Altra Holdings, Inc.
Form 10-Q
April 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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 HOLDINGS, INC.

(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)**

(781) 917-0600

(Registrant s telephone number, including area code)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x 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. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company.)	Smaller reporting company	¨

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

As of April 30, 2012, 26,935,928 shares of Common Stock, $0.001 par value per share, were outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Part I - FINANCIAL INFORMATION

ALTRA HOLDINGS, INC.

Condensed Consolidated Balance Sheets

Amounts in thousands, except share amounts

Item 1. Financial Statements

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 79,946	$ 92,515
Trade receivables, less allowance for doubtful accounts of $1,300 and $1,092 at March 31, 2012 and December 31, 2011, respectively	110,451	91,859
Inventories	127,112	125,970
Deferred income taxes	5,856	5,856
Income tax receivable	4,197	7,299
Prepaid expenses and other current assets	8,893	7,141
Total current assets	336,455	330,640
Property, plant and equipment, net	128,424	123,464
Intangible assets, net	76,251	77,108
Goodwill	84,597	83,799
Deferred income taxes	1,649	1,614
Other non-current assets, net	13,147	13,360
Total assets	$ 640,523	$ 629,985
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 47,349	$ 52,768
Accrued payroll	17,079	19,734
Accruals and other current liabilities	33,533	28,798
Deferred income taxes	123	118
Current portion of long-term debt	1,109	688
Total current liabilities	99,193	102,106
Long-term debt less current portion and net of unaccreted discount	260,512	263,361
Deferred income taxes	35,916	35,798
Pension liablities	12,673	12,896
Other post retirement benefits	278	296
Long-term taxes payable	6,324	6,227
Other long-term liabilities	705	905
Stockholders equity:		
Common stock ($0.001 par value, 90,000,000 shares authorized, 26,620,293 and 26,600,056 issued and outstanding at March 31, 2012 and December 31, 2011, respectively)	27	27
Additional paid-in capital	150,967	150,234
Retained earnings	93,727	83,211

Accumulated other comprehensive income	(19,799)	(25,076)
Total stockholders equity	224,922	208,396
Total liabilities and stockholders equity	$ 640,523	$ 629,985

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

1

Table of Contents

ALTRA HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income

Amounts in thousands, except per share data

	Quarter Ended March 31, 2012 (Unaudited)	Quarter Ended April 2, 2011 (Unaudited)
Net sales	$ 192,385	$ 159,847
Cost of sales	135,712	112,012
Gross profit	56,673	47,835
Operating expenses:		
Selling, general and administrative expenses	31,997	25,516
Research and development expenses	3,027	2,317
	35,024	27,833
Income from operations	21,649	20,002
Other non-operating income and expense:		
Interest expense, net	5,774	5,163
Other non-operating expense (income), net	225	(286)
	5,999	4,877
Income before income taxes	15,650	15,125
Provision for income taxes	5,134	4,403
Net income	10,516	10,722
Other Comprehensive Income		
Foreign currency translation adjustment	5,277	5,420
Total comprehensive income	$ 15,793	$ 16,142
Weighted average shares, basic	26,606	26,487
Weighted average shares, diluted	26,660	26,608
Net income per share:		
Basic	$ 0.40	$ 0.40
Diluted	$ 0.39	$ 0.40

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

Table of Contents

ALTRA HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

Amounts in thousands

	Quarter Ended	
	March 31, 2012 (Unaudited)	April 2, 2011 (Unaudited)
Cash flows from operating activities		
Net income	$ 10,516	$ 10,722
Adjustments to reconcile net income to net cash flows:		
Depreciation	4,983	4,054
Amortization of intangible assets	1,663	1,364
Amortization of deferred financing costs	329	329
Loss on foreign currency, net	34	51
Accretion of debt discount, net	784	300
Stock-based compensation	784	700
Changes in assets and liabilities:		
Trade receivables	(20,229)	(20,402)
Inventories	440	(3,508)
Accounts payable and accrued liabilities	652	2,070
Other current assets and liabilities	(1,612)	(2,643)
Other operating assets and liabilities	(606)	(337)
Net cash used in operating activities	(2,262)	(7,300)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,237)	(2,754)
Net cash used in investing activities	(8,237)	(2,754)
Cash flows from financing activities		
Payment of debt issuance costs		(3,404)
Proceeds from issuance of Convertible Notes		85,000
Redemption of variable rate demand revenue bonds related to the San Marcos facility	(3,000)	
Shares repurchased for tax withholdings	(51)	(62)
Payment on mortgages	(127)	(131)
Payments on capital leases	(136)	(186)
Net cash (used in) provided by financing activities	(3,314)	81,217
Effect of exchange rate changes on cash and cash equivalents	1,244	1,636
Net change in cash and cash equivalents	(12,569)	72,799
Cash and cash equivalents at beginning of year	92,515	72,723
Cash and cash equivalents at end of period	$ 79,946	$ 145,522
Cash paid during the period for:		
Interest	$ 1,303	$ 74
Income taxes	$ 1,558	$ 3,286

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

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

1. Organization and Nature of Operations

Headquartered in Braintree, Massachusetts, Altra Holdings, Inc. (the Company), through its wholly-owned subsidiary Altra Industrial Motion, Inc. (Altra Industrial), is a leading multi-national designer, producer and marketer of a wide range of mechanical power transmission products. The Company brings together brands covering over 40 product lines with production facilities in eight countries and sales coverage in over 70 countries. The Company s brands include Boston Gear, Warner Electric, TB Wood s, Formsprag Clutch, Ameridrives Couplings, Industrial Clutch, Kilian Manufacturing, Marland Clutch, Nuttall Gear, Stieber Clutch, Wichita Clutch, Twiflex Limited, Bibby Transmissions, Matrix International, Inertia Dynamics, Huco Dynatork, Warner Linear, and Bauer Gear Motor.

2. Basis of Presentation

The Company was formed on November 30, 2004 following acquisitions of The Kilian Company (Kilian) and certain subsidiaries of Colfax Corporation (Colfax). During 2006, the Company acquired Hay Hall Holdings Limited (Hay Hall) and Bear Linear (Warner Linear). On April 5, 2007, the Company acquired TB Wood s Corporation (TB Wood s), and on October 5, 2007, the Company acquired substantially all of the assets of All Power Transmission Manufacturing, Inc. (All Power). On May 29, 2011, the Company acquired substantially all of the assets of Danfoss Bauer GmbH relating to its gear motor business (Bauer).

The Company s unaudited condensed consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. In the opinion of management, the accompanying unaudited condensed consolidated interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company s financial position as of March 31, 2012 and December 31, 2011, and results of operations and cash flows for the quarters ended March 31, 2012 and April 2, 2011.

The Company follows a four, four, five week calendar per quarter with all quarters consisting of thirteen weeks of operations with the fiscal year end always on December 31.

3. Recent Accounting Pronouncements

In 2011 the FASB amended the provisions of the *Fair Value Measurement* topic of the FASB Codification. This amendment provides a consistent definition of fair value and ensures that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards (IFRS). This topic changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. These provisions are effective for reporting periods beginning on or after December 15, 2011, applied prospectively. The adoption of this amendment did not have a material effect on our condensed consolidated interim financial statements.

In June 2011, the Financial Accounting Standards Board (the FASB) issued Standards Update 2011-5, *Comprehensive Income (Topic 220)* as amended, requiring amendments to disclosure for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 31, 2011, requires presentation of total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued an amendment to this guidance which indefinitely defers the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. This guidance is effective for reporting periods beginning after December 15, 2011. The implementation of this guidance did not have a material impact on the Company s consolidated results of operations or financial position.

4. Fair Value of Financial Instruments

The carrying values of financial instruments, including accounts receivable, cash equivalents, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The carrying amount of the 8 $^{1}/_{8}$% Senior Secured Notes (the Senior Secured Notes) was \$198.0 million at each of March 31, 2012 and December 31, 2011. The estimated fair value of the Senior Secured Notes at March 31, 2012 and December 31, 2011 was \$212.4 million and \$210.4 million, respectively, based on the last available trading price for such notes (level 2).

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

The carrying amount of the 2.75% Convertible Notes (the Convertible Notes) was $85.0 million at each of March 31, 2012 and December 31, 2011. The estimated fair value of the Convertible Notes at both March 31, 2012 and December 31, 2011, was $84.4 million and $79.1 million, respectively, based on the last available trading price for such notes (level 2).

