and contained in Exhibit 101.

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.

ALTRA INDUSTRIAL MOTION CORP.

February 28, 2022 By: /s/ Carl R. Christenson
Name: Carl R. Christenson
Title: Chairman and Chief Executive Officer

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Pursuant to the requirements 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 dates indicated.

February 28, 2022 By: /s/ Carl R. Christenson
Name: Carl R. Christenson
Title: Chairman and Chief Executive Officer, Director

February 28, 2022 By: /s/ Todd B. Patriacca
Name: Todd B. Patriacca
Title: Executive V.P., Chief Financial Officer and Treasurer, Chief Accounting Officer

February 28, 2022 By: /s/ Lyle G. Ganske
Name: Lyle G. Ganske
Title: Director

February 28, 2022 By: /s/ Scott Hall
Name: Scott Hall
Title: Director

February 28, 2022 By: /s/ Nicole Parent Haughey
Name: Nicole Parent Haughey
Title: Director

February 28, 2022 By: /s/ Margot Hoffman
Name: Margot Hoffman
Title: Director

February 28, 2022 By: /s/ Thomas W. Swidarski
Name: Thomas W. Swidarski
Title: Director

February 28, 2022 By: /s/ La Vonda Williams
Name: La Vonda Williams
Title: Director

February 28, 2022 By: /s/ James H. Woodward, Jr.
Name: James H. Woodward, Jr.
Title: Director

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*Reconciliation of Non-GAAP Net Income:
(amount in millions, except per share information)

	Year Ended December 31,	
	2021	2020
Net income/(loss)	$ 27.7	$ (25.5)
Restructuring and consolidation costs	3.0	7.4
Acquisition related stock compensation expense	0.9	1.8
Acceleration of stock compensation expense upon retirement	1.3	-
Acquisition related expenses	1.5	-
Acquisition related amortization expense	70.4	69.8
Automation and Specialty acquisition purchase price adjustment	-	(0.8)
Non-cash amortization of interest rate swap settlement	25.7	9.0
Loss on extinguishment of debt	15.4	-
Impairment of intangible assets - trademarks	-	8.4
Cross currency interest rate swap settlement fee	-	0.9
Tax impact of above adjustments	(25.1)	(20.4)
2019 tax benefit due to income tax rate change	-	(2.8)
Valuation allowance for stock compensation deferred tax asset	1.4	-
Impairment charges	142.4	139.1
Tax benefit due to asset held for sale impairment charge	(53.9)	-
Non-GAAP net income*	$ 210.7	$ 186.9
Non-GAAP diluted earnings per share*	$ 3.22	$ 2.88

*Reconciliation of Non-GAAP Free Cash Flow and Non-GAAP Adjusted Free Cash Flow:
(amount in millions)

	Year Ended December 31,			
	2021	2020	2019	2018
Net cash flows provided by operating activities	$ 217.0	$ 262.5	$ 253.4	$ 116.3
Purchase of property, plant and equipment	(40.6)	(33.7)	(51.7)	(37.5)
Non-GAAP free cash flow*	$ 176.4	$ 228.8	$ 201.7	$ 78.8
Payment for interest rate swap settlement	-	34.7	-	-
Non-GAAP adjusted free cash flow*	$ 176.4	$ 263.5	$ 201.7	$ 78.8

*Reconciliation of Free Cash Flow Conversion
(amount in millions)

	Year Ended December 31,	
	2021	2020
Non-GAAP net income*	$ 210.7	$ 186.9
Non-GAAP adjusted free cash flow*	176.4	263.5
Free Cash Flow Conversion	83.7%	141.0%

*Reconciliation of Non-GAAP Operating Income and Operating Income Margin
(amount in millions)

