

# ALLIED MOTION TECHNOLOGIES INC (AMOT)

## 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filed on 11/14/2012

Filed Period 09/30/2012

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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 September 30, 2012

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.)

**23 Inverness Way East, Suite 150  
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: 8,650,482 as of November 14, 2012

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ALLIED MOTION TECHNOLOGIES INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In Thousands, except per share data)  
(Unaudited)

|   | September 30,<br>2012 | December 31,<br>2011 |
|---|-----------------------|----------------------|
| <b>Assets</b>   |                       |                      |
| Current Assets:   |                       |                      |
| Cash and cash equivalents   | \$ 6,257              | \$ 9,155             |
| Trade receivables, net of allowance for doubtful accounts of \$190 and \$284 at September 30, 2012 and December 31, 2011, respectively                        | 12,929                | 11,689               |
| Inventories, net  | 15,586                | 14,429               |
| Deferred income taxes   | 1,170                 | 1,254                |
| Prepaid expenses and other assets   | 3,133                 | 1,881                |
| Total Current Assets  | 39,075                | 38,408               |
| Property, plant and equipment, net  | 8,353                 | 7,352                |
| Deferred income taxes   | 3,958                 | 4,326                |
| Intangible assets, net  | 2,450                 | 2,936                |
| Goodwill  | 5,625                 | 5,665                |
| Total Assets  | <u>\$ 59,461</u>      | <u>\$ 58,687</u>     |
| <b>Liabilities and Stockholders' Investment</b>   |                       |                      |
| Current Liabilities:  |                       |                      |
| Debt obligations  | 158                   | 157                  |
| Accounts payable  | 6,202                 | 6,598                |
| Accrued liabilities   | 5,415                 | 6,800                |
| Income taxes payable  | 264                   | 1,272                |
| Contingent consideration  | —                     | 1,313                |
| Total Current Liabilities   | 12,039                | 16,140               |
| Deferred income taxes   | 903                   | 973                  |
| Deferred compensation arrangements  | 2,257                 | 1,736                |
| Pension and post-retirement obligations   | 3,328                 | 3,516                |
| Total Liabilities   | 18,527                | 22,365               |
| Commitments and Contingencies   |                       |                      |
| Stockholders' Equity:   |                       |                      |
| Common stock, no par value, authorized 50,000 shares; 8,649 and 8,466 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively | 22,378                | 21,568               |
| Preferred stock, par value \$1.00 per share, authorized 5,000 shares; no shares issued or outstanding   | —                     | —                    |
| Retained earnings   | 19,637                | 15,970               |
| Accumulated other comprehensive income (loss)   | (1,081)               | (1,216)              |
| Total Stockholders' Equity  | 40,934                | 36,322               |
| Total Liabilities and Stockholders' Equity  | <u>\$ 59,461</u>      | <u>\$ 58,687</u>     |

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In Thousands, except per share data)  
(Unaudited)

|   | For the three months<br>ended September 30, |           | For the nine months<br>ended September 30, |           |
|---|---|-----------|--|-----------|
|   | 2012  | 2011      | 2012                                       | 2011      |
| Revenues                                | \$ 24,316                                   | \$ 27,331 | \$ 77,999                                  | \$ 82,917 |
| Cost of products sold                   | 17,217                                      | 19,118    | 55,112                                     | 57,955    |
| Gross margin                            | 7,099                                       | 8,213     | 22,887                                     | 24,962    |
| Operating costs and expenses:           |   |           |  |           |
| Selling                                 | 1,143                                       | 1,320     | 3,798                                      | 4,271     |
| General and administrative              | 2,474                                       | 3,030     | 8,305                                      | 9,390     |
| Engineering and development             | 1,454                                       | 1,417     | 4,570                                      | 4,501     |
| Amortization of intangible assets       | 126   | 185       | 466  | 552       |
| Total operating expenses                | 5,197                                       | 5,952     | 17,139                                     | 18,714    |
| Operating income                        | 1,902                                       | 2,261     | 5,748                                      | 6,248     |
| Other (income) expense, net:            |   |           |  |           |
| Interest expense                        | 2   | 21        | 12   | 68        |
| Other (income), net                     | (42)  | 78        | (338)                                      | 56        |
| Total other (income) expense, net       | (40)  | 99        | (326)                                      | 124       |
| Income before income taxes              | 1,942                                       | 2,162     | 6,074                                      | 6,124     |
| Provision for income taxes              | (621)                                       | (605)     | (1,778)                                    | (1,873)   |
| Net income                              | \$ 1,321                                    | \$ 1,557  | \$ 4,296                                   | \$ 4,251  |
| Earnings per share                      | \$ 0.15                                     | \$ 0.18   | \$ 0.50                                    | \$ 0.51   |
| Basic weighted average common shares    | 8,673                                       | 8,497     | 8,637                                      | 8,415     |
| Diluted earnings per share:             |   |           |  |           |
| Earnings per share                      | \$ 0.15                                     | \$ 0.18   | \$ 0.50                                    | \$ 0.50   |
| Diluted weighted average common shares  | 8,673                                       | 8,511     | 8,637                                      | 8,564     |
| Other comprehensive income, net of tax: |   |           |  |           |
| Foreign currency translation adjustment | 305   | (836)     | (135)                                      | 45        |
| Comprehensive income                    | \$ 1,626                                    | \$ 721    | \$ 4,161                                   | \$ 4,296  |

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)  
(Unaudited)

|   | For the nine months ended<br>September 30, |                 |
|---|--|-----------------|
|   | 2012                                       | 2011            |
| <b>Cash Flows From Operating Activities:</b>                                      |  |                 |
| Net income  | \$ 4,296                                   | \$ 4,251        |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                 |
| Depreciation and amortization   | 1,361                                      | 1,631           |
| Restricted Stock Compensation Expense   | 446  | 514             |
| Other   | 692  | 318             |
| Changes in assets and liabilities:  |  |                 |
| Trade receivables   | (1,244)                                    | (2,486)         |
| Inventories, net  | (1,203)                                    | (2,137)         |
| Prepaid expenses and other assets   | (1,254)                                    | (759)           |
| Accounts payable  | (371)                                      | 782             |
| Accrued liabilities   | (2,076)                                    | 1,462           |
| Net cash provided by operating activities   | 647  | 3,576           |
| <b>Cash Flows From Investing Activities:</b>                                      |  |                 |
| Consideration paid for acquisition  | (1,350)                                    | (332)           |
| Purchase of property and equipment  | (2,021)                                    | (1,339)         |
| Net cash used in investing activities   | (3,371)                                    | (1,671)         |
| <b>Cash Flows From Financing Activities:</b>                                      |  |                 |
| Repayments on lines-of-credit, net  | —  | (401)           |
| Dividends paid  | (629)                                      | (163)           |
| Stock transactions under employee benefit stock plans                             | 355  | 163             |
| Net cash used in financing activities   | (274)                                      | (401)           |
| Effect of foreign exchange rate changes on cash                                   | 100  | (108)           |
| Net increase(decrease) in cash and cash equivalents                               | (2,898)                                    | 1,396           |
| Cash and cash equivalents at beginning of period                                  | 9,155                                      | 3,553           |
| Cash and cash equivalents at end of period  | <u>\$ 6,257</u>                            | <u>\$ 4,949</u> |

See accompanying notes to financial statements.