Included in cash and cash equivalents as of March 31, 2012 and December 31, 2011 are money market fund investments of $41.2 million and $48.9 million, respectively, which are reported at fair value based on quoted market prices for such investments (level 1).

5. Net Income 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 equivalents are included in the per share calculations when the effect of their inclusion would be dilutive.

The following is a reconciliation of basic to diluted net income per share:

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net income	$ 10,516	$ 10,722
Shares used in net income per common share basic	26,606	26,487
Incremental shares of unvested restricted common stock	54	121
Shares used in net income per common share diluted	26,660	26,608
Earnings per share (amounts not in thousands):		
Basic	$ 0.40	$ 0.40
Diluted	$ 0.39	$ 0.40

The Company excluded 784,890 shares related to the Convertible Notes (See Note 12) from the above earnings per share calculation as these shares were anti-dilutive.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

6. Acquisitions

In May 2011, the Company consummated an agreement to acquire substantially all of the assets and liabilities of Danfoss Bauer GmbH relating to its gear motor business (Bauer) for cash consideration of 43.1 million ($62.3 million). We refer to this transaction as the Bauer Acquisition. Following closing, the Company made additional payments in the amount of 4.8 million ($7.0 million) to reflect an adjustment for working capital and 0.1 million ($0.2 million) to reflect an adjustment for pension liability.

Through the Bauer Acquisition, the Company acquired a European manufacturer of high-quality gear motors, offering engineered solutions to a variety of industries, including material handling, metals, food processing and energy. With the Bauer Acquisition, in addition to a presence in Germany, the Company acquired Bauer s well-established sales network in 15 additional countries in Western and Eastern Europe, China, and the United States.

The closing date of the Bauer Acquisition was May 29, 2011, and as a result, the Company s consolidated financial statements reflect Bauer s results of operations from the beginning of business on May 30, 2011 forward. Revenue for the Bauer activity included in the results for the quarter ended March 31, 2012 was $26.8 million, and Bauer was break even for Net Income in the results for the quarter ended March 31, 2012.

The Company has completed its final purchase price allocation. The purchase price allocation as of the acquisition date is as follows:

Total purchase price, excluding acquisition costs of approximately $3.1 million	$ 69,501
Cash and cash equivalents	41
Trade receivables	18,394
Inventories	21,397
Prepaid expenses and other	2,331
Property, plant and equipment	17,974
Intangible assets	15,669
Total assets acquired	$ 75,806
Accounts payable	3,946
Accrued expenses and other current liabilities	7,589
Other liabilities	2,910
Total liabilities assumed	$ 14,445
Net assets acquired	61,361
Excess purchase price over fair value of net assets acquired	$ 8,140

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. The Company expects to develop synergies, such as lower cost country sourcing, global procurement, ability to cross-sell product, as well as penetrating certain geographic areas, as a result of the acquisition of Bauer.

The estimated amounts recorded as intangible assets consist of the following:

Customer relationships, subject to amortization	$ 12,274

Trade names and trademarks, not subject to amortization	3,395
Total intangible assets	$ 15,669

Customer relationships are subject to amortization, and will be recognized on a straight-line basis over the estimated useful life of 9 years, which represents the anticipated period over which the Company estimates it will benefit from the acquired assets.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

The following table sets forth the unaudited pro forma results of operations of the Company for the quarter to date period ended April 2, 2011, as if the Company had acquired Bauer at the beginning of the period. The pro forma information contains the actual operating results of the Company and Bauer, 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 and (iii) additional interest expense associated with the Convertible Notes issued on March 7, 2011 in connection with the Bauer Acquisition. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions occurred at the beginning of the period or that may be obtained in the future.

	Pro Forma (unaudited) Quarter to Date Period Ended April 2, 2011
Total revenues	$ 189,416
Net income	$ 10,759
Basic earnings per share (amounts not in thousands):	
Net income	$ 0.41
Diluted earnings per share (amounts not in thousands):	
Net income	$ 0.40

7. Inventories

Inventories located at certain subsidiaries acquired in connection with the TB Wood s acquisition are stated at the lower of cost or market, principally using the last-in, first-out (LIFO) method. The remaining subsidiaries are stated at the lower of cost or market, using the first-in, first-out (FIFO) method. Market is defined as net realizable value. Inventories at March 31, 2012 and December 31, 2011 consisted of the following:

	March 31, 2012	December 31, 2011
Raw materials	$ 46,974	$ 45,664
Work in process	22,849	23,838
Finished goods	57,289	56,468
Inventories	$ 127,112	$ 125,970

Approximately 11% of total inventories were valued using the LIFO method as of March 31, 2012 and December 31, 2011, respectively. The Company recorded a $0.1 million provision as a component of cost of sales to value the inventory on a LIFO basis for each of the quarters ended March 31, 2012 and April 2, 2011.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

8. Goodwill and Intangible Assets

Changes to goodwill from December 31, 2011 through March 31, 2012 were as follows:

	2012
Gross goodwill balance as of January 1	$ 115,609
Impact of changes in foreign currency	798
Gross goodwill balance as of March 31	116,407
Accumulated impairment as of January 1	(31,810)
Impairment charge during the period	
Accumulated impairment as of March 31	(31,810)
Net goodwill balance March 31, 2012	$ 84,597

Other intangible assets as of March 31, 2012 and December 31, 2011 consisted of the following:

	March 31, 2012		December 31, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Other intangible assets				
Intangible assets not subject to amortization:				
Tradenames and trademarks	$ 34,125	$	$ 34,125	$
Intangible assets subject to amortization:				
Customer relationships	74,312	31,333	74,312	29,704
Product technology and patents	5,603	5,350	5,576	5,316
Impact of changes in foreign currency	(1,106)		(1,885)	
Total intangible assets	$ 112,934	$ 36,683	$ 112,128	$ 35,020

The Company recorded $1.7 million and $1.4 million of amortization expense in the quarters ended March 31, 2012 and April 2, 2011, respectively.

The estimated amortization expense for intangible assets is approximately $5.0 million for the remainder of 2012, $6.7 million in each of the next four years and then $13.7 million thereafter.

9. Warranty Costs

The contractual warranty period generally ranges from three months to two years with a few extending up to thirty-six months based on product and application of the product. Changes in the carrying amount of accrued product warranty costs for each of the quarters ended March 31, 2012 and April 2, 2011 are as follows:

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

	March 31, 2012	April 2, 2011
Balance at beginning of period	$ 4,898	$ 3,583
Accrued current period warranty expense	762	566
Payments	(619)	(1,291)
Balance at end of period	$ 5,041	$ 2,858

10. Income Taxes

The estimated effective income tax rates recorded for the quarters ended March 31, 2012 and April 2, 2011, were based upon management s best estimate of the effective tax rate for the entire year.

The 2012 provision for income taxes, as a percentage of income before taxes, was higher than that of 2011, primarily due to a favorable discrete tax benefit recognized in the first quarter of 2011.

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 state and foreign 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 2007. Additionally, the Company has indemnification agreements with the sellers of the Colfax, Kilian, Hay Hall, and Bauer entities, which provide for reimbursement to the Company for payments made in satisfaction of tax liabilities relating to pre-acquisition periods.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense in the condensed consolidated statements of comprehensive income. At December 31, 2011 and March 31, 2012, the Company had $2.7 million and $2.8 million of accrued interest and penalties, respectively. The Company accrued $0.1 million of interest and no penalties during the year to date period ended March 31, 2012.

11. Pension and Other Employee Benefits

Defined Benefit (Pension) and Post-retirement Benefit Plans

The Company sponsors various defined benefit (pension) and post-retirement (medical, dental and life insurance coverage) plans for certain, primarily unionized employees.

The following table represents the components of the net periodic benefit cost associated with the respective plans for the quarters ended March 31, 2012 and April 2, 2011:

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

	Quarter Ended			
	Pension Benefits		Other Benefits	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Service cost	$ 25	$ 25	$ 1	$ 1
Interest cost	273	281	4	4
Expected return on plan assets	(268)	(246)		
Amortization of prior service income			(1)	(1)
Amortization of net gain	25	18	(13)	(13)
Net periodic benefit cost (income)	$ 55	$ 78	$ (9)	$ (9)

There were no required contributions in the first quarter of 2012, however, the Company made $0.5 million of supplemental payments to the pension plan in the quarter ended March 31, 2012.