	Year Ended December 31,	
	2021	2020
Income from operations	$ 97.4	$ 77.5
Income from operations as a percent of net sales	5.1%	4.5%
Acquisition related stock compensation expense	0.9	1.8
Acceleration of stock compensation expense upon retirement	1.3	-
Acquisition related expenses	1.5	-
Acquisition related amortization expense	70.4	69.8
Restructuring and consolidation costs	3.0	7.4
Impairment charges	142.4	147.5
Non-GAAP income from operations*	$ 316.9	$ 304.0
Non-GAAP income from operations as a percent of net sales	*16.7%*	*17.6%*

With regard to our long-term financial goals, the Company is not providing a quantitative reconciliation for forward looking organic growth, operating income margin, and free cash flow conversion. The most directly comparable GAAP measures cannot be reliably predicted or estimated without unreasonable effort due to their dependence on future uncertainties, such as the adjustment for items as listed below. Additionally, information about other adjusting items that is currently not available to the Company could have a potentially unpredictable and potentially significant impact on its future GAAP financial results.

Organic sales are calculated as net sales excluding the impact of foreign currency translation. Organic sales can be expressed as a dollar amount or a percentage rate when describing organic growth.

Non-GAAP Net Income and Non-GAAP Income From Operations exclude acquisition related amortization expense, acquisition related expense, acquisition related stock compensation expense, restructuring and consolidation costs, impairment charges, non-cash amortization of interest rate swap expense and other income or charges that management does not consider to be directly related to the Company's core operating performance.

Non-GAAP operating income margin is calculated by dividing Non-GAAP Income from operations by GAAP net sales.

Non-GAAP Free Cash Flow is calculated by deducting purchases of property, plant and equipment.

Non-GAAP Free Cash Flow Conversion is calculated by dividing Non-GAAP Net Income by Non-GAAP Adjusted Free Cash Flow.

Non-GAAP Adjusted Free Cash Flow is calculated by adding back the payment for the interest rate swap settlement to Non-GAAP Free Cash Flow.

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BOARD OF DIRECTORS

Carl R. Christenson
Chairman and Chief Executive Officer
Altra Industrial Motion Corp.

Lyle G. Ganske
Partner-in-Charge
Jones Day | Houston Office

J. Scott Hall
President and Chief Executive Officer
Mueller Water Products, Inc.

Nicole Parent Haughey
Former Chief Operating Officer
Island Creek Oysters

Margot L. Hoffman
President and CEO
The Partnership for Excellence

Thomas W. Swidarski
CEO
Telos Alliance

La Vonda Williams
Chief Financial Officer
Onegevity Health

James H. Woodward Jr.
Former Senior Vice President and CFO
Accuride Corporation

OFFICERS

Carl Christenson
Chairman and
Chief Executive Officer

Todd B. Patriacca
Executive Vice President,
Chief Financial Officer and Treasurer

Glenn E. Deegan
Chief Legal and
Human Resources Officer

Craig Schuele
Executive Vice President
Marketing and Business Development

INVESTOR INFORMATION

Corporate Headquarters
Altra Industrial Motion Corp.
300 Granite Street
Suite 201
Braintree, MA 02184
(781) 917-0600 Phone
(781) 543-0039 Fax

Investor Relations Program
We conduct conference calls following each quarterly earnings release and encourage inquiries from investors and members of the financial community. Our investor relations contact is Todd Patriacca who may be reached at (781) 917-0541.

Annual Meeting of Stockholders
Please refer to our Proxy Statement for further information regarding the 2022 Annual Meeting of Stockholders.

Requests for Shareholder Information
Copies of our annual report, press releases, and periodic reports filed with the Securities and Exchange Commission can be obtained by accessing the Company's website at www.altramotion.com, calling the Investor Relations Department at (781) 917-0527, sending a fax to (781) 843-0635, or addressing your correspondence to the Company's headquarters.

On the Internet
For further information about Altra Industrial Motion visit our site on the Internet at www.altramotion.com.