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, 2011 that was previously filed by the Company.

ALLIED MOTION TECHNOLOGIES INC.  
Unaudited notes to Condensed Consolidated Financial Statements

**2. Inventories**

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

|                         | September 30,<br>2012 | December 31,<br>2011 |
|-------------------------|-----------------------|----------------------|
| Parts and raw materials | \$ 11,335             | \$ 11,268            |
| Work-in process         | 2,571                 | 2,017                |
| Finished goods          | 3,749                 | 3,090                |
|                         | 17,655                | 16,375               |
| Less reserves           | (2,069)               | (1,946)              |
| Inventories, net        | \$ 15,586             | \$ 14,429            |

**3. Property, Plant and Equipment**

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

|                                      | September 30,<br>2012 | December 31,<br>2011 |
|--------------------------------------|-----------------------|----------------------|
| Land                                 | \$ 290                | \$ 290               |
| Building and improvements            | 3,681                 | 3,387                |
| Machinery, equipment, tools and dies | 13,371                | 12,633               |
| Furniture, fixtures and other        | 3,523                 | 3,037                |
|                                      | 20,865                | 19,347               |
| Less accumulated depreciation        | (12,512)              | (11,995)             |
| Property, Plant and Equipment, net   | \$ 8,353              | \$ 7,352             |

**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 nine months ended September 30, 2012, 134,150 shares of unvested restricted stock were awarded at a weighted average value of \$7.13. Of the restricted shares granted, 30,000 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.

ALLIED MOTION TECHNOLOGIES INC.  
Unaudited notes to Condensed Consolidated Financial Statements

The following is a summary of restricted stock activity during the nine months ended September 30, 2012:

|                                    | Number of<br>Shares |
|------------------------------------|---------------------|
| Outstanding at beginning of period | 283,608             |
| Granted                            | 134,150             |
| Forfeited                          | (1,398)             |
| Vested                             | (159,236)           |
| Outstanding at end of Period       | <u>257,124</u>      |

For the quarters ended September 30, 2012 and 2011, stock compensation expense, net of forfeitures, of \$160,000 and \$191,000 was recorded, respectively. For the nine-months ended September 30, 2012 and 2011, stock compensation expense, net of forfeitures, of \$446,000 and \$514,000 was recorded, respectively.

**5. Earnings and Dividends per Share**

Basic income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share is determined by dividing the net income by the sum of (1) the weighted average number of common shares outstanding and (2) if not anti-dilutive, the effect of stock options and warrants determined utilizing the treasury stock method. During 2012, no stock options or warrants are outstanding. As such, there is no dilutive effect on earnings per share for 2012. The dilutive effect of outstanding stock option awards for the quarter and nine months ended September 30, 2011 was 14,000 and 148,000 shares, respectively.

The Company declared and paid three quarterly dividends of \$0.025 per share in the first nine months of 2012. Dividends paid during the quarter and nine months ended September 30, 2012, were \$211,000 and \$629,000, respectively. The Company began paying quarterly dividends in the third quarter of 2011. As such, dividends paid in the quarter and nine months ended September 30, 2011 were \$163,000.

**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

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### ALLIED MOTION TECHNOLOGIES INC. Unaudited notes to Condensed Consolidated Financial Statements

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 consolidated financial statements and within this note.

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

|  | For the three<br>months ended<br>September 30, |           | For the nine<br>months ended<br>September 30, |           |
|--|--|-----------|---|-----------|
|  | 2012   | 2011      | 2012  | 2011      |
| Revenues derived from foreign subsidiaries | \$ 9,771                                       | \$ 11,263 | \$ 32,085                                     | \$ 36,274 |
| Identifiable assets as of September 30,    | \$ 25,335                                      | \$ 26,022 |   |           |

Sales to customers outside of the United States by all subsidiaries were \$10,172,000 and \$11,989,000 during the quarters ended September 30, 2012 and 2011, respectively, and \$33,905,000 and \$38,826,000 for the nine months ended September 30, 2012 and 2011, respectively.

During the quarters and nine months ended September 30, 2012 and 2011, no single customer accounted for more than 10% of total revenues.

#### **7. Intangible Assets**

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

|                               | September 30,<br>2012 | December 31,<br>2011 | Estimated<br>Life |
|-------------------------------|-----------------------|----------------------|-------------------|
| Amortizable intangible assets |                       |                      |                   |
| Customer lists                | \$ 4,298              | \$ 4,315             | 8-10 years        |
| Trade name                    | 946                   | 946                  | 10 years          |
| Design and technologies       | 2,558                 | 2,575                | 8-10 years        |
| Patents                       | 24                    | 24                   |                   |
| Accumulated amortization      | (5,376)               | (4,924)              |                   |
| Total intangible assets       | <u>\$ 2,450</u>       | <u>\$ 2,936</u>      |                   |

Amortization expense for intangible assets was \$126,000 and \$185,000 for the quarters ended September 30, 2012 and 2011, respectively, and \$466,000 and \$552,000 for the nine months ended September 30, 2012 and 2011, respectively.

