

ALLIED MOTION TECHNOLOGIES INC  
Form 10-Q  
May 14, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**Form 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**  
**For the quarterly period ended March 31, 2013**

Commission File Number

0-04041

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**ALLIED MOTION TECHNOLOGIES INC.**

Incorporated Under the Laws of the State of Colorado

**Colorado**  
(State or other jurisdiction of  
incorporation or organization)

**84-0518115**  
(I.R.S. Employer  
Identification No.)

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Englewood, Colorado 80112

Telephone: (303) 799-8520

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 ninety (90) days. Yes  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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

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

Number of Shares of the only class of Common Stock outstanding: 8,849,243 as of May 12, 2013

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## ALLIED MOTION TECHNOLOGIES INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, except per share data)

**(Unaudited)**

|   | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| <b>Assets</b>   |                   |                      |
| Current Assets:   |                   |                      |
| Cash and cash equivalents   | \$ 8,420          | \$ 9,728             |
| Trade receivables, net of allowance for doubtful accounts of \$189 and \$177 at March 31, 2013 and December 31, 2012, respectively                        | 12,696            | 10,806               |
| Inventories, net  | 13,938            | 14,701               |
| Deferred income taxes   | 643               | 639                  |
| Prepaid expenses and other assets   | 1,989             | 2,155                |
| Total Current Assets  | 37,686            | 38,029               |
| Property, plant and equipment, net  | 8,548             | 8,631                |
| Deferred income taxes   | 4,050             | 4,103                |
| Intangible assets, net  | 2,278             | 2,431                |
| Other long-term assets, net   | 2,341             | 1,991                |
| Goodwill  | 5,608             | 5,782                |
| Total Assets  | \$ 60,511         | \$ 60,967            |
| <b>Liabilities and Stockholders Equity</b>  |                   |                      |
| Current Liabilities:  |                   |                      |
| Debt obligations  | 399               | 397                  |
| Accounts payable  | 5,577             | 5,748                |
| Accrued liabilities   | 4,448             | 5,926                |
| Total Current Liabilities   | 10,424            | 12,071               |
| Deferred income taxes   | 894               | 935                  |
| Deferred compensation arrangements  | 2,366             | 1,997                |
| Pension and post-retirement obligations   | 3,747             | 3,812                |
| Total Liabilities   | 17,431            | 18,815               |
| Commitments and Contingencies   |                   |                      |
| Stockholders Equity:  |                   |                      |
| Common stock, no par value, authorized 50,000 shares; 8,849 and 8,631 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively | 23,188            | 22,547               |
| Preferred stock, par value \$1.00 per share, authorized 5,000 shares; no shares issued or outstanding   |                   |                      |
| Retained earnings   | 21,275            | 20,528               |
| Accumulated other comprehensive loss  | (1,383)           | (923)                |
| Total Stockholders Equity   | 43,080            | 42,152               |
| Total Liabilities and Stockholders Equity   | \$ 60,511         | \$ 60,967            |

See accompanying notes to financial statements.



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## ALLIED MOTION TECHNOLOGIES INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In Thousands, except per share data)

**(Unaudited)**

|   | <b>For the three<br/>months ended<br/>March 31,<br/>2013</b> | <b>For the three<br/>months ended<br/>March 31,<br/>2012</b> |
|---|--|--|
| Revenues                                | \$ 25,143  | \$ 26,847  |
| Cost of goods sold                      | 17,620   | 19,210   |
| Gross margin                            | 7,523  | 7,637  |
| Operating costs and expenses:           |  |  |
| Selling                                 | 1,293  | 1,365  |
| General and administrative              | 2,992  | 2,947  |
| Engineering and development             | 1,747  | 1,553  |
| Amortization of intangible assets       | 84   | 174  |
| Total operating costs and expenses      | 6,116  | 6,039  |
| Operating income                        | 1,407  | 1,598  |
| Other (income) expense:                 |  |  |
| Interest expense                        | 9  | 7  |
| Other (income) expense, net             | (14)   | (17)   |
| Total other (income) expense, net       | (5)  | (10)   |
| Income before income taxes              | 1,412  | 1,608  |
| Provision for income taxes              | (452)  | (450)  |
| Net income                              | \$ 960   | \$ 1,158   |
| Foreign currency translation adjustment | (460)  | 515  |
| Comprehensive income                    | \$ 500   | \$ 1,673   |
| Basic earnings per share:               |  |  |
| Earnings per share                      | \$ 0.11  | \$ 0.14  |
| Basic weighted average common shares    | 8,733  | 8,565  |
| Diluted earnings per share:             |  |  |
| Earnings per share                      | \$ 0.11  | \$ 0.14  |
| Diluted weighted average common shares  | 8,733  | 8,565  |

See accompanying notes to consolidated financial statements.