12. Debt

Outstanding debt obligations at March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012	December 31, 2011
Debt:		
Revolving Credit Agreement	$	$
Convertible Notes	85,000	85,000
Senior Secured Notes	198,045	198,045
Variable rate demand revenue bonds		3,000
Mortgages	1,690	1,762
Capital leases	281	417
Total debt	285,016	288,224
Less: debt discount, net of accretion	(23,395)	(24,175)
Total long-term debt, net of unaccreted discount	$ 261,621	$ 264,049
Less current portion of long-term debt	1,109	688
Total long-term debt	$ 260,512	$ 263,361

Convertible Senior Notes

On March 7, 2011, the Company issued $85.0 million of Convertible Notes (due on March 1, 2031). Interest on the Convertible Notes is payable semiannually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.6 million, net of fees and expenses that were capitalized. The proceeds from the offering were used in part to fund the Bauer Acquisition and also to bolster the Company s cash position.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

The Convertible Notes will mature on March 1, 2031, unless earlier redeemed, repurchased by the Company or converted, and are convertible into cash or shares, or a combination thereof, at the Company s election. The Convertible Notes are convertible into shares of the Company s common stock based on an initial conversion rate, subject to adjustment, of 36.0985 shares per $1,000 principal amount of notes (which represents an initial conversion price of approximately $27.70 per share of our common stock), in certain circumstances. Prior to March 1, 2030, the Convertible Notes are convertible only in the following circumstances: (1) during any fiscal quarter commencing after June 30, 2011 if the last reported sale price of the Company s common stock is greater than or equal to 130% of the applicable conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; (2) during the five business day period after any 10 consecutive trading day period (the measurement period) in which the trading price per $1,000 principal amount of notes for each trading day in the measurement period was less than 97% of the product of the last reported sale price of the Company s common stock and the conversion rate on such trading day; (3) if the Convertible Notes have been called for redemption; or (4) upon the occurrence of specified corporate transactions. On or after March 1, 2030, and ending at the close of business on the second business day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of common stock, or a combination thereof, at the Company s election. The Company intends to settle the principal amount in cash and any additional amounts in shares of stock.

If a fundamental change occurs, the Convertible Notes are redeemable at a price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but excluding, the repurchase date. The Convertible Notes are also redeemable on each of March 1, 2018, March 1, 2021, and March 1, 2026 for cash at a price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but excluding, the option repurchase date.

On or after March 1, 2015, the Company may call all or part of the Convertible Notes at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, plus a make-whole premium payment in cash, shares of the Company s common stock, or combination thereof, at the Company s option, equal to the sum of the present values of the remaining scheduled payments of interest on the Convertible Notes to be redeemed through March 1, 2018 to, but excluding, the redemption date, if the last reported sale price of the Company s common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date the Company provides notice of redemption exceeds 130% of the conversion price in effect on each such trading day. On or after March 1, 2018, the Company may redeem for cash all or a portion of the notes at a redemption price of 100% of the principle amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest (including contingent and additional interest, if any) to, but not including, the redemption date.

The Company separately accounted for the debt and equity components of the Convertible Notes to reflect the issuer s non-convertible debt borrowing rate, which interests costs are to be recognized in subsequent periods. The note payable principal balance at the date of issuance of $85.0 million was bifurcated into a debt component of $60.5 million and an equity component of $24.5 million. The difference between the note payable principal balance and the value of the debt component is being accreted to interest expense over the term of the notes. The debt component was recognized at the present value of associated cash flows discounted using a 8.25% discount rate, the borrowing rate at the date of issuance for a similar debt instrument without a conversion feature. The Company paid approximately $3.5 million of issuance costs associated with the Convertible Notes. The Company recorded $1.0 million of debt issuance costs as an offset to additional paid-in capital. As of March 31, 2012, the Company has amortized $0.4 million of debt issuance costs. The balance of $2.1 million of debt issuance costs is classified as other non-current assets and will be amortized over the term of the notes using the effective interest method.

The carrying amount of the equity component and the principal amount of the liability component, the unamortized discount, and the net carrying amount are as follows as of March 31, 2012:

	March 31, 2012

Principal amount of debt	$	85,000
Unamortized discount		21,540
Carrying value of debt	$	63,460

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Interest expense associated with the Convertible Notes consisted of the following for the quarter to date period ended March 31, 2012:

	March 31, 2012
Contractual coupon rate of interest	$ 584
Accretion of convertible notes discount and amortization of deferred financing costs	788
Interest expense for the Convertible Notes	$ 1,372

The effective interest yield of the Convertible Notes due in 2031 is 8.5% at March 31, 2012 and the cash coupon interest rate is 2.75%.

Senior Secured Notes

In November 2009, the Company issued 8 $^{1}/_{8}$% Senior Secured Notes (the Senior Secured Notes) with a face value of $210 million. Interest on the Senior Secured Notes is payable semi-annually in arrears, on June 1 and December 1 of each year, commencing on June 1, 2010 at an annual rate of 8 $^{1}/_{8}$%. The effective interest rate of the Senior Secured Notes was approximately 8.75% after consideration of the $6.7 million of deferred financing costs (included in other non-current assets) which are being amortized over the term using the effective interest method. The principal balance of the Senior Secured Notes matures on December 1, 2016.

During 2011, the Company repurchased $12.0 million of Senior Secured Notes. The Company repurchased the Senior Secured Notes at a premium of $0.3 million, which was recorded as part of interest expense in the third and fourth quarters of 2011. Due to the repurchase of the Senior Secured Notes, the Company also wrote-off a proportional amount of the deferred financing fees and original issue discount associated with the Senior Secured Notes totaling $0.4 million which was also recorded as part of interest expense in the third and fourth quarters of 2011.

The Senior Secured Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing the Revolving Credit Agreement, on substantially all of the Company s assets and those of its domestic subsidiaries. The indenture governing the Senior Secured Notes contains covenants which restrict the Company and its subsidiaries. These restrictions limit or prohibit, among other things, the Company s ability to incur additional indebtedness; repay subordinated indebtedness prior to stated maturities; pay cash dividends on or redeem or repurchase stock or make other distributions; make investments or acquisitions; sell certain assets or merge with or into other companies; sell stock in our subsidiaries; and create liens on their assets. There are no financial covenants associated with the Senior Secured Notes.

Revolving Credit Agreement

Concurrently with the closing of the offering of the Senior Secured Notes, Altra Industrial entered into a new senior secured credit facility, (the Revolving Credit Agreement). In 2011, the Company amended the Revolving Credit Agreement to increase the borrowing base to $65 million (subject to adjustment pursuant to a borrowing base and subject to increase from time to time in accordance with the terms of the amended credit facility) and to extend the term to October 31, 2016. As part of the amendment, additional financing fees of $0.3 million were capitalized and will be amortized over the life of agreement.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

The Company can borrow up to $52.5 million under the Revolving Credit Agreement without being required to comply with any financial covenants under the agreement. The Company may use up to $30.0 million of its availability under the Revolving Credit Agreement for standby letters of credit issued on its behalf, the issuance of which will reduce the amount of borrowings that would otherwise be available to the Company. The Company may re-borrow any amounts paid to reduce the amount of outstanding borrowings; however, all borrowings under the Revolving Credit Agreement must be repaid in full as of October 31, 2016 or the redemption of the Senior Secured Notes, whichever is earlier.

There were no borrowings under the Revolving Credit Agreement at March 31, 2012 and December 31, 2011, however, the lender had issued $7.0 million and $6.5 million of outstanding letters of credit on behalf of the Company as of March 31, 2012 and December 31, 2011, respectively.

Altra Industrial and all of its domestic subsidiaries are borrowers, (collectively, Borrowers) under the Revolving Credit Agreement. Certain of our existing and subsequently acquired or organized domestic subsidiaries that are not Borrowers do and will guarantee (on a senior secured basis) the Revolving Credit Agreement. Obligations of the other Borrowers under the Revolving Credit Agreement and the guarantees are secured by substantially all of Borrowers assets and the assets of each of our existing and subsequently acquired or organized domestic subsidiaries that is a guarantor of our obligations under the Revolving Credit Agreement (with such subsidiaries being referred to as the U.S. subsidiary guarantors), including but not limited to: (a) a first-priority pledge of all the capital stock of subsidiaries held by Borrowers or any U.S. subsidiary guarantor (which pledge, in the case of any foreign subsidiary, will be limited to 100% of any non-voting stock and 65% of the voting stock of such foreign subsidiary) and (b) perfected first-priority security interests in and mortgages on substantially all tangible and intangible assets of each Borrower and U.S. subsidiary guarantor, including accounts receivable, inventory, equipment, general intangibles, investment property, intellectual property, certain real property, and cash and proceeds of the foregoing (in each case subject to materiality thresholds and other exceptions).