#### **8. Goodwill**

The change in the Company's goodwill during the nine months ended September 30, 2012 is summarized in the table below (in thousands):

|                             |                 |
|-----------------------------|-----------------|
| Balance, December 31, 2011  | \$ 5,665        |
| Currency translation        | (40)            |
| Balance, September 30, 2012 | <u>\$ 5,625</u> |

ALLIED MOTION TECHNOLOGIES INC.  
Unaudited notes to Condensed Consolidated Financial Statements

**9. Contingent Consideration**

The Company acquired Östergrens Elmotor AB (Östergrens), located in Stockholm, Sweden on December 30, 2010. In conjunction with the acquisition of Östergrens, the Company recorded contingent cash consideration based on the seller meeting certain performance criteria. The Company paid \$1,350,000 and \$332,000 of the contingent consideration in the quarters ended March 31, 2012 and 2011, respectively. The liability was denominated in Swedish Krona. The amount paid of \$1,350,000, exceeds the amount accrued of \$1,313,000 as of December 31, 2011, due to fluctuations in the Swedish Krona against the U.S. dollar. The consideration paid was based on a multiple of the incremental profit achieved in 2011 over 2010 for certain customer projects.

**10. Debt Obligations**

Debt obligations consisted of the following (in thousands):

|   | September 30,<br>2012 | December 31,<br>2011 |
|---|-----------------------|----------------------|
| Credit Agreement, revolving line-of-credit        | \$ —                  | \$ —                 |
| China Credit Facility, 5.9% at September 30, 2012 | \$ 158                | \$ 157               |

In October 2012, the Company's Credit Agreement was extended one year, and will now mature October 26, 2014. The Credit Agreement provides revolving credit up to \$4 million and €3 million.

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 September 30, 2012.

As of September 30, 2012, approximately \$7,850,000 (\$4 million and €3.0 million) was available under the amended Credit Agreement and 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. In October 2012, the Facility was extended one year, and will mature in October 2013. At September 30, 2012, there was approximately \$542,000 (RMB 3,500,000) available under the facility.

**11. Other Income**

In the quarter ended June 30, 2012, the Company received a payment from a former landlord for early termination of the Company's building lease in Sweden, which amounted to \$301,000, net of moving expenses. The amount has been included in Other income on the Condensed Consolidated Statement of Income and Comprehensive Income for the nine months ended September 30, 2012.

ALLIED MOTION TECHNOLOGIES INC.

**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 corporation 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.*

**Overview**

Allied Motion has developed a long term corporate strategy with its sole focus in the motion control industry. Allied Motion utilizes its underlying core "electro-magnetic, mechanical and electronic motion technology/know how" to provide compact, high performance products as solutions in a wide range of motion applications. The Company designs, manufactures and sells motors, electronic motion controls, gearing and optical encoders to a broad spectrum of customers throughout the world. The Company sells components individually and also provides integrated motion control solutions to customers. The Company sells its products through its own direct sales force and manufacturer's reps and distributors. The products are manufactured at the Company's own facilities in North America, Europe and China, and at contract

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manufacturing facilities in China and Eastern Europe, where the Company owns all the capital equipment and tooling and has designed and set-up the manufacturing processes in each facility.

Examples of the end products using Allied Motion's technology in the medical and health care industries include surgical robots, prosthetics, electric powered surgical hand pieces, programmable pumps to meter and administer infusions associated with chemotherapy, pain control and antibiotics; nuclear imaging systems, automated pharmacy dispensing equipment, kidney dialysis equipment, respiratory ventilators and heart pumps, wheel chairs, scooters, stair lifts, patient lifts, patient handling tables and beds. In electronics, our products are used in the handling, inspection, and testing of components and in the automation and verification of final products such as PC's, game equipment and cell phones. Our motors are used in the HVAC systems of trucks, buses, RV's, boats and off-road construction/farming equipment. These motors operate a variety of actuation systems (e.g., patient and wheelchair lifts, RV slide-outs, truck bed covers etc.), they provide improved fuel efficiency while the vehicles are idling and are used in drive-by-wire applications to electrically replace or power-assist a variety of mechanical linkages. Our products are also utilized in high performance vehicles, vehicles using alternative fuel systems such as LPG, fuel cell and hybrid vehicles. Our geared motor products are utilized in automated material handling vehicles/robots, commercial grade floor cleaners, commercial building equipment such as welders, cable pullers and assembly tool. Several products are used in a variety of military/defense applications including inertial guided missiles, mid-range munitions systems, weapons systems on armed personnel carriers, unmanned vehicles and in security and access control in camera systems, door access control and in airport screening and scanning devices. Other end products utilizing our technology include high definition printers; tunable lasers and spectrum analyzers for the fiber optic industry; processing equipment for the semiconductor industry, as well as ticket and cash dispensing machines (ATMs).

Allied Motion has established Solution Centers in North America and Europe to provide applications support and first point of contact for customers requiring motion control solutions. The application engineers draw upon the Technology/Know-How from all Allied Motion companies to provide the best solution for the customer, which may be a single component or a solution that utilizes several components to create an integrated solution from our various Technology Units ("TUs"). Allied Motion is currently in the process of renaming it's TU's to incorporate the Allied Motion name first, followed by the city the Units are managed from, to replace the previous company names in parenthesis below. The list is as follows:

- Allied Motion Tulsa — Tulsa, Oklahoma (Emoteq Corporation)
- Allied Motion Owosso — Owosso, Michigan (Motor Products Corporation)
- Allied Motion Watertown — Watertown, New York (Statue Electric, Inc.)
- Allied Motion Amherst - Amherst, New York and Waterloo, Ontario, Canada (Allied Motion Amherst and Allied Motion Canada)
- Allied Motion Dordrecht — Dordrecht, The Netherlands (Precision Motor Technology B.V.)
- Allied Motion Stockholm — Stockholm, Sweden and Ferndown, UK (Östergrens Elmotor AB)
- Allied Motion Changzhou — Changzhou, China (Östergrens Changzhou)

Allied Motion also has contract production capabilities in Slovakia and China. The Company is currently in the process of setting up a Solution Center in Asia.

### **3rd Quarter Overview**

In the third quarter of 2012, diluted earnings per share of \$0.15 was down \$0.03 per share, or 17% when compared to the third quarter of 2011, and net income of \$1,321,000 was down 15% when compared to the 3rd quarter of 2011. Revenues were down 11% when compared to the third quarter of last year. Three percent of the 11 percent decrease is due to the strengthening of the dollar against the Euro and Swedish Krona when compared to the third quarter of 2011. All markets were down in the third quarter when compared against the same quarter of last year.

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Orders for the quarter ended September 30, 2012 were \$20.2 million compared to \$34.4 million in the same quarter of last year, down 41%. Backlog at September 30, 2012 was \$33.2 million, reflecting a 20% decrease over the backlog at the same time last year. Backlog is down 25% from the end of 2011. Backlog from quarter to quarter can fluctuate significantly based on customers' order patterns and the timing of placement of long-term blanket orders. Although a softening in the marketplace has occurred, we believe 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.