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## ALLIED MOTION TECHNOLOGIES INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

|   | For the three months ended |          |
|---|----------------------------|----------|
|   | 2013                       | 2012     |
|   | March 31,                  |          |
| <b>Cash Flows From Operating Activities:</b>                                  |                            |          |
| Net income  | \$ 960                     | \$ 1,158 |
| Adjustments to reconcile net income to net cash used in operating activities: |                            |          |
| Depreciation and amortization   | 413                        | 489      |
| Other   | 305                        | 325      |
| Changes in assets and liabilities:  |                            |          |
| Trade receivables   | (2,043)                    | (717)    |
| Inventories, net  | 608                        | (42)     |
| Prepaid expenses and other assets   | (357)                      | (1,150)  |
| Accounts payable  | (93)                       | (395)    |
| Accrued liabilities   | (924)                      | (2,642)  |
| Net cash used in operating activities   | (1,131)                    | (2,974)  |
| <b>Cash Flows From Investing Activities:</b>                                  |                            |          |
| Consideration paid for acquisition  |                            | (1,350)  |
| Purchase of property and equipment  | (298)                      | (586)    |
| Net cash used in investing activities   | (298)                      | (1,936)  |
| <b>Cash Flows From Financing Activities:</b>                                  |                            |          |
| Dividends paid  | (210)                      | (216)    |
| Stock transactions under employee benefit stock plans                         | 403                        | 439      |
| Net cash provided by financing activities                                     | 193                        | 223      |
| Effect of foreign exchange rate changes on cash                               | (72)                       | 113      |
| Net decrease in cash and cash equivalents                                     | (1,308)                    | (4,574)  |
| Cash and cash equivalents at beginning of period                              | 9,728                      | 9,155    |
| Cash and cash equivalents at end of period                                    | \$ 8,420                   | \$ 4,581 |

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

Unaudited notes to Condensed Consolidated Financial Statements

**1. Basis of Preparation and Presentation**

Allied Motion Technologies Inc. (the Company) is engaged in the business of designing, manufacturing and selling motion control products to a broad spectrum of customers throughout the world.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using end of period exchange rates. Changes in reported amounts of assets and liabilities of foreign subsidiaries that occur as a result of changes in exchange rates between foreign subsidiaries functional currencies and the U.S. dollar are included in foreign currency translation adjustment. Foreign currency translation adjustment is included in accumulated other comprehensive income, a component of stockholders' equity in the accompanying condensed consolidated balance sheets. Revenue and expense transactions use an average rate prevailing during the month of the related transaction. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency of each Technology Unit ( TU ) are included in the results of operations as incurred.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures herein are adequate to make the information presented not misleading. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the Annual Report on Form 10-K for the year ended December 31, 2012 that was previously filed by the Company.



2. **Inventories**

Inventories, valued at the lower of cost (first-in, first-out basis) or market, are as follows (in thousands):

|                         | <b>March 31,</b> |    | <b>December 31,</b> |
|-------------------------|------------------|----|---------------------|
|                         | <b>2013</b>      |    | <b>2012</b>         |
| Parts and raw materials | \$ 11,289        | \$ | 13,174              |
| Work-in process         | 1,878            |    | 1,504               |
| Finished goods          | 2,787            |    | 2,096               |
|                         | 15,954           |    | 16,774              |
| Less reserves           | (2,016)          |    | (2,073)             |
| Inventories, net        | \$ 13,938        | \$ | 14,701              |

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## ALLIED MOTION TECHNOLOGIES INC.

