Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-K

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

**OR**

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

**For the transition period from**
**Commission file number: 0-04041**

# ALLIED MOTION TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Colorado**<br>(State or other jurisdiction of incorporation or organization) | **84-0518115**<br>(I.R.S. Employer Identification No.) |
| **23 Inverness Way East, Suite 150**<br>**Englewood, Colorado**<br>(Address of principal executive offices) | **80112**<br>(Zip Code) |

Registrant's telephone number, including area code: **(303) 799-8520**

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, no par value Nasdaq Global Market**

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

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

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

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

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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company ý |

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

The aggregate market value of voting stock held by non-affiliates of the Registrant, computed by reference to the average bid and asked prices of such stock as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately $39,839,000.

Number of shares of the only class of Common Stock outstanding: 8,847,160 as of March 7, 2013

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2013 Annual Meeting of Shareholders are incorporated into Part III.

Table of Contents

**Table of Contents**

Table of Contents

## Item 1. Business.

Allied Motion Technologies Inc. (Allied Motion or the Company) was organized under the laws of Colorado in 1962 and operates in the United States, Europe and Asia. 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 component and integrated motion control solutions to end customers and OEM's through its own direct sales force and manufacturers' reps and distributors. 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., lifts, slide-outs, 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 (ATM's).

Allied Motion's "One Team" approach to the market includes **Sales Units, Solution Centers** and **Technology Units** all working together to provide innovative motion solutions and create value for its customers.

### Allied Motion Sales Units:

Allied Motion Sales Units provide field coverage in Asia, Europe, Canada, Israel and the Americas, through direct Regional Sales Managers and external authorized Sales Representatives, Agents and Distributor organizations. The Sales Unit is responsible for selling all products designed, developed and produced by Allied Motion globally.

### Allied Motion Solution Centers:

Allied Motion has Solution Centers in China, Europe and North America to enable the sale and application of integrated motion control solutions that utilize all Allied Motion products, as solutions, for its customers. In addition to providing sales and applications support, the solution center function may include final assembly, integration and test, as required, to support customers within their geographic region.

**China Solution Center** Changzhou, China

**European Solution Center** Stockholm, Sweden

**North American Solution Center** Amherst, New York, USA

Table of Contents

**Allied Motion Technology Units:**

Allied Motion has several Technology Units where products are designed and developed, and in some cases, also produced. The locations of the Technology Units, including a brief description and capabilities at each, are as follows:

**Allied Motion Controls  Global Electronic Motion Control Design and Development Unit**.

Locations include: Amherst, NY, USA; Oakville, Ontario, Canada; Dordrecht, Netherlands; Ferndown, England; and Stockholm, Sweden.

Designs, develops, and manufactures advanced motion control technology including integrated power electronics, digital controls and network communications for motor control and power conversion to support Allied Motion's broad range of motors.

**Allied Motion Dordrecht**

Designs and manufactures fractional horsepower brushless DC motors with or without integrated electronics and coreless DC motors.

The products are used in a wide variety of medical, industrial and commercial aviation applications, such as dialysis equipment, industrial ink jet printers, cash dispensers, bar code readers, laser scanning equipment, fuel injection systems, HVAC actuators, waste water treatment, dosing systems for the pharmaceutical industry, textile manufacturing and document handling equipment.

**Allied Motion Owosso**

Designs and manufactures highly engineered fractional horsepower permanent magnet DC and brushless DC motors serving a wide range of original equipment applications.

The motors are used in mobile HVAC systems, actuation systems, and specialty and general purpose pumps in a variety of markets including trucks, buses, boats, RV's, off-road vehicles, health, fitness, medical and industrial equipment.

**Allied Motion Tulsa**

Designs, manufactures and markets high performance brushless DC motors, including servo motors, frameless motors, torque motors, high speed (60,000 RPM+) slotless motors and high resolution encoders and motor/encoder assemblies.

Markets served include medical equipment, semiconductor, industrial, and aerospace and defense.