We continued our quarterly cash dividend program, with the Board of Directors declaring another \$0.025 per share dividend for shareholders payable on November 23, 2012 to shareholders of record on November 12, 2012, totaling to \$0.10 per share year to date through the October 2012 dividend. We believe that our cash flows can support our growth initiatives and reward our shareholders at the same time.

## **Strategy**

Allied Motion Business Concept: Allied Motion leverages its superior expertise in electro-magnetic, mechanical and electronic motion technology/know-how to provide solutions with the most compact, differentiated products or systems that "change the game" and add value to our customers' products. Utilizing Allied's "One Team" Organization, our intent is to be the motion solutions leader in our selected target market segments and to focus on geographic markets where our local support provides an additional competitive advantage. We will enhance our competitive position through the creation of an Operational Excellence Team to lead the implementation of Allied Systematic Tools (AST) and drive continuous improvement in quality, cost, delivery and growth throughout the company.

Further development and promotion of our parent brand, Allied Motion, will continue in the future and a Global structure has been defined and is currently being implemented. An example of the Global structure is the One Team Sales Force which has developed well in North America and Europe, and we are currently establishing the same capability in Asia. Our Solution Centers differentiate us from our competition and will become functional in North America and Europe in 2012 and the foundation will be also established in Asia in 2012. Together with our One Team Sales Force, the Solution Center is the glue that allows Allied Motion to function and act as One Company, a common request from our customers.

Our platform based Product Line approach, which is where we preplan what products are required by our served market segments, provides us the capability to quickly deliver prototypes, be first in with application solutions and secure new design-in wins. While it is relatively simple to achieve this on an independent component level basis, a coordinated effort to tie all of our technologies together as systems is where the real opportunity lies and that will be our emphasis.

An emphasis is placed on Gross Margin improvement which requires cost reduction, new products emphasizing more complete Motion Control solutions and a support structure trained to sell, apply and service our products and customers. In order to provide additional solution capabilities, additional Electronic Motion Control product offerings are required and the company continues to add new capabilities and make investments in this area.

We also plan to take our commitment to "Allied Systematic Tools", or AST, to a new level this year as we invest in additional resources as part of our Operational Excellence Team to continuously build and utilize AST to improve efficiencies and eliminate waste throughout our Company.

We believe the strategy we have developed for the Company will accomplish our long term goals of increasing shareholder value through the continued strengthening of the foundation necessary to achieve growth in sales and profitability.

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### Operating Results

#### *Quarter Ended September 30, 2012 compared to Quarter Ended September 30, 2011*

| (in thousands)                     | For the three months ended<br>June 30, |           | Increase (decrease) |       |
|------------------------------------|--|-----------|---------------------|-------|
|                                    | 2012                                   | 2011      | \$                  | %     |
| Revenues                           | \$ 24,316                              | \$ 27,331 | \$ (3,015)          | (11)% |
| Cost of products sold              | 17,217                                 | 19,118    | (1,901)             | (10)% |
| Gross margin                       | 7,099                                  | 8,213     | (1,114)             | (14)% |
| Gross margin percentage            | 29%                                    | 30%       | —                   | —     |
| Operating costs and expenses:      |  |           |                     |       |
| Selling                            | 1,143                                  | 1,320     | (177)               | (13)% |
| General and administrative         | 2,474                                  | 3,030     | (556)               | (18)% |
| Engineering and development        | 1,454                                  | 1,417     | 37                  | 3%    |
| Amortization of intangible assets  | 126                                    | 185       | (59)                | (32)% |
| Total operating costs and expenses | 5,197                                  | 5,952     | (755)               | (13)% |
| Operating income                   | 1,902                                  | 2,261     | (359)               | (16)% |
| Interest expense                   | 2                                      | 21        | (19)                |       |
| Other (income), net                | (42)                                   | 78        | (120)               |       |
| Income before income taxes         | 1,942                                  | 2,162     | (220)               | (10)% |
| Provision for income taxes         | (621)                                  | (605)     | 16                  | 3%    |
| Net income                         | \$ 1,321                               | \$ 1,557  | \$ (236)            | (15)% |

**NET INCOME** The Company reported net income of \$1,321,000, or \$0.15 per diluted share for the quarter ended September 30, 2012, compared to \$1,557,000, or \$0.18 per diluted share for the same quarter last year.

**EBITDA AND ADJUSTED EBITDA** EBITDA was \$2,325,000 for the third quarter of 2012 compared to \$2,722,000 for the same quarter last year. Adjusted EBITDA was \$2,485,000 and \$2,913,000 for the third quarter of 2012 and 2011, 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 excludes stock compensation expense and certain nonrecurring items. See information included in "Non - GAAP Measures" below for a reconciliation of net income to EBITDA and adjusted EBITDA.

**REVENUES** Revenues were \$24,316,000 for the quarter ended September 30, 2012 compared to \$27,331,000 for the quarter ended September 30, 2011, an 11% decrease. The 11% decrease in revenues is due to lower sales in almost all markets with the exception of our vehicle market which experienced flat sales for the quarter against the same period of the prior year.

Sales to U.S. customers accounted for 58% and 56% of our sales in the quarter ended September 30, 2012 and 2011, respectively, with the balance to customers primarily in Europe, Sweden, Asia and Canada. Of the 11% decrease in sales, 8% is due to lower volumes, and 3% due to the Euro and Swedish Krona weakening against the dollar.

**ORDER BACKLOG** At September 30, 2012, order backlog was approximately \$33.2 million, which is down 20% from the same time last year, and down 25% from the backlog at December 31, 2011.

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**GROSS MARGINS** Gross margin as a percentage of revenues was 29% and 30% for the quarters ended September 30, 2012 and 2011, respectively. Gross Margins are down 1% from last year primarily due to lower fixed overhead absorption based on the lower sales in the third quarter of 2012 compared the third quarter of 2011.

**SELLING EXPENSES** Selling expenses were \$1,143,000 compared to \$1,320,000 for the quarters ended September 30, 2012 and 2011, respectively. The 13% decrease is primarily due to a decrease in the Company's sales force in Europe and in sales incentive compensation when compared to the same quarter of last year.

**GENERAL AND ADMINISTRATIVE EXPENSES** General and administrative expenses were \$2,474,000 in the quarter ended September 30, 2012 compared to \$3,030,000 in the quarter ended September 30, 2011. The 18% decrease is primarily a result of lower compensation expense, which includes incentive bonuses.