## Unaudited notes to Condensed Consolidated Financial Statements

**3. Property, Plant and Equipment**

Property, plant and equipment is classified as follows (in thousands):

|                                      | <b>March 31,<br/>2013</b> | <b>December 31,<br/>2012</b> |
|--------------------------------------|---------------------------|------------------------------|
| Land                                 | \$ 290                    | \$ 290                       |
| Building and improvements            | 3,726                     | 3,713                        |
| Machinery, equipment, tools and dies | 13,628                    | 13,483                       |
| Furniture, fixtures and other        | 4,037                     | 3,996                        |
|                                      | 21,681                    | 21,482                       |
| Less accumulated depreciation        | (13,133)                  | (12,851)                     |
| Property, Plant and Equipment, net   | \$ 8,548                  | \$ 8,631                     |

Depreciation expense was approximately \$329,000 and \$315,000 for the quarters ended March 31, 2013 and 2012, respectively.

**4. Stock-Based Compensation***Stock Incentive Plans*

The Company's Stock Incentive Plans provide for the granting of stock awards, including restricted stock, stock options, and stock appreciation rights, to employees and non-employees, including directors of the Company.

*Restricted Stock*

In the quarter ended March 31, 2013, 175,213 shares of unvested restricted stock were awarded at a market value of \$7.03. Of the restricted shares granted, 58,909 shares have performance based vesting conditions. The value of the shares is amortized to compensation expense over the related service period, which is normally three years, or over the estimated performance period. Shares of unvested restricted stock are forfeited if a recipient leaves the Company before the vesting date. Shares that are forfeited become available for future awards.

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The following is a summary of restricted stock activity during the quarter ended March 31, 2013:

|                                    | <b>Number of<br/>Shares</b> |
|------------------------------------|-----------------------------|
| Outstanding at beginning of period | 243,124                     |
| Granted                            | 175,213                     |
| Forfeited                          |                             |
| Vested                             | (129,733)                   |
| Outstanding at end of Period       | 288,604                     |

For the quarter ended March 31, 2013 and 2012, compensation expense, net of forfeitures, of \$224,000 and \$140,000 was recorded, respectively.

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## ALLIED MOTION TECHNOLOGIES INC.

## Unaudited notes to Condensed Consolidated Financial Statements

**5. Dividends per Share**

The Company declared and paid dividends of \$0.025 per share in the first quarter of 2013 and 2012. Total dividends paid in the quarter ended March 31 were \$210,000 and \$216,000 in 2013 and 2012, respectively.

**6. Segment Information**

ASC Topic Segment Reporting requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in one segment for the manufacture and marketing of motion control products for original equipment manufacturers and end user applications. In accordance with the Segment Reporting Topic of the ASC, the Company's chief operating decision maker has been identified as the Chief Executive Officer and President, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under Segment Reporting due to their similar customer base and similarities in: economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company operates in one segment, all financial information required by Segment Reporting can be found in the accompanying condensed consolidated financial statements and within this note.

The Company's wholly owned foreign subsidiaries, located in The Netherlands, Sweden, Canada, and Asia are included in the accompanying condensed consolidated financial statements. Financial information related to the foreign subsidiaries is summarized below (in thousands):

|  | <b>For the three months ended</b> |             |
|--|-----------------------------------|-------------|
|  | <b>March 31,</b>                  |             |
|  | <b>2013</b>                       | <b>2012</b> |
| Revenues derived from foreign subsidiaries | \$ 11,093                         | \$ 10,832   |
| Identifiable assets as of March 31,        | \$ 27,174                         | \$ 24,524   |

Sales to customers outside of the United States by all subsidiaries were \$12,305,000 and \$12,330,000 during the quarters ended March 31, 2013 and 2012, respectively.

During the quarters ended March 31, 2013 and 2012, no single customer accounted for more than 10% of total revenues.

7. **Intangible Assets**

Intangible assets on the Company's condensed consolidated balance sheets consist of the following (in thousands):

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## ALLIED MOTION TECHNOLOGIES INC.

## Unaudited notes to Condensed Consolidated Financial Statements

|                               | March 31,<br>2013 | December 31,<br>2012 | Estimated<br>Life |
|-------------------------------|-------------------|----------------------|-------------------|
| Amortizable intangible assets |                   |                      |                   |
| Customer lists                | \$ 4,291          | \$ 4,364             | 8-10 years        |
| Trade name                    | 946               | 946                  | 10 years          |
| Design and technologies       | 2,551             | 2,626                | 8-10 years        |
| Patents                       | 24                | 24                   |                   |
| Accumulated amortization      | (5,534)           | (5,529)              |                   |
| Total intangible assets       | \$ 2,278          | \$ 2,431             |                   |

Amortization expense for intangible assets for the quarters ended March 31, 2013 and 2012 was \$84,000 and \$174,000, respectively.