**Allied Motion Watertown**

Designs and manufactures gearing solutions in both stand-alone and integrated gearing/motor configurations for the commercial and industrial equipment, healthcare, medical and non-automotive transportation markets.

The component products are sold primarily to original equipment manufacturers (OEM'S) that use them in their end products.

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

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

***Product Distribution***

The Company maintains a direct sales force. In addition to its own marketing and sales force, the Company has independent sales representatives, agents and distributors to sell its various product lines in certain markets.

***Competition***

The Company faces competition in all of its markets, although the number of competitors varies depending upon the product. The Company believes there are numerous competitors in the motion control market. Competition involves primarily product performance and price, although service and warranty are also important.

Table of Contents

***Availability of Raw Materials***

All parts and materials used by the Company are in adequate supply. No significant parts or materials are acquired from a single source or for which an alternate source is not also available.

***Patents, Trademarks, Licenses, Franchises and Concessions***

The Company holds several patents and trademarks regarding components used by the various subsidiaries and has several patents pending on new products recently developed, which are considered to be of major significance.

***Working Capital Items***

The Company currently maintains inventory levels adequate for its short-term needs based upon present levels of production. The Company considers the component parts of its different product lines to be readily available and current suppliers to be reliable and capable of satisfying anticipated needs.

***Sales to Large Customers***

During years 2012 and 2011, no single customer accounted for more than 10% of total revenues.

***Sales Backlog***

The Company's backlog at December 31, 2012 consisted of sales orders totaling approximately $32,915,000 while backlog at December 31, 2011 was $44,005,000. Many of the Company's customers place blanket purchase orders covering periods that could be longer than one year. The timing of the placement of these blanket orders can skew the comparability of the Company's backlog. In our commercial motors markets, the Company continues to serve customers requesting shipments on a "pull system" whereby the Company agrees to maintain available inventory that the customer "pulls" or takes delivery as they need the products. At the time the customer pulls the product, the Company records the sale. There can be no assurance that the Company's backlog will be converted into revenue.

***Engineering and Development Activities***

The Company's expenditures on engineering and development for the years ended December 31, 2012 and 2011 were $6,060,000 and $5,983,000, respectively. Of these expenditures, no material amounts were charged directly to customers, although the Company does charge some customers non-recurring engineering (NRE) charges for custom engineering that is required to develop products that meet the customer's specification.

***Environmental Issues***

No significant pollution or other types of hazardous emission result from the Company's operations and it is not anticipated that the Company's operations will be materially affected by Federal, State or local provisions concerning environmental controls. The Company's costs of complying with environmental, health and safety requirements have not been material.

The Company does not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on the Company's business or markets that it serves, nor on the Company's results of operations, capital expenditures or financial position. The Company will continue to monitor emerging developments in this area.

Table of Contents

***Foreign Operations***

The information required by this item is set forth in Note 10 of the Notes to Consolidated Financial Statements contained herein.

***Employees***

At December 31, 2012 the Company had approximately 418 full-time employees.

***Available Information***

The Company maintains a website at www.alliedmotion.com. The Company makes available, free of charge on or through its website, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after it electronically files or furnishes such materials to the SEC.

The Company has adopted a Code of Ethics for its chief executive officer, president and senior financial officers regarding their obligations in the conduct of Company affairs. The Company has also adopted a Code of Ethics and Business Conduct that is applicable to all directors, officers and employees. The Codes are available on the Company's website. The Company intends to disclose on its website any amendment to, or waiver of, the Codes that would otherwise be required to be disclosed under the rules of the SEC and the Nasdaq Global Market. A copy of both Codes is also available in print to any stockholder upon written request addressed to Allied Motion Technologies Inc., 23 Inverness Way East, Suite 150, Englewood, CO 80112-5711, Attention: Secretary.