**ENGINEERING AND DEVELOPMENT EXPENSES** Engineering and development expenses were \$1,454,000 in the third quarter of 2012 and \$1,417,000 in the same quarter last year.

**AMORTIZATION OF INTANGIBLE ASSETS** Amortization of intangible assets expense was \$126,000 in the quarter ended September 30, 2012 and \$185,000 in the same quarter last year. The 32% decrease is primarily due to certain intangible assets becoming fully amortized in the third quarter of 2012.

**INCOME TAXES** Provision for income taxes was \$621,000 and \$605,000 for the quarters ended September 30, 2012 and 2011, respectively. The effective rate used to record income taxes is based on projected results for the fiscal year. The effective income tax rate as a percentage of income before income taxes was 32% and 28% for the quarters ended September 30, 2012 and 2011, respectively. The effective tax rate is lower than the statutory rate primarily due to differences in state and foreign tax rates. The effective rate is higher than the same quarter of last year primarily due to changes in the income mix by jurisdiction.

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### *Nine Months Ended September 30, 2012 compared to Nine Months Ended September 30, 2011*

| (in thousands)                    | For the nine months ended<br>September 30, |           | Increase (decrease) |       |
|-----------------------------------|--|-----------|---------------------|-------|
|                                   | 2012                                       | 2011      | \$                  | %     |
| Revenues                          | \$ 77,999                                  | \$ 82,917 | \$ (4,918)          | (6)%  |
| Cost of products sold             | 55,112                                     | 57,955    | (2,843)             | (5)%  |
| Gross margin                      | 22,887                                     | 24,962    | (2,075)             | (8)%  |
| Gross margin percentage           | 29%  | 30%       | —                   | (1)%  |
| Operating costs and expenses:     |  |           |                     |       |
| Selling                           | 3,798                                      | 4,271     | (473)               | (11)% |
| General and administrative        | 8,305                                      | 9,390     | (1,085)             | (12)% |
| Engineering and development       | 4,570                                      | 4,501     | 69                  | 2%    |
| Amortization of intangible assets | 466  | 552       | (86)                | (16)% |
| Total operating expenses          | 17,139                                     | 18,714    | (1,575)             | (8)%  |
| Operating income                  | 5,748                                      | 6,248     | (500)               | (8)%  |
| Interest expense                  | 12   | 68        | (56)                |       |
| Other (income) expense, net       | (338)                                      | 56        | (394)               |       |
| Income before income taxes        | 6,074                                      | 6,124     | (50)                | (1)%  |
| Provision for income taxes        | (1,778)                                    | (1,873)   | (95)                | (5)%  |
| Net income                        | \$ 4,296                                   | \$ 4,251  | \$ 45               | 1%    |

**NET INCOME** The Company reported net income of \$4,296,000 or \$0.50 per diluted share for the nine months ended September 30, 2012, compared to \$4,251,000 or \$0.50 per diluted share for the nine months ended September 30, 2011.

**EBITDA AND ADJUSTED EBITDA** EBITDA was \$7,447,000 for the nine months ended September 30, 2012 compared to a \$7,823,000 for the same period last year. Adjusted EBITDA was \$7,830,000 and \$8,337,000 for the nine months ended September 30, 2012 and 2011, 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 excludes stock compensation expense and certain nonrecurring items. See information included in "Non - GAAP Measures" below for a reconciliation of net income to EBITDA and Adjusted EBITDA.

**REVENUES** Revenues were \$77,999,000 for the nine months ended September 30, 2012 compared to \$82,917,000 for the nine months ended September 30, 2011. The 6% decrease in revenues reflects lower sales into the industrial, distribution and aerospace and defense markets, partially offset by increased sales into the medical and vehicle markets, with other markets remaining flat against the same period of the prior year.

Sales to U.S. customers accounted for 56% and 53% of our sales in the first nine months of 2012 and 2011, respectively, with the balance to customers primarily in Europe, Sweden, Asia and Canada. Of the 6% decrease in sales, 3% is due to the weakening of the Euro and the Swedish Krona against the dollar and 3.0% is due to lower volumes.

**GROSS MARGINS** Gross margin as a percentage of revenues was 29% and 30% for the nine months ended September 30, 2012 and 2011, respectively. Gross Margins are down from last year primarily due to lower fixed overhead absorption based on the lower sales in the first nine months of 2012 compared to the same period last year.

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**SELLING EXPENSES** Selling expenses were \$3,798,000 and \$4,271,000 for the nine months ended September 30, 2012 and 2011 respectively. The 11% decrease is primarily due to a decrease in the Company's sales force in Europe and in sales incentive compensation when compared to the same quarter of last year.

**GENERAL AND ADMINISTRATIVE EXPENSES** General and administrative expenses were \$8,305,000 for the nine months ended September 30, 2012 compared to \$9,390,000 for the nine months ended September 30, 2011. The 12% decrease is primarily a result of lower compensation expense, which includes incentive bonuses.

**ENGINEERING AND DEVELOPMENT EXPENSES** Engineering and development expenses were \$4,570,000 for the nine months ended September 30, 2012 and \$4,501,000 for the same period last year.

**AMORTIZATION OF INTANGIBLE ASSETS** Amortization of intangible assets was \$466,000 for the nine months ended September 30, 2012 and \$552,000 for the same period last year. The 16% decrease is the result of certain intangible assets becoming fully amortized in the third quarter of 2012.

**OTHER INCOME, NET** Other income was \$338,000 for the nine months ended September 30, 2012. The income reported is primarily due to payment received from a former landlord for early termination of the Company's building lease in Sweden, net of moving expenses.

**INCOME TAXES** Provision for income taxes was \$1,778,000 and \$1,873,000 for the nine months ended September 30, 2012 and 2011, respectively. The effective rate used to record income taxes is based on projected results for the fiscal year. The effective income tax rate as a percentage of income before income taxes was 29% and 31% for the nine months ended September 30, 2012 and 2011, respectively. The effective tax rate is lower than the statutory rate primarily due to differences in state and foreign tax rates. The effective rate is lower over the same period of last year primarily due to change in the income mix by jurisdiction.

### **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 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. For the quarter ended September 30, 2012, there are no nonrecurring items. For the nine months ended September 30, 2012, a charge of \$238,000 in the first quarter to replace an incorrect electronic component, and the income from a former landlord in the second quarter of \$301,000, are excluded from Adjusted EBITDA.