**8. Goodwill**

The change in the Company's goodwill during the quarter ended March 31, 2013 is summarized in the table below (in thousands):

|                              |          |
|------------------------------|----------|
| Balance, December 31, 2012   | \$ 5,782 |
| Foreign currency translation | (174)    |
| Balance, March 31, 2013      | \$ 5,608 |

**9. Debt Obligations**

Debt obligations consisted of the following (in thousands):

|   | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| Credit Agreement, revolving line-of-credit    | \$                | \$                   |
| China Credit Facility, 5.9% at March 31, 2013 | \$ 399            | \$ 397               |

The Company's Credit Agreement, which matures October 26, 2014, provides revolving credit up to \$4 million and 3 million. At March 31, 2013, approximately \$7,850,000 (\$4,000,000 and 3,000,000) was available under the Credit Agreement.

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The Credit Agreement contains certain financial covenants related to maximum leverage, minimum fixed charge coverage and minimum tangible net worth of the Company. The Company was in compliance with all covenants at March 31, 2013.

Approximately \$700,000 ( 300,000 and 2,100,000 Swedish Krona ( SEK )) was available under bank overdraft facilities in Europe.

The Company also has a Credit Line Facility in China providing credit of approximately \$700,000 (Chinese Renminbi ( RMB ) 4,500,000). This facility will be used for working capital needs at the Company's China operations, and will mature in October 2013. At March 31, 2013, there was approximately \$300,000 (RMB 2,000,000) available under the facility.

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

*All statements contained herein that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the word believe, anticipate, expect, project, intend, will continue, will likely result, should or words or phrases of similar meaning. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results of the Company to differ materially from the forward-looking statements. The risks and uncertainties include those associated with the present economic circumstances in the United States and throughout Europe, general business and economic conditions in the Company's motion markets, introduction of new technologies, products and competitors, the ability to protect the Company's intellectual property, the ability of the Company to sustain, manage or forecast its growth and product acceptance, success of new corporate strategies and implementation of defined critical issues designed for growth and improvement in profits, the continued success of the Company's customers to allow the Company to realize revenues from its order backlog and to support the Company's expected delivery schedules, the continued viability of the Company's customers and their ability to adapt to changing technology and product demand, the loss of significant customers or enforceability of the Company's contracts in connection with a merger, acquisition, disposition, bankruptcy, or otherwise, the ability of the Company to meet the technical specifications of its customers, the continued availability of parts and components, increased competition and changes in competitor responses to the Company's products and services, changes in government regulations, availability of financing, the ability of the Company's lenders and financial institutions to provide additional funds if needed for operations or for making future acquisitions or the ability of the Company to obtain alternate financing if present sources of financing are terminated, the ability to attract and retain qualified personnel who can design new applications and products for the motion industry, the ability of the Company to identify and consummate favorable acquisitions to support external growth and new technology, the ability of the Company to successfully integrate an acquired business into the Company's business model without substantial costs, delays, or problems, the ability of the Company to establish low cost region manufacturing and component sourcing capabilities, and the ability of the Company to control costs, including relocation costs, for the purpose of improving profitability. The Company's ability to compete in this market depends upon its capacity to anticipate the need for new products, and to continue to design and market those products to meet customers' needs in a competitive world. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements as a prediction of actual results. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.*

*New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, the Company makes no assurance that expectations, beliefs or projections will be achieved.*

**1st Quarter Overview**

Revenues for the quarter ended March 31, 2013 were down 6% from the first quarter of 2012. The 6% decrease in sales is primarily due to a decrease in sales to our U.S. customers. The Company experienced decreases in the electronics, medical, vehicle, and distribution markets, partially offset by increases in the industrial and aerospace and defense markets. The Company's revenues did increase over the fourth quarter of 2012, providing some indication that the overall decline in revenues that the Company experienced in 2012 may be turning around.