**Item 2. Properties.**

As of December 31, 2012, the Company occupies facilities as follows:

| Description / Use | Location | Approximate Square Footage | Owned Or Leased |
|---|---|---|---|
| Corporate headquarters | Englewood, Colorado | 3,000 | Leased |
| Office and manufacturing facility | Tulsa, Oklahoma | 30,000 | Leased |
| Office and manufacturing facility | Dordrecht, The Netherlands | 36,000 | Leased |
| Office and manufacturing facility | Stockholm, Sweden | 20,000 | Leased |
| Office and manufacturing facility | Owosso, Michigan | 85,000 | Owned |
| Office and manufacturing facility | Watertown, New York | 107,000 | Owned |
| Office and manufacturing facility | Changzhou, China | 12,000 | Leased |
| Office and manufacturing facility | Amherst, New York | 4,000 | Leased |
| Office and manufacturing facility | Oakville, Ontario, Canada | 2,000 | Leased |
| Office | Ferndown, Great Britain | 1,000 | Leased |

The Company's management believes the above-described facilities are adequate to meet the Company's current and foreseeable needs. Most of the manufacturing facilities described above are operating at less than full capacity.

**Item 3. Legal Proceedings.**

The Company is involved in certain actions that have arisen out of the ordinary course of business. Management believes that resolution of the actions will not have a significant adverse effect on the Company's consolidated financial position or results of operations.

Table of Contents

## PART II

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

Allied Motion's common stock is traded on the Nasdaq Global Market System and trades under the symbol AMOT. The number of holders of record as reported by the Company's transfer agent of the Company's common stock as of the close of business on March 11, 2013 was 532. The following table sets forth, for the periods indicated, the high and low prices of the Company's common stock as reported by Nasdaq, and the per share dividends paid by the Company during each quarter.

| | Price Range | | |
|---|---|---|---|
| | High | Low | Dividends(1) |
| **Year ended December 31, 2011** | | | |
| First Quarter | $ 9.25 | $ 6.30 | |
| Second Quarter | 7.75 | 4.58 | |
| Third Quarter | 5.97 | 4.79 | 0.02 |
| Fourth Quarter | 6.40 | 4.65 | 0.02 |
| **Year ended December 31, 2012** | | | |
| First Quarter | $ 7.90 | $ 5.35 | 0.025 |
| Second Quarter | 8.25 | 5.60 | 0.025 |
| Third Quarter | 6.79 | 5.70 | 0.025 |
| Fourth Quarter | 6.73 | 6.24 | 0.025 |

(1) The Company began to pay a quarterly dividend in August 2011.

***Equity Compensation Plan Information***

The following table shows the equity compensation plan information of the Company at December 31, 2012:

| Plan category | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|
| Equity compensation plans approved by security holders | 358,864 |

### Item 6. Selected Financial Data.

The following tables summarize data from the Company's financial statements for the fiscal years 2007 through 2012; the Company's complete annual financial statements and notes thereto for the current fiscal year appear in Item 8 herein.

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | In thousands (except per share data) | | | | |
| **Statements of Operations Data:** | | | | | |
| Revenues | $ 101,968 | $ 110,941 | $ 80,591 | $ 61,240 | $ 85,967 |
| Net income (loss) | $ 5,397 | $ 6,967 | $ 3,585 | $ (12,449) | $ 2,909 |
| Diluted income (loss) per share | $ 0.63 | $ 0.81 | $ 0.45 | $ (1.65) | $ .39 |

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet Data:** | | | | | | | | | | |
| Total assets | $ | 60,967 | $ | 58,687 | $ | 51,006 | $ | 34,753 | $ | 52,780 |
| Total current and long-term debt | $ | 397 | $ | 157 | $ | 795 | $ | 600 | $ | 2,800 |

Table of Contents

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

### Overview of 2012

For the year 2012, sales were down 8% compared to 2011. The 8% decrease in sales is comprised of a 4% decrease in sales to US customers and a 13% decrease in sales to non-US customers. All of the companies' major markets served noted declines in sales with the exception of the medical market.