An event of default under the Revolving Credit Agreement would occur in connection with a change of control, among other things, if: (i) Altra Industrial ceases to own or control 100% of each of its borrower subsidiaries, or (ii) a change of control occurs under the Senior Secured Notes, or any other subordinated indebtedness.

An event of default under the Revolving Credit Agreement would also occur if an event of default occurs under the indentures governing the Senior Secured Notes or if there is a default under any other indebtedness of any borrower involving an aggregate amount of $10 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender there under to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the Revolving Credit Agreement if any of the indebtedness under the Revolving Credit Agreement ceases, with limited exception, to be secured by a full lien on the assets of Borrowers and guarantors.

Variable Rate Demand Revenue Bonds

In connection with the acquisition of TB Wood s, the Company assumed obligations for certain Variable Rate Demand Revenue Bonds outstanding as of the acquisition date. TB Wood s had assumed obligations for approximately $3.0 million and $2.3 million of Variable Rate Demand Revenue Bonds issued under the authority of the industrial development corporations of the City of San Marcos, Texas and City of Chattanooga, Tennessee, respectively. The Company sold the Chattanooga facility on April 14, 2011 and redeemed the bonds associated with the facility at the time. The Company redeemed the bonds associated with the San Marcos facility during the quarter ended March 31, 2012. As of March 31, 2012, the Variable Rate Demand Revenue Bonds have been paid in full.

Mortgage

In June 2006, the Company entered into a mortgage on its building in Heidelberg, Germany with a local bank. In 2009, the Company refinanced the Heidelberg mortgage and increased the amount borrowed by an additional 1.0 million. The new mortgage has an interest rate of 2.9% and is payable in monthly installments over the next six years. As of March 31, 2012 and December 31, 2011, the mortgage has a remaining principal of 1.3 million or $1.7 million, and of 1.3 million or $1.8 million, respectively.

Capital Leases

The Company leases certain equipment under capital lease arrangements, whose obligations are included in both short-term and long-term debt. Capital lease obligations amounted to approximately $0.3 million and $0.4 million at March 31, 2012 and December 31, 2011, respectively. Assets subject to capital leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of March 31, 2012 and December 31, 2011 under any of the overdraft agreements.

13. Stockholders Equity

Stock-Based Compensation

The Company s Board of Directors established the 2004 Equity Incentive Plan (the Plan) that provides for various forms of stock-based compensation to independent directors, officers and senior-level employees of the Company. The restricted shares of common stock issued pursuant to the Plan generally vest ratably over a period ranging from immediately to 5 years, provided that the vesting of the restricted shares may accelerate upon the occurrence of certain liquidity events, if approved by the Board of Directors in connection with the transactions. Common stock awarded under the Plan is generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements. The shares are valued based on the share price on the date of grant.

The Plan permits the Company to grant restricted stock, among other things, to key employees and other persons who make significant contributions to the success of the Company. The restrictions and vesting schedule for restricted stock granted under the Plan are determined by the Personnel and Compensation Committee of the Board of Directors. Compensation expense recorded during the quarters ended March 31, 2012 and April 2, 2011 was $0.8 million and $0.7 million, respectively. Stock-based compensation has been recorded as an adjustment to selling, general and administrative expenses in the accompanying condensed consolidated statements of comprehensive income. Stock-based compensation expense is recognized on a straight-line basis over the vesting period.

The following table sets forth the activity of the Company s unvested restricted stock grants in the quarter ended March 31, 2012:

	Shares	Weighted-average grant date fair value
Restricted shares unvested January 1, 2012	211,031	$ 13.52
Shares granted	128,018	21.27
Shares for which restrictions lapsed	(23,414)	21.13
Restricted shares unvested March 31, 2012	315,635	$ 16.09

Total remaining unrecognized compensation cost was $4.2 million as of March 31, 2012, which will be recognized over a weighted average remaining period of three years. The fair market value of the shares in which the restrictions have lapsed during the quarter ended March 31, 2012 was $0.5 million. Restricted shares granted are valued based on the fair market value of the stock on the date of grant.

14. Concentrations of Credit, Segment Data and Workforce

Financial instruments, which are potentially subject to counter party 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 thirty 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 each of the quarters ended March 31, 2012 and April 2, 2011.

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. Cash and investments are held by international or well established financial institutions.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

With the acquisition of Bauer, the Company has six operating segments that are regularly reviewed by our chief operating decision maker. Each of these operating segments represents a unit that produces mechanical power transmission products. The Company aggregates all of the operating segments into one reportable segment. The six operating segments are expected to have similar long-term average gross profit margins. All of our products are sold by one global sales force and we have one global marketing function with the exception of the newly acquired Bauer gear motor business, for which the Company is developing a plan to integrate sales and marketing activities. Strategic markets and industries are determined for the entire company and then targeted by the brands. All of our operating segments have common manufacturing and production processes. Each segment includes machine shops which use similar equipment and manufacturing techniques. Each of our segments uses common raw materials, such as aluminum, steel and copper. The Company is in the process of converging the purchasing process so that these materials are purchased and procurement contracts are negotiated by one global purchasing function.

We serve the general industrial market by selling to original equipment manufacturers (OEM) and distributors. Our OEM and distributor customers serve the general industrial market. Resource allocation decisions such as capital expenditure requirements and headcount requirements are made at a consolidated level and allocated to the individual operating segments.

Discrete financial information is not available by product line at the level necessary for management to assess performance or make resource allocation decisions.

Net sales to third parties by geographic region are as follows:

	Net Sales Quarter Ended	
	March 31, 2012	**April 2, 2011**
North America (primarily U.S.)	$ 124,978	$ 117,083
Europe	57,446	34,095
Asia and other	9,961	8,669
Total	$ 192,385	$ 159,847

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates.

The net assets of our foreign subsidiaries at March 31, 2012 and December 31, 2011 were $113.9 million and $108.8 million, respectively.

15. 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. None of these legal proceedings are expected to have a material adverse effect on the results of operations, cash flows, or financial condition of the Company. 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. As of March 31, 2012 and December 31, 2011, the Company cannot estimate the likelihood or potential amount of the liability related to these proceedings. As a result, no amounts were accrued in the accompanying condensed consolidated balance sheets for potential litigation losses at those dates.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

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.

16. Guarantor Subsidiaries

All of the Company s direct and indirect 100% owned U.S. domestic subsidiaries are guarantors of the Company s Senior Secured Notes. The following condensed consolidating financial statements present separately the financial position, results of operations, and cash flows for (a) the Company, as parent, (b) the guarantor subsidiaries of the Company consisting of all of the, directly or indirectly, 100% owned U.S. subsidiaries of the Company, (c) the non-guarantor subsidiaries of the Company consisting of all non-domestic subsidiaries of the Company, and (d) eliminations necessary to arrive at the Company s information on a consolidated basis. These statements are presented in accordance with the disclosure requirements under the Securities and Exchange Commission s Regulation S-X, Rule 3-10. Separate financial statements of the Guarantor Subsidiaries are not presented because their guarantees are full and unconditional and joint and several.