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.

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The Company's calculation of EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2012 and 2011 is as follows (in thousands):

|                                | For the three months<br>ended September 30, |          | For the nine months<br>ended September 30, |          |
|--------------------------------|---|----------|--|----------|
|                                | 2012  | 2011     | 2012                                       | 2011     |
| Net income                     | \$ 1,321                                    | \$ 1,557 | \$ 4,296                                   | \$ 4,251 |
| Interest expense               | 2   | 21       | 12   | 68       |
| Provision for income tax       | 621   | 605      | 1,778                                      | 1,873    |
| Depreciation and amortization  | 381   | 539      | 1,361                                      | 1,631    |
| EBITDA                         | 2,325                                       | 2,722    | 7,447                                      | 7,823    |
| Stock compensation expense     | 160   | 191      | 446  | 514      |
| Non-recurring expense (income) | —   | —        | (63)                                       | —        |
| Adjusted EBITDA                | \$ 2,485                                    | \$ 2,913 | \$ 7,830                                   | \$ 8,337 |

## Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents decreased \$466,000 in the quarter ended September 30, 2012. For the first nine months of 2012, cash decreased \$2,898,000 to a balance of \$6,257,000 at September 30, 2012. This decrease compares to an increase in cash of \$1,396,000 for the same period last year. During the first nine months of 2012, operations provided \$647,000 in cash compared to \$3,576,000 for the same period last year. The decrease in cash provided from operations this year is due to lower profits, higher incentive bonus payments made in 2012 for bonuses earned in 2011 and higher tax payments.

Net cash used in investing activities was \$3,371,000 and \$1,671,000 for the nine months ended September 30, 2012 and 2011, respectively. The increase includes a payment of \$1,350,000, which is the final portion of consideration for the Östergrens acquisition, and an increase in purchases of property and equipment of \$1,689,000 over the same period of last year.

Net cash used in financing activities was \$274,000 for the nine months ended September 30, 2012 compared to \$401,000 for the same period last year. The decrease in cash used in 2012 is primarily due to the Company paying off debt in 2011. The activity in 2012 consists of dividend payments to shareholders, primarily offset by more Company stock purchased by the Allied Motion Employee Stock Ownership Plan (ESOP), based on higher Company contributions to the plan for 2011. The Company began to pay quarterly dividends in August 2011.

The average outstanding borrowings for the nine months ended September 30, 2012 was \$158,000.

The Company's Credit Agreement is used for borrowing needs that may occur in the United States and Europe. The Credit Agreement provides revolving credit up to \$4 million and €3 million. The Credit Agreement contains certain financial covenants related to maximum leverage, minimum fixed charge coverage and minimum tangible net worth of the Company. In October 2012, the Credit Agreement was extended for an additional year, now expiring on October 26, 2014.

The Company also has a Credit Line 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 \$550,000 (RMB 3,500,000) available under the facility at September 30, 2012.

As of September 30, 2012, the amount available to borrow under the Company's various lines-of-credit was approximately \$8,400,000.

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The Company has bank overdraft facilities with foreign banks in Europe. The facilities had no outstanding balance as of September 30, 2012. 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 for shareholders as of October 31, 2012. Dividends per share through the first nine months of 2012 were \$0.075 per share.

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, 2011. 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.

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 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.

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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 September 30, 2012 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 6. Exhibits**

(a) Exhibits

- 10.1 Seventh Amendment to Credit Agreement dated October 26, 2012, among Allied Motion Technologies Inc., Allied Motion Technologies B.V., J.P. Morgan Chase Bank N.A., and J.P. Morgan Europe Limited.
- 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.
- 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 September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income and comprehensive income, (iii) 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: November 14, 2012 ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Richard D. Smith  
Richard D. Smith  
*Executive Chairman of the Board and Chief Financial Officer*

## SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this "**Amendment**"), dated as of October 26, 2012, is among ALLIED MOTION TECHNOLOGIES INC., a Colorado corporation (the "**US Borrower**"), ALLIED MOTION TECHNOLOGIES B.V., a Dutch Closed Company with Limited Liability (the "**EUR Borrower**," and together with the US Borrower, the "**Borrowers**"), the Lenders under the Credit Agreement (as defined below), JPMORGAN CHASE BANK, N.A., as a Lender and as Administrative Agent (in such capacity, the "**Administrative Agent**") under the Credit Agreement, and J.P. MORGAN EUROPE LIMITED, as EUR Agent (the "**EUR Agent**," and together with the Administrative Agent, the "**Agents**") under the Credit Agreement. Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Credit Agreement.

### RECITALS

A. The Borrowers, the Lenders, the Administrative Agent and the EUR Agent are parties to that certain Credit Agreement, dated as of May 7, 2007, as amended by that certain Waiver and First Amendment to Credit Agreement, dated as of August 3, 2009, that certain Second Amendment to Credit Agreement, dated as of July 30, 2010, that certain Third Amendment to Credit Agreement, dated as of October 26, 2010, that certain Fourth Amendment to Credit Agreement, dated as of March 28, 2011, that certain Fifth Amendment to Credit Agreement, dated as of August 3, 2011, and that certain Sixth Amendment to Credit Agreement, dated as of April 20, 2012 (as so amended, the "**Credit Agreement**").

B. The Parties desire to amend the terms and conditions of the Credit Agreement subject to and as more fully set forth in this Amendment.

### AGREEMENT

IN CONSIDERATION of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders and the Agents agree as follows:

1. Amendments to Credit Agreement. Effective as of the Seventh Amendment Effective Date (as defined below), and upon the terms and subject to the conditions set forth in this Amendment, the Credit Agreement is hereby amended as follows:

(a) The definition of "Revolving Loan Maturity Date" is deleted in its entirety and substituted therefor is the following:

"Revolving Loan Maturity Date" means the earliest of (a) October 26, 2014, and (b) any date on which the Total Revolving Loan Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof or the Revolving Loans shall have become due and payable in accordance with the terms hereof.

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(b) Schedule 3.01 of the Credit Agreement is hereby deleted in its entirety, and substituted therefor is Schedule 3.01 attached to this Amendment.

2. Other Agreements.

(a) The Borrowers, Lenders and Agents agree that all of the Loan Documents are hereby amended to reflect the amendments set forth herein and that no further amendments to any Loan Documents are required to reflect the foregoing.