Orders for 2012 were $90 million, down from $117 million in 2011. Year-end Backlog for 2012 was approximately $33 million compared to $44 million at the end of 2011. As we've stated previously, many of our orders are received as blanket orders covering 12 to 18 months of demand, and the timing of such impacts reported incoming levels. Beginning in 2013, in reporting bookings, we will no longer include the full value of the blanket orders when received and will only report them as bookings once a release date has been provided from the customer.

Net income was $5,397,000 for 2012, or $0.63 per diluted share, compared to $6,967,000, or $0.81 per diluted share for 2011. Adjusted net income, which factors out the earn-out gain related to the Östergrens acquisition of $1,101,000 in 2011, was $5,866,000. 2012 net income compared to 2011 adjusted net income was down $469,000, or 8%, which equates to $0.05 per diluted share. While Gross profit decreased by $3.9M, Operating Expenses were reduced by $2.5M with a major portion of the reduction being in performance based compensation. Performance based compensation is a way of life at Allied Motion. When the company does well, our employees share in the rewards and if we don't, then we also share the burden of the downturn.

Most of our operating units and served markets experienced decreased levels of business in 2012 which indicates that we were impacted by an overall economic decline. As a company, we are well diversified and not dependent on any one specific market which we believe provides us with some protection during a decline.

From a Cash Flow perspective, we improved our cash net of debt position by $300,000. We also continued a quarterly dividend program in 2012, providing $0.10 per share in dividends to shareholders, or a dividend payout ratio of 16% when compared to the earnings per share of $0.63. The Company also continued to invest in capital equipment to expand production capacity in its China facilities, as well as to facilitate the transition to the Company's new ERP system.

### Our Strategy

We have a long-term growth strategy at Allied Motion and we will remain focused on meeting the long term goals of the Company. We have set aggressive growth targets for our Company and we will align and focus our resources to meet those targets. First and foremost, we invest in our people as we believe that attracting and retaining the right people is the most important element in our strategy. The right people will lead us to the right markets, the right customers, the right technologies, the right solutions and the right products.

Our strategy defines Allied Motion as being a "Technology/Know-How" driven company and to be successful, we continue to invest in our Areas of Excellence. While the year was a down year, we walked the talk and continued to invest in applied and design engineering resources.

Strategic focus means that we will take action to address the "critical issues" that we believe are necessary to meet the stated long term goals and objectives of the Company. Given that we are focused on growth, the majority of the critical issues are focused on growth initiatives for the Company.

One of these growth initiatives includes Product Line Platform development to meet the emerging needs of our selected target markets. Our platform development emphasizes a combination of Allied Motion technologies to create increased value solutions for our customers. The make-up of our top new opportunities is evolving from individual component solutions to a majority of the new

Table of Contents

opportunities now utilizing **multiple** Allied Motion technologies. We believe this approach will allow us to provide increased value to our customers and improved margins for our Company.

Our strong financial condition, along with Allied Systematic Tools (AST) continuous improvement initiatives in Quality, Delivery, Cost and focus on "***Motion Solutions That Change the Game"*** and create value for our customers allow us to have a positive outlook for the continued long term growth of our Company.

**Outlook for 2013**

Looking beyond 2012, we do expect our markets to stabilize and we will continue to execute our Strategy for the long term growth and development of our Company by designing innovative "***Motion Solutions That Change the Game"*** and meet the current and emerging needs of customers in our served market segments. We expect market conditions to improve throughout the year and to gain strength during the second half of 2013.

We have continued our investment in engineering resources and the same can be said about our Sales Team development. In support of our sales efforts, our Solution Centers are coming on line nicely and are providing the support required to sell and support multi-technology solutions. We anticipate that investment in these key resources will help drive our growth now and in the future. We plan to continue investing in these resources during 2013.

In China, we have signed a lease for a new expanded and modern facility and are moving forward with our capital investments to install production lines that "Change the Game" and are capable of meeting the demands of our existing customers and new potential customers within China as well. We believe that the best opportunity for increasing sales in China will be best met by having a strong presence directly in the country.