As we've stated previously, many of our orders are received as blanket orders covering 12 to 18 months of demand, and the timing of such impacts reported incoming levels. As such, we are no longer





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including the full value of the blanket orders when received and will only report them as bookings once a release date has been provided from the customer. With that said, orders for the quarter ended March 31, 2013 were \$21.0 million compared to reported orders of \$23.0 million in the same quarter of last year. Had orders been recorded in the same manner in 2013 as they were in 2012, orders would have been \$25.3 million for the first quarter of 2013, or would have shown an increase of \$2.3 million. Backlog at March 31, 2013 was \$28.0 million compared to \$40.9 million reported at the same time last year. Had orders and backlog been recorded in the same manner in 2013 as they were in 2012, backlog at March 31, 2013 would have been \$31.4 million, a \$1.5 million decrease when compared to December 31, 2012, or a decrease of \$9.5 million when compared to the end of the first quarter of 2012. Management believes that the markets we serve are recognizing the value of the Company's motion solutions, and we continue to pursue opportunities that will increase the company's revenues and profitability.

Net income was \$960,000 for the quarter, or \$0.11 per diluted share, compared to \$1,158,000, or \$0.14 per diluted share for 2011. Most of our operating units and served markets experienced decreased levels of business when compared to the first quarter of 2012. As a company, we are well diversified and not dependent on any one specific market which we believe provides us with some protection during a decline.

From a Cash Flow perspective, our cash net of debt position increased by \$3.6 million from the first quarter of last year. We also continued a quarterly dividend program in 2013, providing \$0.10 per share in dividends to shareholders for the trailing twelve months, or a dividend payout ratio of 17% when compared to the earnings per share of \$0.60. The Company also continued to invest in capital equipment to expand production capacity in its China facilities, as well as to facilitate the transition to the Company's new ERP system.

**Operating Results**

*Quarter Ended March 31, 2013 compared to Quarter Ended March 31, 2012*

**NET INCOME** The Company reported net income of \$960,000, or \$0.11 per diluted share for the first quarter of 2013, compared to \$1,158,000, or \$0.14 per diluted share for the same quarter last year.

**EBITDA AND ADJUSTED EBITDA** EBITDA was \$1,834,000 for the first quarter of 2013 compared to a \$2,104,000 for the same quarter last year. Adjusted EBITDA was \$2,058,000 and \$2,482,000 for the first quarters of 2013 and 2012, respectively. EBITDA and Adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock compensation expense and certain non-recurring items. See information included in Non-GAAP Measures below for a reconciliation of net income to EBITDA and Adjusted EBITDA.

**REVENUES** Revenues were \$25,143,000 for the quarter ended March 31, 2013 compared to \$26,847,000 for the quarter ended March 31, 2012. Overall, the Company experienced decreases in the electronics, medical, vehicle, and distribution markets, partially offset by increases in the industrial and aerospace and defense markets due to general economic conditions.

Sales to U.S. customers accounted for 51% and 54% of our sales in the first quarter of 2013 and 2012, respectively, with the balance to customers primarily in Europe, Canada, and Asia. Sales volumes for the quarter ended March 31, 2013 decreased by about 7%, but were offset

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1% due to the weakening of the dollar against the Euro and the Swedish Krona (SEK) over the same period of last year.

**ORDER BACKLOG** Beginning in 2013, we are no longer including the full value of blanket purchase orders when received from customers and will only report them as bookings when they are released to production. To ensure an accurate comparison, we will also present bookings and backlog throughout 2013 in the same manner as the prior year. Bookings for the quarter ended March 31, 2013 were \$25.3 million compared to last year's bookings of \$23.0 million using the prior method and \$21.0 million using the new method. Backlog as of March 31, 2013 was \$28.0 million using the new method and was \$31.4 million using the prior method compared to \$40.9 million as of March 31, 2012.

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**GROSS MARGIN** Gross margin as a percentage of revenues was 30% and 28% for the quarters ended March 31, 2013 and 2012, respectively. The increase in gross margin is partially due to the change in the sales mix (decrease in sales of our lower margin business partially offset by increased sales of higher margin business) and partially due to a one-time charge in 2012 to cover the estimated cost of replacing products in the field due to an incorrect component used by one of the Company's suppliers.