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Unaudited Condensed Consolidating Balance Sheet

March 31, 2012

	Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 41,066	$ 38,880	$	$ 79,946
Trade receivables, less allowance for doubtful accounts		65,266	45,185		110,451
Loans receivable from related parties	269,745			(269,745)	
Inventories		74,790	52,322		127,112
Deferred income taxes		5,325	531		5,856
Income tax receivable		3,799	398		4,197
Prepaid expenses and other current assets		4,382	4,511		8,893
Total current assets	269,745	194,628	141,827	(269,745)	336,455
Property, plant and equipment, net		82,038	46,386		128,424
Intangible assets, net		49,321	26,930		76,251
Goodwill		56,446	28,151		84,597
Deferred income taxes			1,649		1,649
Investment in subsidiaries	213,555			(213,555)	
Other non-current assets	6,800	5,616	731		13,147
Total assets	$ 490,100	$ 388,049	$ 245,674	$ (483,300)	$ 640,523
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 28,125	$ 19,224	$	$ 47,349
Accrued payroll		6,836	10,243		17,079
Accruals and other current liabilities	5,559	15,566	12,408		33,533
Deferred income taxes			123		123
Current portion of long-term debt		225	884		1,109
Loans payable to related parties		193,769	75,976	(269,745)	
Total current liabilities	5,559	244,521	118,858	(269,745)	99,193
Long-term debt less current portion and net of unacreted discount	259,619	54	839		260,512
Deferred income taxes		29,595	6,321		35,916
Pension liablities		6,996	5,677		12,673
Other post retirement benefits		278			278
Long-term taxes payable		6,324			6,324
Other long-term liabilities		630	75		705
Total stockholders equity	224,922	99,651	113,904	(213,555)	224,922

Total liabilities and stockholders equity	$ 490,100	$ 388,049	$ 245,674	$ (483,300)	$ 640,523

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Condensed Consolidating Balance Sheet

December 31, 2011

	Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 49,876	$ 42,639	$	$ 92,515
Trade receivables, less allowance for doubtful accounts		52,706	39,153		91,859
Loans receivable from related parties	259,891			(259,891)	
Inventories		76,632	49,338		125,970
Deferred income taxes		5,325	531		5,856
Income tax receivable		6,868	431		7,299
Prepaid expenses and other current assets		3,096	4,045		7,141
Total current assets	259,891	194,503	136,137	(259,891)	330,640
Property, plant and equipment, net		79,576	43,888		123,464
Intangible assets, net		50,329	26,779		77,108
Goodwill		56,446	27,353		83,799
Deferred income taxes			1,614		1,614
Investment in subs	202,463			(202,463)	
Other non-current assets	7,091	5,551	718		13,360
Total assets	$ 469,445	$ 386,405	$ 236,489	$ (462,354)	$ 629,985
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 30,278	$ 22,490	$	$ 52,768
Accrued payroll		9,522	10,212		19,734
Accruals and other current liabilities	2,222	16,645	9,931		28,798
Deferred income taxes			118		118
Current portion of long-term debt		350	338		688
Loans payable to related parties		188,595	71,296	(259,891)	
Total current liabilities	2,222	245,390	114,385	(259,891)	102,106
Long-term debt less current portion and net of unaccreted discount and premium	258,827	3,060	1,474		263,361
Deferred income taxes		29,595	6,203		35,798
Pension liablities		7,435	5,461		12,896
Long-term taxes payables		6,227			6,227
Other long-term liabilities		1,020	181		1,201
Total stockholders equity	208,396	93,678	108,785	(202,463)	208,396
Total liabilities and stockholders equity	$ 469,445	$ 386,405	$ 236,489	$ (462,354)	$ 629,985

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Unaudited Condensed Consolidating Statements of Comprehensive Income

	Quarter Ended March 31, 2012				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 128,393	$ 75,185	$ (11,193)	$ 192,385
Cost of sales		94,507	52,398	(11,193)	135,712
Gross profit		33,886	22,787		56,673
Selling, general and administrative expenses		18,245	13,752		31,997
Research and development expenses		1,415	1,612		3,027
Income from operations		14,226	7,423		21,649
Interest (income) expense, net	(180)	5,953	1		5,774
Other non-operating expense (income), net		(58)	283		225
Equity in earnings of subsidiaries	11,092			(11,092)	
Income before income taxes	11,272	8,331	7,139	(11,092)	15,650
Provision for income taxes	756	2,358	2,020		5,134
Net income	10,516	5,973	5,119	(11,092)	10,516
Other comprehensive income					
Foreign currency translation adjustment			5,277		5,277
Total comprehensive income	$ 10,516	$ 5,973	$ 10,396	$ (11,092)	$ 15,793

Unaudited Condensed Consolidating Statements of Comprehensive Income

	Quarter Ended April 2, 2011				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 119,561	$ 50,885	$ (10,599)	$ 159,847
Cost of sales		87,663	34,948	(10,599)	112,012
Gross profit		31,898	15,937		47,835
Selling, general and administrative expenses		17,672	7,844		25,516
Research and development expenses		1,424	893		2,317
Income from operations		12,802	7,200		20,002
Interest expense, net	4,957	184	22		5,163
Other non-operating income, net		(142)	(144)		(286)
Equity in earnings of subsidiaries	14,225			(14,225)	

Income before income taxes	9,268	12,760	7,322	(14,225)	15,125
Provision (benefit) for income taxes	(1,454)	4,466	1,391		4,403
Net income	10,722	8,294	5,931	(14,225)	10,722
Other comprehensive income					
Foreign currency translation adjustment			5,420		5,420
Total comprehensive income	$ 10,722	$ 8,294	$ 11,351	$ (14,225)	$ 16,142

19

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Unaudited Condensed Consolidating Statement of Cash Flows

	Quarter Ended March 31, 2012				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 10,516	$ 5,973	$ 5,119	$ (11,092)	$ 10,516
Undistributed equity in earnings of subsidiaries	(11,092)			11,092	
Adjustments to reconcile net income to net cash flows:					
Depreciation		3,105	1,878		4,983
Amortization of intangible assets		1,008	655		1,663
Amortization and write-offs of deferred financing costs	291	38			329
Loss on foreign currency, net			34		34
Accretion of debt discount, net	784				784
Stock-based compensation		784			784
Changes in assets and liabilities:					
Trade receivables		(15,580)	(4,649)		(20,229)
Inventories		1,842	(1,402)		440
Accounts payable and accrued liabilities	3,337	(780)	(1,905)		652
Other current assets and liabilities		(1,286)	(326)		(1,612)
Other operating assets and liabilities		(557)	(49)		(606)
Net cash provided by (used in) operating activities	3,836	(5,453)	(645)		(2,262)
Cash flows used in investing activities					
Purchase of property, plant and equipement		(5,368)	(2,869)		(8,237)
Net cash used in investing activities		(5,368)	(2,869)		(8,237)
Cash flows from financing activities					
Redemption of variable rate demand revenue bonds related to the San Marcos facility		(3,000)			(3,000)
Shares repurchased for tax withholdings		(51)			(51)
Payments on mortgages			(127)		(127)
Payments on capital leases		(123)	(13)		(136)
Change in affiliate debt	(3,836)	5,185	(1,349)		
Net cash provided by (used in) financing activities	(3,836)	2,011	(1,489)		(3,314)
Effect of exchange rate changes on cash and cash equivalents			1,244		1,244
Net change in cash and cash equivalents		(8,810)	(3,759)		(12,569)
Cash and cash equivalents at beginning of year		49,876	42,639		92,515

Cash and cash equivalents at end of period	$		$	41,066	$	38,880	$		$	79,946

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

Unaudited Condensed Consolidating Statement of Cash Flows

	Quarter Ended April 2, 2011				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 10,722	$ 8,294	$ 5,931	$ (14,225)	$ 10,722
Undistributed equity in earnings of subsidiaries	(14,225)			14,225	
Adjustments to reconcile net income to net cash flows:					
Depreciation		3,329	725		4,054
Amortization of intangible assets		1,016	348		1,364
Amortization and write-offs of deferred financing costs	195	134			329
Loss on foreign currency, net			51		51
Accretion of debt discount, net	300				300
Stock-based compensation		700			700
Changes in assets and liabilities:					
Trade receivables		(14,906)	(5,496)		(20,402)
Inventories		(503)	(3,005)		(3,508)
Accounts payable and accrued liabilities	4,810	(3,717)	977		2,070
Other current assets and liabilities		(1,780)	(863)		(2,643)
Other operating assets and liabilities		(370)	33		(337)
Net cash provided by (used in) operating activities	1,802	(7,803)	(1,299)		(7,300)
Cash flows used in investing activities					
Purchase of property, plant and equipement		(1,819)	(935)		(2,754)
Net cash used in investing activities		(1,819)	(935)		(2,754)
Cash flows from financing activities					
Proceeds from issuance of Convertible Notes	85,000				85,000
Payment of debt issuance costs	(3,404)				(3,404)
Shares surrendered for tax withholdings	(62)				(62)
Payments on mortgages			(131)		(131)
Payments on capital leases		(85)	(101)		(186)
Change in affiliate debt	(83,336)	84,276	(940)		
Net cash provided by (used in) financing activities	(1,802)	84,191	(1,172)		81,217
Effect of exchange rate changes on cash and cash equivalents			1,636		1,636
Net change in cash and cash equivalents		74,569	(1,770)		72,799
Cash and cash equivalents at beginning of year		37,125	35,598		72,723

Cash and cash equivalents at end of period	$	$ 111,694	$ 33,828	$	$ 145,522

Table of Contents

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

17. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated subsequent events through the date the financial statements were issued. No subsequent events have been identified that would require disclosure.