We expect that internal Cash Flow from our operations, as well as financing available through lenders will continue to fund our growth opportunities. We will continue our dividend program as we believe that our cash flows can support our growth initiatives and also reward our shareholders at the same time.

We will emphasize Gross Margin improvement. Gross Margin improvement requires cost reduction, new products emphasizing more complete Motion Control systems and a support structure trained to sell, apply and service our products and customers. We made good progress in 2012 and these initiatives will continue in 2013.

Further development and promotion of our parent brand, Allied Motion, will continue in 2013. A global structure has been defined and we intend to use that to our advantage in the marketplace.

And last but not least, we are taking our commitment to AST to a new level as we have invested in additional resources as part of our Operational Excellence Team. As always, we will continuously utilize AST to improve efficiencies and eliminate waste throughout our Company. AST is critical to and helps create the path to success in all regions of the world.

Table of Contents

**Operating Results**

**Year 2012 compared to 2011**

| (in thousands) | For the year ended December 31, 2012 | 2011 | Increase (decrease) $ | % |
|---|---|---|---|---|
| Revenues | $ 101,968 | $ 110,941 | $ (8,973) | (8)% |
| Cost of products sold | 72,328 | 77,410 | (5,082) | (6)% |
| Gross margin | 29,640 | 33,531 | (3,891) | (12)% |
| Gross margin percentage | 29% | 30% | | (1)% |
| Operating costs and expenses: | | | | |
| Selling | 5,093 | 5,626 | (533) | (9)% |
| General and administrative | 10,811 | 12,639 | (1,828) | (14)% |
| Engineering and development | 6,060 | 5,983 | 77 | 1% |
| Adjustment to contingent consideration | | (1,101) | 1,101 | 100% |
| Amortization of intangible assets | 548 | 732 | (184) | (25)% |
| Total operating costs and expenses | 22,512 | 23,879 | (1,367) | (6)% |
| Operating income | 7,128 | 9,652 | (2,524) | (26)% |
| Interest expense | 13 | 84 | (71) | |
| Other expense (income) | (383) | 49 | (432) | |
| Total other expense (income) | (370) | 133 | (503) | |
| Income before income taxes | 7,498 | 9,519 | (2,021) | (21)% |
| Provision for income taxes | (2,101) | (2,552) | (451) | (18)% |
| Net Income | $ 5,397 | $ 6,967 | $ (1,570) | (23)% |

NET INCOME: The Company achieved net income for the year ended December 31, 2012 of $5,397,000 or $.63 per diluted share compared to $6,967,000 or $0.81 per diluted share for 2011. The 2011 results include a $1.1 million adjustment to the earnout that was part of the Östergrens acquisition in 2010. Excluding the earnout adjustment of $1.1 million, the Company's net income for 2011 was $0.68 per diluted share, and the Company's net income decreased 7%, or $0.05 per diluted share.

EBITDA and ADJUSTED EBITDA: EBITDA was $9,309,000 and $11,774,000 for 2012 and 2011, respectively. Adjusted EBITDA was $9,918,000 for 2012 compared to $11,376,000 for 2011. EBITDA and Adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, depreciation and amortization. Adjusted EBITDA is before stock compensation expense, as well as other nonrecurring items, such as adjustments to the earnout related to the Östergrens acquisition. See information included in "Non-GAAP Measures" below for a reconciliation of net income to EBITDA and Adjusted EBITDA.

REVENUES: Revenues were $101,968,000 in 2012 compared to $110,941,000 in 2011. The 8% decrease in sales from last year was the result of decreased sales in virtually all of our major industry sectors, partially offset by increased sales into the Company's medical markets. The 8% decrease in sales is comprised of a 4% decrease in sales to US customers and a 13% decrease in sales to non-US customers. 56% of our sales for the year were to US customers with the balance of our sales to customers primarily in Europe, Canada and Asia. Of the 8% decrease in revenues, 6% was due to a decrease in sales volume for the year and 2% was due to the dollar strengthening against the foreign currencies in which the Company does business, primarily the Euro and the Swedish Krona.