**SELLING EXPENSES** Selling expenses in the first quarter were \$1,293,000 compared to \$1,365,000 for the first quarter last year. The 5% decrease is primarily related to lower expected sales incentives in 2013 when compared to 2012.

**GENERAL AND ADMINISTRATIVE EXPENSES** General and administrative expenses were \$2,992,000 in the quarter ended March 31, 2013 compared to \$2,947,000 in the quarter ended March 31, 2012. The 1.5% increase is due to higher salaries and ERP costs, offset by lower incentive bonuses.

**ENGINEERING AND DEVELOPMENT EXPENSES** Engineering and development expenses were \$1,747,000 in the first quarter of 2013 and \$1,553,000 in the same quarter last year. The 12% increase over the same period of last year is primarily due to the hires of additional engineering personnel.

**AMORTIZATION OF INTANGIBLE ASSETS** Amortization of intangible assets expense was \$84,000 in the quarter ended March 31, 2013 and \$174,000 in the same quarter last year. Amortization expense decreased \$90,000, or 52%, as certain intangible assets became fully amortized in 2012.

**INCOME TAXES** Provision for income taxes was \$452,000 and \$450,000 for the first quarters of 2013 and 2012, respectively. The Company uses an estimate of the annual effective rate to calculate and record income taxes based on the projected results for the fiscal year and the facts and circumstances known at each interim period. The Company is subject to tax in the U.S. and multiple other tax jurisdictions. Judgment is required in determining the worldwide provision for income taxes and in recording the related tax assets and liabilities. The effective income tax rate as a percentage of income before income taxes was 32% and 28% for the quarters ended March 31, 2013 and 2012, respectively. The effective rate is higher than the same quarter of last year primarily due to changes in the income mix from jurisdictions with differences in tax rates, as well as certain foreign tax and other adjustments recorded in 2012 which lowered the Company's effective rate for 2012. The effective tax rate is lower than the statutory rate primarily due to lower tax rates in foreign jurisdictions as well as certain permanent book tax differences.

**Non-GAAP Measures**

EBITDA and Adjusted EBITDA are provided for information purposes only and are not measures of financial performance under generally accepted accounting principles.

The Company believes EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to measure the operating performance of the Company's business because EBITDA excludes charges for depreciation, amortization and interest expense that have resulted from our debt financings, as well as our provision for income tax expense. EBITDA is

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frequently used as one of the bases for comparing businesses in the Company's industry.

The Company also believes that Adjusted EBITDA provides helpful information about the operating performance of its business. Adjusted EBITDA excludes stock compensation expense, as well as certain non-recurring items. Nonrecurring items are either income or expenses which do not occur regularly as part of the normal activities of the Company. There are no non-recurring items that have been excluded from Adjusted EBITDA for the quarter ended March 31, 2013. For the quarter ended March 31, 2012, the charge to replace the incorrect electronic component of \$238,000 is excluded from Adjusted EBITDA.

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EBITDA and Adjusted EBITDA do not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

The Company's calculation of EBITDA and Adjusted EBITDA for the three months ended March 31, 2013 and 2012 is as follows (in thousands):

|                                | For the three months ended |       |                |       |
|--------------------------------|----------------------------|-------|----------------|-------|
|                                | March 31, 2013             |       | March 31, 2012 |       |
| Net income                     | \$                         | 960   | \$             | 1,158 |
| Interest expense               |                            | 9     |                | 7     |
| Provision for income tax       |                            | 452   |                | 450   |
| Depreciation and amortization  |                            | 413   |                | 489   |
| EBITDA                         |                            | 1,834 |                | 2,104 |
| Stock compensation expense     |                            | 224   |                | 140   |
| Non-recurring expense (income) |                            |       |                | 238   |
| Adjusted EBITDA                | \$                         | 2,058 | \$             | 2,482 |

Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents decreased \$1,308,000 to a balance of \$8,428,000 at March 31, 2013. This decrease compares to a larger decrease of \$4,574,000 for the same period last year. During the first quarter of 2013, operations used \$1,131,000 in cash compared to \$2,974,000 for the quarter ended March 31, 2012. The decrease in cash used in operations is due to lower incentive bonus payments and lower tax payments when compared to the same period of last year.