(b) All references in any document to "Credit Agreement" or any "Loan Document" shall refer to the Credit Agreement or any such Loan Document, as amended pursuant to this Amendment.

3. Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the following conditions (the date that all such conditions are satisfied, the "**Seventh Amendment Effective Date**"):

(a) The Agents shall have received:

(i) from each party hereto a counterpart of this Amendment signed on behalf of such party; and

(ii) such other documents, certificates and instruments as the Agents or any Lender or its counsel may have reasonably requested, such documents, certificates and instruments to be satisfactory to the Agents, the Lenders and their counsel in all respects in their sole discretion.

(b) All governmental and third party approvals necessary or, in the discretion of the Lenders, advisable in connection with the financing contemplated hereby and the continuing operations of the Borrower and its Subsidiaries shall have been obtained and be in full force and effect.

(c) The Agents and the Lenders shall have received all fees and other amounts due and payable on or prior to the Seventh Amendment Effective Date, including to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including, without limitation, reasonable fees, disbursements and other charges of counsel) required to be reimbursed or paid by the Borrowers or any other Loan Party hereunder or under any separate agreements.

4. Representations, Warranties and Covenants. The Borrowers hereby certify to the Lenders that as of the date of this Amendment and as of the Seventh Amendment Effective Date (after giving effect to this Amendment and the transactions contemplated hereby) all of the Borrowers' representations and warranties contained in the Credit Agreement and each of the Loan Documents are true, accurate and complete, and no "Default" or "Event of Default" exists under (and as defined in) the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, each Borrower represents and warrants that (i) the execution and delivery of this Amendment has been authorized by all necessary action on the part of such Borrower, (ii) the person executing this Amendment on behalf of such Borrower is duly

authorized to do so, and (iii) this Amendment constitutes the legal, valid, binding and enforceable obligation of such Borrower, enforceable against such Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

5. Additional Documents. Borrowers shall execute and deliver, and shall cause to be executed and delivered, to the Agents or the Lenders at any time and from time to time such documents and instruments, including without limitation additional amendments to the Credit Agreement and the Loan Documents, as the Agents or the Lenders may reasonably request to confirm and carry out the transactions contemplated hereby or by any other Loan Documents executed in connection herewith.

6. Continuation of the Credit Agreement and Loan Documents. Except as specified in this Amendment, the provisions of the Credit Agreement and the Loan Documents shall remain in full force and effect, and if there is a conflict between the terms of this Amendment and those of the Credit Agreement or the Loan Documents, the terms of this Amendment shall control. This Amendment is a Loan Document.

7. Ratification and Reaffirmation of Obligations by Borrower. Each Borrower hereby (a) ratifies and confirms all of its Obligations under the Credit Agreement and each of the other Loan Documents, and acknowledges and agrees that such Obligations remain in full force and effect, and (b) ratifies, reaffirms and reapproves in favor of the Agents and each Lender, as applicable, the terms and provisions of the Credit Agreement and each of the other Loan Documents, including (without limitation), its pledges and other grants of Liens and security interests pursuant to the Collateral Documents.

8. Release and Indemnification.

(a) Each Borrower and each Guarantor hereby fully, finally, and forever releases and discharges the Agents and each Lender, and their respective successors, assigns, directors, officers, employees, agents and representatives, from any and all causes of action, claims, debts, demands and liabilities, of whatever kind or nature, in law or equity, of any Borrower or any Guarantor, whether now known or unknown to any Borrower or any Guarantor in respect of (a) the Obligations under the Credit Agreement and each of the other Loan Documents or (b) the actions or omissions of any Agent or any Lender in any manner related to the Obligations under the Credit Agreement and each of the other Loan Documents; provided that this Section shall only apply to and be effective with respect to events or circumstances existing or occurring prior to and including the date of this Amendment.

(b) Without limiting Section 9.03 of the Credit Agreement, each Borrower and each Guarantor hereby agrees to indemnify, defend, and hold harmless each and all of the Agents and Lenders (each an "**Indemnified Party**" and collectively the "**Indemnified Parties**") from and against any and all accounts, covenants, agreements, obligations, claims, debts, liabilities, offsets, demands, costs, expenses, actions or causes of action of every nature, character and description, whether arising at law or equity or under statute, regulation or otherwise, and

whether liquidated or unliquidated, contingent or noncontingent, known or unknown, suspected or unsuspected ("Claims"), arising from or made under any legal theory, which any of Indemnified Parties may incur as a direct or indirect consequence of or in relation to any acts or omissions of any Borrower or any Guarantor arising from or relating to any of: (i) the Loan Documents; (ii) this Amendment; or (iii) any documents executed by any Borrower or any Guarantor in connection with this Amendment. Should any Indemnified Party incur any such Claims, or defense of or response to any Claims or demand related thereto, the amount thereof, including costs, expenses and attorneys' fees, shall be added to the amounts due under the Loan Documents, and shall be secured by any and all liens created under and pursuant to the Loan Documents. This indemnity shall survive until the Obligations have been indefeasibly paid in full and the termination, release or discharge of any Borrower and any Guarantor. To the extent permissible under applicable law, this indemnity shall not limit any other rights of indemnification, subrogation or assignment, whether explicit, implied, legal or equitable, that any Indemnified Party may have; *provided that* no Indemnified Party shall have the right to indemnification to the extent that a Claim arises out of the Indemnified Party's gross negligence or willful misconduct.

9. Miscellaneous.

(a) **THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF COLORADO, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their successors and permissible assigns.

(b) All representations and warranties made in this Amendment, the Credit Agreement or any Loan Document including any Loan Document furnished in connection with this Amendment shall survive the execution and delivery of this Amendment and the other related Loan Documents, and no investigation by the Agents or any Lender or any closing shall affect the representations and warranties or the right of the Agents or any Lender to rely upon them.

(c) This Amendment and all documents to be executed and delivered hereunder may be delivered in the form of a facsimile copy, subsequently confirmed by delivery of the originally executed document. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(d) This Amendment, the Credit Agreement, the other Loan Documents, and all other instruments, documents and agreements executed and delivered in connection with this Amendment, the Credit Agreement and the other Loan Documents, embody the final, entire agreement among the parties hereto with respect to the subject matter hereof. There are no oral agreements among the parties hereto. This Amendment may not be amended or modified orally, but only by a written agreement meeting the requirements of Section 9.02 of the Credit Agreement.

(e) The section headings herein are for convenience only and shall not affect the construction hereof.