Table of Contents

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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, 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. 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, projec expressions. 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 Corporation s actual results to differ materially from the results referred to in the forward-looking statements the Corporation makes in this report include:

- the Company s access to capital, credit ratings, indebtedness, and ability to raise additional capital and operate under the terms of the Company s debt obligations;
- the risks associated with our debt;
- the effects of intense competition in the markets in which we operate;
- the Company s ability to successfully execute, manage and integrate key acquisitions and mergers, including the Bauer Acquisition;
- the Company s ability to obtain or protect intellectual property rights;
- the Company s ability to retain existing customers and our ability to attract new customers for growth of our business;
- the effects of the loss or bankruptcy of or default by any significant customer, suppliers, or other entity relevant to the Company s operations;
- the Company s ability to successfully pursue the Company s development activities and successfully integrate new operations and systems, including the realization of revenues, economies of scale, cost savings, and productivity gains associated with such operations;
- the Company s ability to complete cost reduction actions and risks associated with such actions;
- the Company s ability to control costs;

failure of the Company s operating equipment or information technology infrastructure;

the Company s ability to achieve its business plans, including with respect to an uncertain economic environment;

the effects of unanticipated deficiencies, if any, in the disclosure controls and internal controls of Bauer;

changes in employment, environmental, tax and other laws and changes in the enforcement of laws;

the accuracy of estimated forecasts of OEM customers and the impact of the current global economic environment on our customers;

fluctuations in the costs of raw materials used in our products;

the Company s ability to attract and retain key executives and other personnel;

work stoppages and other labor issues;

changes in the Company s pension and retirement liabilities;

the Company s risk of loss not covered by insurance;

the outcome of litigation to which the Company is a party from time to time, including product liability claims;

changes in accounting rules and standards, audits, compliance with the Sarbanes-Oxley Act, and regulatory investigations;

changes in market conditions that would result in the impairment of goodwill or other assets of the Company;

changes in market conditions in which we operate that would influence the value of the Company s stock;

Table of Contents

- the effects of changes to critical accounting estimates; 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 cyclical nature of the markets in which we operate;

- the risks associated with the global recession and volatility and disruption in the global financial markets;

- political and economic conditions nationally, regionally, and in the markets in which we operate;

- natural disasters, war, civil unrest, terrorism, fire, floods, tornadoes, earthquakes, hurricanes, or other matters beyond the Company s control;

- the risks associated with international operations, including currency risks;

- the risks associated with the Company s planned investment in a new manufacturing facility in China; 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 the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

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 FOR THE YEAR ENDED DECEMBER 31, 2011, AND IN OTHER REPORTS FILED WITH THE SEC BY THE COMPANY.

The following discussion of the financial condition and results of operations of Altra Holdings, Inc. and its subsidiaries should be read together with the audited financial statements of Altra Holdings, Inc. and its subsidiaries and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. Unless the context requires otherwise, the terms Altra Holdings, the Company, we, us, and our refer to Altra Holdings, Inc. and its subsidiaries.

General

Altra Holdings, Inc. is the parent company of Altra Industrial Motion, Inc. (Altra Industrial), and owns 100% of Altra Industrial s outstanding capital stock. Altra Industrial, directly or indirectly, owns 100% of the capital stock of its 56 subsidiaries. The following chart illustrates a summary of our corporate structure:

Table of Contents

Although we were incorporated in Delaware in 2004, much of our current business has its roots with the prior acquisition by Colfax Corporation, or Colfax, of a series of power transmission businesses. In December 1996, Colfax acquired the MPT group of Zurn Technologies, Inc. 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 Holdings, 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 Altra Industrial.

On February 10, 2006, we purchased all of the outstanding share capital of Hay Hall Holdings Limited, or Hay Hall. Hay Hall was a UK-based holding company established in 1996 that was focused primarily on the manufacture of couplings and clutch brakes.

On May 18, 2006, we acquired substantially all of the assets of Bear Linear Inc., or Warner Linear. Warner Linear manufactures high value-added linear actuators which are electromechanical power transmission devices designed to move and position loads linearly for mobile off-highway and industrial applications.

On April 5, 2007, the Company acquired all of the outstanding shares of TB Wood s Corporation, or TB Wood s. TB Wood s is an established designer, manufacturer and marketer of mechanical and electronic industrial power transmission products. In December 2007, the Company divested the TB Wood s electronic division.

On October 5, 2007, we acquired substantially all of the assets of All Power Transmission Manufacturing, Inc., or All Power, a manufacturer of universal joints .

Table of Contents

On May 29, 2011, the Company acquired substantially all of the assets and liabilities of Danfoss Bauer GmbH relating to its gear motor business (Bauer). Bauer is a European manufacturer of high-quality gear motors, offering engineered solutions to a variety of industries, including material handling, metals, food processing and energy. We refer to this transaction as the Bauer Acquisition.

We are a leading global designer, producer and marketer of a wide range of MPT and motion control products with a presence in over 70 countries. Our global sales and marketing network includes over 1,000 direct OEM customers and over 3,000 distributor outlets. Our product portfolio includes industrial clutches and brakes, enclosed gear drives, open gearing, couplings, engineered bearing assemblies, linear components and other related products. Our products serve a wide variety of end markets including energy, general industrial, material handling, mining, transportation and turf and garden. We primarily sell our products to a wide range of OEMs and through long-standing relationships with industrial distributors such as Motion Industries, Applied Industrial Technologies, Kaman Industrial Technologies and W.W. Grainger.

While the power transmission industry has undergone some consolidation, we estimate that in 2011 the top five broad-based MPT companies represented approximately 20% of the U.S. power transmission market. The remainder of the power transmission industry remains fragmented with many small and family-owned companies that cater to a specific market niche often due to their narrow product offerings. We believe that consolidation in our industry will continue because of the increasing demand for global distribution channels, broader product mixes and better brand recognition to compete in this industry.

Our products, principal brands and markets and sample applications are set forth below:

Products	Principal Brands	Principal Markets	Sample Applications
Clutches and Brakes	Warner Electric, Wichita Clutch, Formsprag Clutch, Stieber Clutch, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Marland Clutch	Aerospace, energy, material handling, metals, turf and garden, mining	Elevators, forklifts, lawn mowers, oil well draw works, punch presses, conveyors
Gearing	Boston Gear, Nuttall Gear, Delroyd, Bauer Gear Motor	Food processing, material handling, metals, transportation	Conveyors, ethanol mixers, packaging machinery, metal processing equipment
Engineered Couplings	Ameridrives, Bibby Transmissions, TB Wood s	Energy, metals, plastics, chemical	Extruders, turbines, steel strip mills, pumps
Engineered Bearing Assemblies	Kilian	Aerospace, material handling, transportation	Cargo rollers, seat storage systems, conveyors
Power Transmission Components	Warner Electric, Boston Gear, Huco Dynatork, Warner Linear, Matrix, TB Wood s	Material handling, metals, turf and garden	Conveyors, lawn mowers, machine tools
Engineered Belted Drives	TB Wood s	Aggregate, HVAC, material handling	Pumps, sand and gravel conveyors, industrial fans

Our Internet address is www.altramotion.com. By following the link Investor Relations 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 SEC. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Form 10-Q.

Table of Contents

Business Outlook

Our future financial performance depends, in large part, on conditions in the markets that we serve and on the U.S. and global economies in general. In 2012, we expect to continue to focus on the execution of our long-term growth strategy, and will also continue to focus on maintaining a reduced cost base. Among other items, we expect our growth initiatives in 2012 will continue to include investing in organic growth, seeking strategic acquisitions, targeting key underpenetrated geographic regions, entering new high-growth markets, enhancing our efficiency and productivity through the Altra Business System and focusing on the development of our people and processes.

During 2012, as a result of the positive demand environment for our products, we expect that early-cycle and late-cycle markets will continue to be consistent with the first quarter of 2012. The Bauer Acquisition has created business opportunities for us in certain previously underpenetrated geographic regions and we believe the Bauer Acquisition will provide us with a platform from which we can further execute our acquisition strategy.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect our reported amounts of assets, revenues and expenses, as well as related disclosure of contingent assets and liabilities. We base our estimates on past experiences and other assumptions we believe to be appropriate, and we evaluate these estimates on an on-going basis. Management believes there have been no significant changes in our critical accounting policies since December 31, 2011. See the discussion of critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2011.