Net cash used in investing activities was \$298,000 and \$1,936,000 for the first quarter of 2013 and 2012, respectively. The decrease is primarily due to the final portion of consideration for the Östergrens acquisition of \$1,350,000 being paid in the first quarter of 2012. Also, in the first quarter of 2013, purchases of property and equipment were \$298,000 compared to \$586,000 for the same period of last year.

Net cash provided by financing activities was \$193,000 for the quarter ended March 31, 2013 compared to \$223,000 for the same period last year. The decrease in 2013 is due to less Company stock purchased by the Allied Motion Employee Stock Ownership Plan (ESOP), based on lower company contributions to the plan for 2012.

The average outstanding borrowings for the quarter ended March 31, 2013 was \$398,000. The Company's Credit Agreement, as amended, is used for borrowing needs that may occur in the United States and Europe. The Credit Agreement expires on October 26, 2014. The Credit Agreement provides revolving credit up to \$4 million and 3 million.

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The Credit Agreement contains certain financial covenants related to maximum leverage, minimum fixed charge coverage and minimum tangible net worth of the Company. The Company was in compliance with all covenants at March 31, 2013.

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The Company also has a Credit Facility in China providing credit of approximately \$700,000 (RMB 4,500,000) to provide financing availability for working capital needs for the Company's subsidiaries in China. There is approximately \$319,000 (RMB 2,000,000) available under the facility at March 31, 2013.

As of March 31, 2013, the amount available to borrow under the Company's various lines-of-credit was approximately \$8,150,000.

The Company also has bank overdraft facilities with foreign banks in Europe. The facilities had no outstanding balance as of March 31, 2013. The amount available under the overdraft facilities was approximately \$700,000 ( 300,000 and 2,100,000 SEK).

As part of the Company's quarterly cash dividend program, the Board of Directors declared a dividend of \$0.025 per share payable on March 12, 2013 to shareholders of record on March 1, 2013. The Company's working capital, capital expenditure and dividend requirements are expected to be funded from cash provided by operations and amounts available under the Company's credit facilities.

Critical Accounting Policies

The Company has prepared its financial statements in conformity with accounting principles generally accepted in the United States, and these statements necessarily include some amounts that are based on informed judgments and estimates of management. The Company's significant accounting policies are discussed in Note 1 in the Annual Report on Form 10-K for the year ended December 31, 2012. The policies are reviewed on a regular basis. The Company's critical accounting policies are subject to judgments and uncertainties which affect the application of such policies. The Company uses historical experience and all available information to make these judgments and estimates. As discussed below the Company's financial position or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. The Company's critical accounting policies include:

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is based on historical experience and judgments based on current economic and customer specific factors. Significant judgments are made by management in connection with establishing the Company's customers' ability to pay at the time of shipment. Despite this assessment, from time to time, the Company's customers are unable to meet their payment obligations. The Company continues to monitor customers' credit worthiness, and use judgment in establishing the estimated amounts of customer receivables which may not be collected. A significant change in the liquidity or financial position of the Company's customers could have a material adverse impact on the collectibility of accounts receivable and future operating results.

Inventory is valued at the lower of cost or market. The Company monitors and forecasts expected inventory needs based on sales forecasts. Inventory is written down or written off when it becomes obsolete or when it is deemed excess. These determinations involve the exercise of significant judgment by management. If actual market conditions are significantly different from those projected by management, the recorded reserve may be adjusted, and such adjustments may have a significant impact on the Company's results of operations. Demand for the Company's products can fluctuate significantly, and in the past the Company has recorded substantial charges for inventory obsolescence.



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The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts recorded in the consolidated financial statements, and for operating loss and tax credit carryforwards. Realization of the recorded deferred tax assets is dependent upon the Company generating sufficient taxable income in the

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appropriate tax jurisdiction in future years to obtain benefit from the reversal of net deductible temporary differences and from tax credit and operating loss carryforwards. A valuation allowance is provided to the extent that management deems it more likely than not that the net deferred tax assets will not be realized. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed.

The Company provides pension and postretirement benefits for certain domestic retirees and records the cost of the obligations based on estimates. The net periodic costs are recognized as employees render the services necessary to earn the benefits. Several assumptions are used to calculate the expense and liability related to the plans including the discount rate, the expected rate of return on plan assets, the future rate of compensation increases and health care cost increases. The discount rate is selected based on a bond pricing model that relates to the projected future cash flows of benefit obligations. Actuarial assumptions used are based on demographic factors such as retirement and mortality. Actual results could vary materially from the Company's actuarial assumptions, which may have an impact on the amount of reported expense or liability for pension or postretirement benefits.