(f) Other than as expressly stated herein, this Amendment and the amendments set forth herein do not constitute a waiver by Lenders and Agents of Borrower's or any other Loan Party's compliance with any covenants, or a waiver of any Defaults or Events of Default, under the Credit Agreement or any of the Loan Documents, and shall not entitle the Borrowers or any other Loan Party to any similar or other amendments in the future. Without limiting the foregoing, except as specifically set forth herein, Lenders and Agents continue to reserve all rights and remedies available to Lenders and Agent under the Credit Agreement and the Loan Documents, under law (including without limitation Article 9 of the Uniform Commercial Code) and at equity.

(g) In case any provision of or obligation under this Amendment shall be held by any court of competent jurisdiction to be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

[Remainder of page intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the Borrowers, the Lenders and the Agents have executed this Seventh Amendment to Credit Agreement as of the date first above written.

**ALLIED MOTION TECHNOLOGIES INC.**, as US Borrower

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALLIED MOTION TECHNOLOGIES B.V.**, as EUR Borrower

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**JPMORGAN CHASE BANK, N.A.**, individually and as  
Administrative Agent

By: \_\_\_\_\_

**J.P. MORGAN EUROPE LIMITED**, as EUR Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Signature Page to Seventh Amendment to Credit Agreement]

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### ACKNOWLEDGMENT AND CONSENT BY GUARANTORS:

Each of the undersigned hereby (i) acknowledges the accuracy of the Recitals in the foregoing Amendment, (ii) consents to the modification of the Credit Agreement and the other Loan Documents and to all other matters in the foregoing Amendment, (iii) reaffirms the respective Guaranty Agreement executed by the undersigned and any other agreements, documents and instruments securing or otherwise related thereto (collectively, the "Guarantor Documents"), (iv) acknowledges that the Guarantor Documents continue in full force and effect, remain unchanged, are valid, binding and enforceable in accordance with their respective terms and guaranty or secure, as the case may be, the Obligations under the Credit Agreement, (v) agrees that all references, if any, in the Guarantor Documents to the Credit Agreement and the other Loan Documents are modified to refer to those documents as modified by the Amendment, and (vi) agrees to be bound by the release of the Agents and the Lenders as set forth in the Amendment. The undersigned Guarantors hereby certify to the Lenders that, as of the date of the Amendment and as of the Effective Date (after giving effect to the Amendment), all of the Guarantors' representations and warranties contained in each of the Loan Documents are true, accurate and complete, and no "Default" or "Event of Default" exists under (and as defined in) the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, each Guarantor represents and warrants that (i) the execution and delivery of this Acknowledgement and Consent by Guarantors has been authorized by all necessary action on the part of such Guarantor, (ii) the person executing this Acknowledgement and Consent by Guarantors on behalf of such Guarantor is duly authorized to do so, and (iii) this Acknowledgement and Consent by Guarantors constitutes the legal, valid, binding and enforceable obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. All capitalized terms above not otherwise defined have the meanings given them in the foregoing Amendment.

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|  | <b>ALLIED MOTION CONTROL CORPORATION</b> |  |
|  |  |  |
|  | By:                                      |  |
|  | Name:                                    |  |
|  | Title:                                   |  |
|  |  |  |
|  |  |  |
|  | <b>COMPUTER OPTICAL PRODUCTS, INC.</b>   |  |
|  |  |  |
|  |  |  |
|  | By:                                      |  |
|  | Name:                                    |  |
|  | Title:                                   |  |

[Seventh Amendment to Credit Agreement (Acknowledgment and Consent by Guarantors)]

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|--|-----------------------------------|--|
|  | <b>EMOTEQ CORPORATION</b>         |  |
|  |                                   |  |
|  |                                   |  |
|  | By:                               |  |
|  | Name:                             |  |
|  | Title:                            |  |
|  |                                   |  |
|  |                                   |  |
|  | <b>MOTOR PRODUCTS CORPORATION</b> |  |
|  |                                   |  |
|  |                                   |  |
|  | By:                               |  |
|  | Name:                             |  |
|  | Title:                            |  |
|  |                                   |  |
|  |                                   |  |
|  | <b>AMOT I, INC.</b>               |  |
|  |                                   |  |
|  |                                   |  |
|  | By:                               |  |
|  | Name:                             |  |
|  | Title:                            |  |
|  |                                   |  |
|  |                                   |  |
|  | <b>AMOT II, INC.</b>              |  |
|  |                                   |  |
|  |                                   |  |
|  | By:                               |  |
|  | Name:                             |  |
|  | Title:                            |  |
|  |                                   |  |
|  | <b>AMOT III, INC.</b>             |  |
|  |                                   |  |
|  |                                   |  |
|  | By:                               |  |
|  | Name:                             |  |
|  | Title:                            |  |
|  |                                   |  |
|  | <b>STATURE ELECTRIC, INC.</b>     |  |
|  |                                   |  |
|  |                                   |  |
|  | By:                               |  |
|  | Name:                             |  |
|  | Title:                            |  |

|  |  |  |
|--|--|--|
|  | <b>PRECISION MOTOR TECHNOLOGY B.V.</b> |  |
|  |  |  |
|  |  |  |
|  | By:                                    |  |
|  | Name:                                  |  |
|  | Title:                                 |  |
|  |  |  |
|  |  |  |
|  | <b>ÖSTERGRENS ELMOTOR AB</b>           |  |
|  |  |  |
|  |  |  |
|  | By:                                    |  |
|  | Name:                                  |  |
|  | Title:                                 |  |

[Seventh Amendment to Credit Agreement (Acknowledgment and Consent by Guarantors)]

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**SCHEDULE 3.01  
SUBSIDIARIES**

[See attached]

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**CERTIFICATION**

I, Richard S. Warzala, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2012

/s/ Richard S. Warzala  
 Richard S. Warzala  
 Chief Executive Officer

**CERTIFICATION**

I, Richard D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2012

/s/ Richard D. Smith

Richard D. Smith

*Executive Chairman of the Board and Chief Financial Officer*

Certification of Periodic Financial Reports  
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Allied Motion Technologies Inc. (the "Company") certifies to his knowledge that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2012 fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2012

/s/ Richard S. Warzala

Richard S. Warzala  
*Chief Executive Officer*

Certification of Periodic Financial Reports  
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Allied Motion Technologies Inc. (the "Company") certifies to his knowledge that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2012 fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2012

/s/ Richard D. Smith

Richard D. Smith

*Executive Chairman of the Board and Chief Financial Officer*