Results of Operations

	Quarter Ended	
(In thousands)	**March 31, 2012**	**April 2, 2011**
Net sales	$ 192,385	$ 159,847
Cost of sales	135,712	112,012
Gross profit	56,673	47,835
Gross profit percentage	29.46%	29.93%
Selling, general and administrative expenses	31,997	25,516
Research and development expenses	3,027	2,317
Income from operations	21,649	20,002
Interest expense, net	5,774	5,163
Other non-operating expense (income)	225	(286)
Income before income taxes	15,650	15,125
Provision for income taxes	5,134	4,403
Net income	$ 10,516	$ 10,722

Table of Contents

Quarter Ended March 31, 2012 compared with Quarter Ended April 2, 2011

(Amounts in thousands unless otherwise noted)

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	**April 2, 2011**	**Change**	**%**
Net sales	$ 192,385	$ 159,847	$ 32,538	20.4%

The majority of the increase in sales during the first quarter of 2012 was due to improvements in the end markets we serve and the acquisition of Bauer. Of the increase in sales, approximately $26.8 million are additional sales related to the acquisition of Bauer and $2.5 million relates to the impact of price increases, offset by $1.1 million related to the impact of foreign exchange rate changes attributed primarily to the Euro and British Pound Sterling rates compared to 2011. Early-cycle markets sales were flat to moderately increased while late-cycle markets such as mining and energy increased markedly. We expect that demand at our early-cycle markets will remain flat and growth in our late-cycle markets will remain consistent with the first quarter. We expect to see continued increases in sales in 2012 compared to 2011.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	**April 2, 2011**	**Change**	**%**
Gross Profit	$ 56,673	$ 47,835	$ 8,838	18.5%
Gross Profit as a percent of sales	29.5%	29.9%		

The decrease in gross profit as a percentage of sales was primarily due to wage increases and higher material costs in the first quarter of 2012, primarily relating to copper and steel and was unfavorably impacted by the effect of foreign exchange of $0.4 million, primarily related to the Euro and British Pound Sterling. These factors were offset by productivity improvements, price increases implemented during the past twelve months, and low cost country sourcing, as well as better overhead absorption as a result of higher production levels. We expect to be able to offset the majority of material cost increases with price increases to our customers during future periods. We expect our full year 2012 gross profit as a percentage of sales to be higher than 2011.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	**April 2, 2011**	**Change**	**%**
Selling, general and administrative expense (SG&A)	$ 31,997	$ 25,516	$ 6,481	25.4%
SG&A as a percent of sales	16.6%	16.0%		

SG&A increased $6.1 million due to the acquisition of Bauer, as well as the unfavorable effect of foreign exchange of $0.2 million. SG&A as a percentage of sales increased modestly as a result of investments the Company has made and the acquisition of Bauer. We forecast modest increases to our SG&A costs and plan to leverage them on increased sales as we invest in resources to enable us to grow faster in emerging markets and strategic industries in the remainder of 2012.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	**April 2, 2011**	**Change**	**%**
Interest Expense, net	$ 5,774	$ 5,163	$ 611	11.8%

Table of Contents

Net interest expense increased due to the issuance of $85.0 million of Convertible Notes in March 2011, offset by the repurchase of senior secured notes in the third and fourth quarters of 2011.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	April 2, 2011	Change	%
Research and development expenses (R&D)	$ 3,027	$ 2,317	$ 710	30.6%

R&D expenses increased on an absolute dollar basis but represented approximately 1% of sales in both periods. $0.6 million of the increase in R&D expense in 2012 is related to the acquisition of Bauer in May 2011. Increased R&D activities as well as headcount additions also contributed to the increase in R&D expense. We do not forecast significant variances in future periods.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	April 2, 2011	Change	%
Other non-operating expense (income), net	$ 225	$ (286)	$ 511	-178.7%

Other non-operating income in each period relates primarily to changes in foreign currency, primarily the British Pound Sterling and Euro.

Amounts in thousands, except percentage data	Quarter Ended			
	March 31, 2012	April 2, 2011	Change	%
Provision for income taxes	$ 5,134	$ 4,403	$ 731	16.6%
Provision for income taxes as a % of income before income taxes	32.8%	29.1%		

The increase in the 2012 first quarter provision for income taxes, as a percentage of income before taxes, is primarily due to discrete items. During the first quarter of 2011, the Company received a refund of foreign taxes paid of $0.6 million that was previously determined to be more likely than not uncollectible and, as a result, reversed its valuation allowance associated with the receivable. The Company did not incur this benefit during the first quarter of 2012.

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 our senior secured revolving credit facility (Revolving Credit Agreement). We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures, acquisitions and pension plan funding. In the event additional funds are needed, we could borrow additional funds under our Revolving Credit Agreement, attempt to secure new debt, attempt to refinance our 8 1/8% Senior Notes due December 2016 (the Senior Secured Notes), or attempt to raise capital in the equity markets. Presently, we have capacity under our Revolving Credit Agreement to borrow $65.0 million, based on monthly asset collateral calculations, including letters of credit of which we currently have $7.0 million outstanding. Of this total capacity, we can currently borrow up to $52.5 million without being required to comply with any financial covenants under the agreement. In order to refinance the existing 8 1/8% Senior Secured Notes, we would incur a pre-payment premium. There can be no assurance however that additional debt financing will be available on commercially acceptable terms, or at all. Similarly, there can be no assurance that equity financing will be available on commercially acceptable terms, or at all.

Table of Contents

Borrowings

	Amounts in millions	
	March 31, 2012	December 31, 2011
Debt:		
Revolving Credit Agreement	$	$
Convertible Notes	85.0	85.0
Senior Secured Notes	198.0	198.0
Variable rate demand revenue bonds		3.0
Mortgages	1.7	1.8
Capital leases	0.3	0.4
Total Debt	$ 285.0	$ 288.2

Convertible Senior Notes

In March 2011, the Company issued Convertible Senior Notes (the Convertible Notes) due on March 1, 2031. The Convertible Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing our Revolving Credit Agreement and our Senior Secured Notes, on substantially all of our assets and those of our domestic subsidiaries. Interest on the Convertible Notes is payable semi-annually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.6 million, net of fees and expenses which were capitalized. The proceeds from the offering were used to fund the Bauer Acquisition, as well as bolster the Company s cash position.

We were in compliance in all material respects with all covenants of the indenture governing the Convertible Notes at March 31, 2012.

Senior Secured Notes

In November 2009, the Company issued $210 million of $8^1/_8$% Senior Secured Notes. We used the proceeds of the offering of the Senior Secured Notes to repurchase or redeem Altra Industrial s 9% Old Senior Secured Notes.

During 2011, the Company repurchased $12.0 million of Senior Secured Notes. The Company repurchased the Senior Secured Notes at a premium of $0.3 million, which was recorded as part of interest expense in the third and fourth quarters of 2011. Due to the repurchase of the Senior Secured Notes, the Company also wrote-off a proportional amount of the deferred financing fees and original issue discount associated with the Senior Secured Notes totaling $0.4 million which was also recorded as part of interest expense in the third and fourth quarters of 2011.

The Senior Secured Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing our Revolving Credit Agreement, on substantially all of our assets and those of our domestic subsidiaries. Interest on the Senior Secured Notes is payable in arrears, semi-annually on June 1 and December 1 of each year, commencing on June 1, 2010. The indenture governing the Senior Secured Notes contains covenants which restrict the Company and our subsidiaries. These restrictions limit or prohibit, among other things, the ability to incur additional indebtedness; repay subordinated indebtedness prior to stated maturities; pay dividends on or redeem or repurchase stock or make other distributions; make investments or acquisitions; sell certain assets or merge with or into other companies; sell stock in our subsidiaries; and create liens on their assets. We were in compliance in all material respects with all covenants of the indenture governing the Senior Secured Notes at March 31, 2012.

Table of Contents

Senior Secured Credit Facility

Concurrently with the closing of the offering of the Senior Secured Notes, Altra Industrial entered into the Revolving Credit Agreement. In November 2011, we amended the Revolving Credit Agreement to increase the borrowing capacity to $65 million (subject to adjustment pursuant to a borrowing base calculation and subject to increase from time to time in accordance with the terms of the amended credit facility) and to extend the term to October 31, 2016.