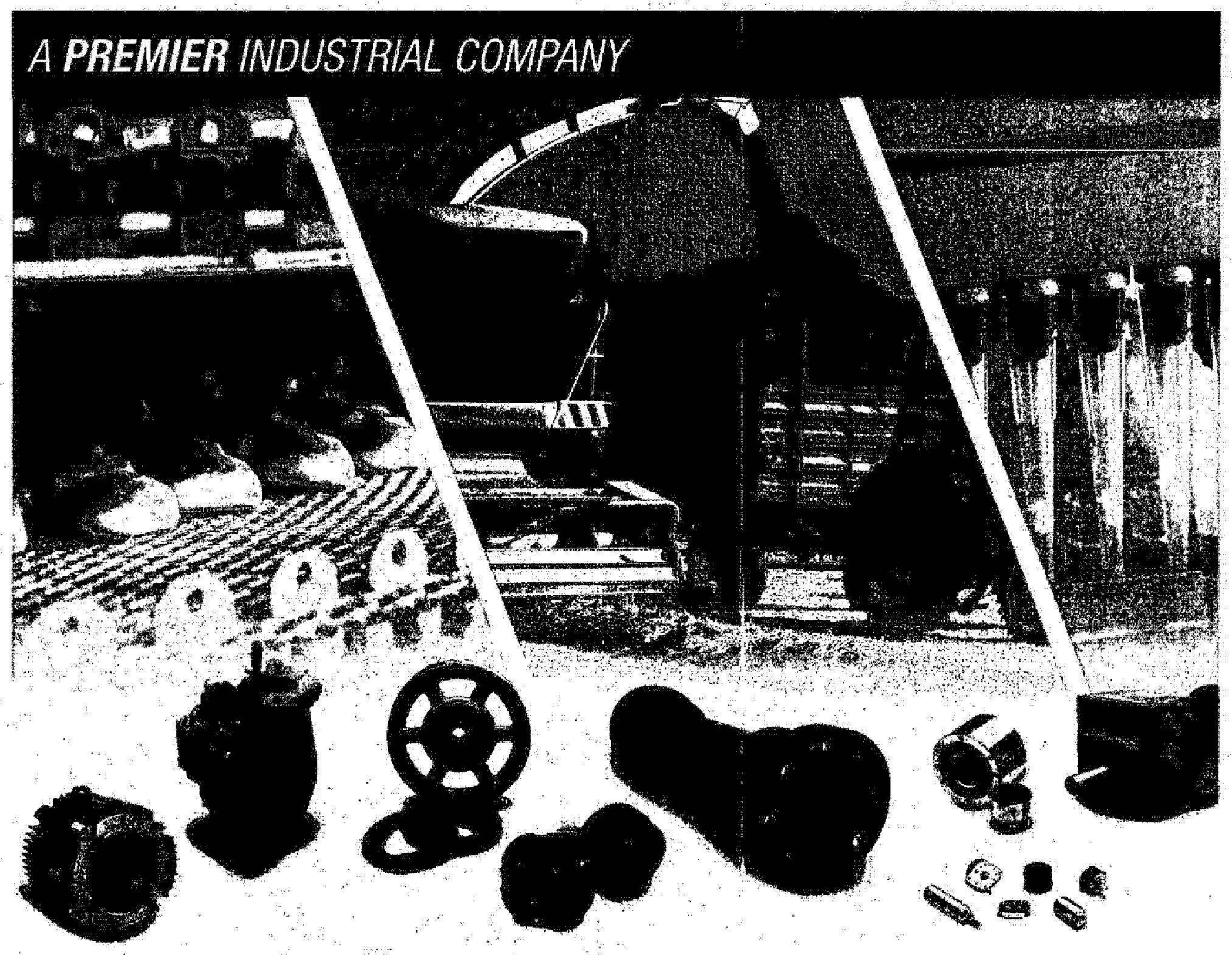
To contact Altra via e-mail our address is: info@altramotion.com.

Transfer Agent and Registrar
American Stock Transfer & Trust Co.
59 Maiden Lane
New York, NY 10038

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

Outside Counsel
Holland & Knight LLP
10 St. James Avenue
11th Floor
Boston, MA 02116

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