Table of Contents

BACKLOG: The Company's backlog at December 31, 2012 consisted of sales orders totaling approximately $32,915,000 while backlog at December 31, 2011 was $44,005,000 reflecting a 25% decrease from the end of 2011.

Backlog may fluctuate up or down throughout the year for various reasons, not limited to the following: customer order patterns, annual versus intermittent orders, and long-term blanket orders versus new product orders. Beginning in 2013, for booking reporting purposes, we will no longer include the full value of the blanket orders when received and will only report them as bookings once a release date is provided from the customer.

GROSS MARGIN: Gross margin as a percentage of revenues was 29% and 30% for 2012 and 2011, respectively. This 1% decrease in gross margin for 2012, when compared to 2011, was due to the sales mix, lower fixed overhead absorption based on the lower sales, and a warranty charge that was recorded to cover the expected costs of replacing certain products in the field due to an incorrect electronic component in a printed circuit board supplied by one of the Company's sub-contract suppliers.

SELLING EXPENSES: Selling expenses were $5,093,000 and $5,626,000 in 2012 and 2011, respectively. The 9% decrease in 2012 is primarily due to a change in responsibility for certain employees of the Company who were previously involved in sales, as well as lower sales incentive compensation when compared to 2011.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses were $10,811,000 in 2012 and $12,639,000 for 2011. The 14% decrease is primarily a result of lower compensation expense, which includes incentive bonuses.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization of intangible assets expense was $548,000 and $732,000 in 2012 and 2011, respectively. The 25% decrease is the result of certain intangible assets becoming fully amortized in 2012.

INCOME TAXES: Provision for income taxes was $2,101,000 and $2,552,000 for 2012 and 2011, respectively.

The effective income tax rate as a percentage of income before income taxes was 28.0% and 26.8% in 2012 and 2011, respectively. The effective tax rate for 2012 and 2011 is lower than the statutory rate primarily due to differences in state and foreign tax rates. The effective rate for 2012 is higher than 2011 primarily due to permanent differences, mostly the result of the adjustment to contingent consideration in 2011.

**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. The Company considers these items to be of

Table of Contents

significance in nature and/or size, and accordingly, has excluded these items from Adjusted EBITDA. Adjusted EBITDA in 2011 excludes the earnout adjustment related to the acquisition of Östergrens.

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

The Company's calculation of EBITDA and Adjusted EBITDA for 2012 and 2011 is as follows (in thousands):

| | For the year ended December 31, | |
|---|---|---|
| | **2012** | **2011** |
| Net income | $ 5,397 | $ 6,967 |
| Interest expense | 13 | 84 |
| Provision for income tax | 2,101 | 2,552 |
| Depreciation and amortization | 1,798 | 2,171 |
| EBITDA | 9,309 | 11,774 |
| Stock compensation expense | 609 | 703 |
| Adjustment to contingent consideration | | (1,101) |
| Adjusted EBITDA | $ 9,918 | $ 11,376 |

**Liquidity and Capital Resources**

The Company's liquidity position as measured by cash and cash equivalents increased $573,000 during 2012 to a balance of $9,728,000 at December 31, 2012, compared to an increase of 5,602,000 during 2011.

During 2012, operations provided $4,604,000 in cash compared to $8,881,000 provided for 2011. The decrease in cash provided from operations of $4,277,000 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 $3,947,000 and $2,181,000 for 2012 and 2011, respectively. Purchases of property and equipment were $2,597,000 and $1,849,000 in 2012 and 2011, respectively. Investing activities also included a payment of $1,350,000, which is the final portion of consideration for the Östergrens acquisition.

Net cash used in financing activities was $244,000 in 2012 compared to $838,000 for 2011. 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.

At December 31, 2012, the Company had $397,000 in debt obligations. The average outstanding borrowings for 2012 were $198,000.