Altra Industrial and all of its domestic subsidiaries are borrowers, or Borrowers , under the Revolving Credit Agreement. Certain of our existing and subsequently acquired or organized domestic subsidiaries that are not Borrowers do and will guarantee (on a senior secured basis) the Revolving Credit Agreement. Obligations of the other Borrowers under the Revolving Credit Agreement and the guarantees are secured by substantially all of Borrowers assets and the assets of each of our existing and subsequently acquired or organized domestic subsidiaries that is a guarantor of our obligations under the Revolving Credit Agreement (with such subsidiaries being referred to as the U.S. subsidiary guarantors), including but not limited to: (a) a first-priority pledge of all the capital stock of subsidiaries held by Borrowers or any U.S. subsidiary guarantor (which pledge, in the case of any foreign subsidiary, will be limited to 100% of any non-voting stock and 65% of the voting stock of such foreign subsidiary) and (b) perfected first-priority security interests in and mortgages on substantially all tangible and intangible assets of each Borrower and U.S. subsidiary guarantor, including accounts receivable, inventory, equipment, general intangibles, investment property, intellectual property, certain real property, cash and proceeds of the foregoing (in each case subject to materiality thresholds and other exceptions).

An event of default under the Revolving Credit Agreement would occur in connection with a change of control, among other things, if: (i) Altra Industrial ceases to own or control 100% of each of its Borrower subsidiaries, or (ii) a change of control occurs under the Senior Secured Notes, or any other subordinated indebtedness.

An event of default under the Revolving Credit Agreement would also occur if an event of default occurs under the indentures governing the Senior Secured Notes or if there is a default under any other indebtedness that any Borrower may have involving an aggregate amount of $10 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender there under to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the Revolving Credit Agreement if any of the indebtedness under the Revolving Credit Agreement ceases with limited exception to be secured by a full lien of the assets of Borrowers and guarantors.

As of March 31, 2012, we were in compliance in all material respects with all covenant requirements associated with all of our borrowings. As of March 31, 2012, we had no borrowings and $7.0 million in letters of credit outstanding under the Revolving Credit Agreement.

Cash and Cash Equivalents

	Quarter Ended			
	March 31, 2012	**December 31, 2011**	**Change**	**%**
(in thousands)				
Cash and cash equivalents	$ 79,946	$ 92,515	$ (12,569)	-13.6%

Cash Flows for quarter ended March 31, 2012

The primary sources of funds used in operating activities of $2.3 million for the quarter ended March 31, 2012 resulted from cash provided from net income of $10.5 million and was offset by the net of non-cash depreciation, amortization, stock-based compensation, accretion of debt discount, deferred financing costs, non-cash loss on foreign currency offset , and working capital all totaling $12.8 million. While a variety of factors can influence our ability to project future cash flow, we expect to see positive cash flows from operating activities during the remainder of 2012.

Table of Contents

Net cash used in investing activities was $8.2 million for the quarter ended March 31, 2012. We expect to incur between $22.0 million and $27.0 million of additional capital expenses in 2012 related to our construction project in ChangZhou, continued implementation of our ERP system, and expansion in our current manufacturing facilities.

Net cash used in financing activities was $3.3 million for the quarter ended March 31, 2012. This resulted primarily from the redemption of $3.0 million in variable rate demand revenue bonds related to the San Marcos facility, as well as payments of capital lease obligations of $0.1 million, $0.1 million of payments on mortgages, and $0.1 million for the shares repurchased in lieu of tax withholdings.

We intend to use our remaining existing cash and cash equivalents and cash flow from operations to provide for our working capital needs, and to fund potential future acquisitions, debt service, capital expenditures, and pension funding. 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 Revolving Credit Agreement provide additional potential sources of liquidity should they be required.

Contractual Obligations

There were no significant changes in our contractual obligations subsequent to December 31, 2011.

Item 3. 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 derivative instruments to manage these risks. During the reporting period, there have been no material changes to the quantitative and qualitative disclosures regarding our market risk set forth in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2012, 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 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-Q, 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 March 31, 2012, our disclosure controls and procedures are effective at a reasonable assurance level.

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 fiscal quarter ended March 31, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, party to various legal proceedings arising out of our business. During the reporting period, there have been no material changes to the description of legal proceedings set forth in our Annual Report on Form 10-K for the year ended December 31, 2011.

Table of Contents

Item 1A. Risk Factors

The reader should carefully consider the Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission. Those risk factors described below, elsewhere in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2011 are not the only ones we face, but are considered to be the most material. These risk factors could cause our actual results to differ materially from those stated in forward looking statements contained in this Form 10-Q and elsewhere. All risk factors stated in our Annual Report on Form 10-K for the year ended December 31, 2011 are incorporated herein by reference.

During the reporting period, except for below, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011.

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, 2011, we had approximately 3,466 full time employees, of whom approximately 51% were employed outside the United States. Approximately 169 of our North American employees, and 503 of our European employees are represented by labor unions. In addition, our employees in Europe are generally represented by local and national social works councils that hold discussions with employer industry associations regarding wage and work issues every two to three years. Our European facilities, particularly those in France and Germany, may participate in such discussions and be subject to any agreements reached with employees. Additionally, approximately 59 employees in the TB Wood s production facilities in Mexico are unionized under collective bargaining agreements that are subject to annual renewals.

We are a party to four U.S. collective bargaining agreements. The agreements will expire on, July 2013, October 2013, June 2014, and October 2014, respectively. We have entered into a plant closing agreement with labor union employees at our South Beloit manufacturing facility. We expect the facility to close on or before the July 2013 expiry of the relevant collective bargaining agreement. We may be unable to renew these agreements on terms that are satisfactory to us, if at all. In addition, one of our four U.S. collective bargaining agreements contains provisions for additional, potentially significant, lump-sum severance payments to all employees covered by the agreements who are terminated as the result of a plant closing and one of our collective bargaining agreements contains provisions restricting our ability to terminate or relocate operations.

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. 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.

Recently, employees at our Kilian manufacturing plant in Toronto, Canada voted in favor of the certification of a union at that facility. As a result of this vote, we have commenced the process of negotiating a new collective bargaining agreement which could divert management attention and result in increased operating expenses and lower net income. If we are unable to negotiate an acceptable collective bargaining agreement, our operating expenses could increase significantly as a result of work stoppages, including strikes. Any of these matters could adversely affect our financial condition, results of operations and cash flows.

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

The following table summarizes our share repurchase activity by month for the quarter ended March 31, 2012.

Approximate Period	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Dollar Value of Shares that may be Purchased under the Program
January 1, 2012 to January 29, 2012		$		$

January 30, 2012 to February 26, 2012	3,175	$	20.81	$
February 27, 2012 to March 31, 2012		$		$

(1) We repurchased these shares of common stock in connection with the vesting of certain stock awards to cover minimum statutory withholding taxes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of this report:

Table of Contents

Exhibit Number	Description
3.1(1)	Second Amended and Restated Certificate of Incorporation of the Registrant.
3.2(2)	Second Amended and Restated Bylaws of the Registrant.
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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Earnings, (ii) the Unaudited Condensed Consolidated Balance Sheet, (iii) the Unaudited Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith.

** Furnished herewith.

*** As provided in Rule 406T of Regulation S-T, this information is furnished herewith and not filed for purposes of sections 11 and 12 of the Securities Act of 1933, as amended, or section 18 of the Securities Exchange Act of 1934, as amended.

(1) Incorporated by reference to Altra Holdings, Inc. s Registration Statement on Form S-1A, as amended, filed with the securities and Exchange Commission on December 4, 2006.

(2) Incorporated by reference to Altra Holdings, Inc. s Current Report on Form 8-K filed on October 27, 2008.

Table of Contents

SIGNATURES

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

ALTRA HOLDINGS, INC.

April 30, 2012	By:	/s/ Carl R. Christenson
	Name:	Carl R. Christenson
	Title	President and Chief Executive Officer
April 30, 2012	By:	/s/ Christian Storch
	Name:	Christian Storch
	Title:	Vice President and Chief Financial Officer
April 30, 2012	By:	/s/ Todd B. Patriacca
	Name:	Todd B. Patriacca
	Title:	Vice President of Finance, Corporate Controller and Treasurer

Table of Contents

EXHIBIT INDEX

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36