**Item 4. Controls and Procedures**

The Company's controls and procedures include those designed to ensure that material information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. Under the supervision and with the participation of management, the Company's chief executive officer and chief financial officer evaluated the effectiveness of the Company's disclosure controls and procedures designed to ensure that information is recorded, processed, summarized and reported in a timely manner as required by Exchange Act reports such as this Form 10-Q and concluded that as of the end of the Company's most recent fiscal quarter they are effective.

There have not been any changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2013 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 5. Other Information**

The Company held its annual stockholders' meeting on May 9, 2013. At the annual meeting, the stockholders of the Company (i) elected the nine director nominees, (ii) approved, on an advisory basis, the compensation awarded to the Company's Named Executive Officers for 2012, (iii) voted, on an advisory basis, on the frequency of future advisory votes on executive compensation, (iv) approved the Company's Restated 2007 Stock Incentive Plan and (v) ratified the appointment of Ehrhardt Keefe Steiner Hottman LLLP (EKS&H) as the Company's independent registered public accounting firm for the 2013 fiscal year.

The results of the voting for the nine director nominees were as follows:

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| <b>Nominee</b>           | <b>For</b> | <b>Against</b> | <b>Abstentions</b> | <b>Broker Non-votes</b> |
|--------------------------|------------|----------------|--------------------|-------------------------|
| Richard D. Federico      | 5,496,687  | 269,794        | 17,806             | 2,222,464               |
| S.R. (Rollie) Heath, Jr. | 5,112,136  | 658,397        | 13,754             | 2,222,464               |
| Gerald J. Laber          | 5,497,386  | 273,147        | 13,754             | 2,222,464               |
| William P. Montague      | 5,493,518  | 276,694        | 14,074             | 2,222,465               |
| M. M. Robert             | 5,722,692  | 46,839         | 14,755             | 2,222,465               |
| R.D. Smith               | 5,119,190  | 651,924        | 13,172             | 2,222,465               |
| R.S. Warzala             | 5,720,982  | 49,993         | 13,312             | 2,222,464               |

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The results for the advisory vote on executive compensation for 2012 were as follows:

| <b>For</b> | <b>Against</b> | <b>Abstentions</b> | <b>Broker Non-Votes</b> |
|------------|----------------|--------------------|-------------------------|
| 5,425,039  | 324,197        | 35,050             | 2,222,465               |

The results for the advisory vote on the frequency of future advisory votes on executive compensation were as follows:

| <b>Vote for One Year</b> | <b>Vote for Two Years</b> | <b>Vote for Three Years</b> | <b>Abstentions</b> | <b>Broker Non-Votes</b> |
|--------------------------|---------------------------|-----------------------------|--------------------|-------------------------|
| 536,883                  | 1,223,787                 | 116,743                     | 3,969,543          | 2,159,795               |

The results of the voting for the approval of the adoption of the Company's Restated 2007 Stock Incentive Plan were as follows:

| <b>For</b> | <b>Against</b> | <b>Abstentions</b> | <b>Broker Non-Votes</b> |
|------------|----------------|--------------------|-------------------------|
| 5,033,842  | 704,713        | 45,731             | 2,222,465               |

The results of the voting for the ratification of EKS&H as the Company's independent registered public accounting firm for the 2013 fiscal year were as follows:

| <b>For</b> | <b>Against</b> | <b>Abstentions</b> |
|------------|----------------|--------------------|
| 7,919,001  | 53,572         | 34,178             |

**Item 6. Exhibits**

(a) Exhibits

10.1 Allied Motion Technologies Inc. 2007 Stock Incentive Plan, as amended (Incorporated by reference to Exhibit 10 to the Company's Registration Statement on Form S-8 filed March 19, 2013.)

31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from Allied Motion Technologies Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations and comprehensive income, (iii) condensed consolidated statements of cash flows and (iv) the notes to the consolidated financial statements, tagged as block of text.\*

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\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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.

DATE: May 14, 2013

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Robert P. Maida  
Robert P. Maida  
*Chief Financial Officer*