The Company's Credit Agreement, as amended, is used for borrowing needs that may occur in the United States and Europe. The Credit Agreement provides revolving credit up to $4 million and €3 million. Borrowings under the revolver incur interest of LIBOR plus 1.5%. Overnight borrowings incur interest at PRIME plus 0.50%. The unused portion of the revolver is charged a commitment fee of .375% per annum. 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.

Table of Contents

The Company also has a Credit Facility in China providing credit of approximately $700,000 (RMB 4,500,000) to provide financing availability for working capital needs for the Company's subsidiaries in China. There is approximately $317,000 (RMB 2,000,000) available under the facility at December 31, 2012.

As of December 31, 2012, the amount available to borrow under the Company's various lines-of-credit was approximately $8,300,000.

The Company also has bank overdraft facilities with foreign banks in Europe. The facilities had no outstanding balance as of December 31, 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 of $0.025 per share payable on March 12, 2013 to shareholders of record on March 1, 2013. The Company's working capital, capital expenditure and dividend requirements are expected to be funded from cash provided by operations and amounts available under the Company's credit facilities.

**Price Levels and the Impact of Inflation**

The effect of inflation on the Company's costs of production has been minimized through production efficiencies, lower costs of materials and surcharges passed on to customers. The Company anticipates that these factors will continue to minimize the effects of any foreseeable inflation and other price pressures from the industries in which it operates. As the Company's manufacturing activities mainly utilize semi-skilled labor, which is relatively plentiful in the areas surrounding the Company's production facilities, the Company does not anticipate substantial inflation-related increases in the wages of the majority of its employees.

**Recent Accounting Pronouncements**

*Pronouncements Implemented*

In September 2011, the FASB issued ASU No. 2012-08, "Intangibles  Goodwill and Other (ASC 350): Testing Goodwill for Impairment," which specifies that an entity has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. ASU No. 2012-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company's adoption of ASU No. 2011-08 had no impact on our consolidated financial condition and results of operations.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (ASC 220): Presentation of Comprehensive Income," which specifies that an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This amendment also requires an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. In December 2011, the FASB issued ASU No. 2011-12 to defer the requirement to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU No. 2011-05 and 2011-12 did not have an impact on our consolidated financial condition and results of operations.

Table of Contents

*Pronouncements not yet implemented*

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (ASC 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". The standard requires that companies present information about reclassification adjustments from accumulated other comprehensive income in their interim and annual financial statements in a single note or on the face of the financial statements. The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. ASU No. 2012-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company is currently evaluating the impact this guidance will have on its financial statements.

Table of Contents

## Item 8. Financial Statements and Supplementary Data.

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Allied Motion Technologies Inc.
Denver, Colorado

We have audited the accompanying consolidated balance sheets of Allied Motion Technologies Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allied Motion Technologies Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ EKS&H LLLP

March 11, 2013
Denver, Colorado

Table of Contents

**ALLIED MOTION TECHNOLOGIES INC.**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands, except per share data)**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 9,728 | $ 9,155 |
| Trade receivables, net of allowance for doubtful accounts of $177 and $284 at December 31, 2012 and 2011, respectively | 10,806 | 11,689 |
| Inventories, net | 14,701 | 14,429 |
| Deferred income taxes | 639 | 1,254 |
| Prepaid expenses and other assets | 2,155 | 1,193 |
| Total Current Assets | 38,029 | 37,720 |
| Property, plant and equipment, net | 8,631 | 7,352 |
| Deferred income taxes | 4,103 | 4,326 |
| Intangible assets, net | 2,431 | 2,936 |
| Goodwill | 5,782 | 5,665 |
| Other long term assets | 1,991 | 688 |
| Total Assets | $ 60,967 | $ 58,687 |
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities: | | |
| Debt obligations | 397 | 157 |
| Accounts payable | 5,748 | 6,598 |
| Accrued liabilities | 5,926 | 7,842 |
| Contingent consideration | | 1,313 |
| Income taxes payable | | 1,272 |
| Total Current Liabilities | 12,071 | 17,182 |
| Deferred income taxes | 935 | 973 |
| Deferred compensation arrangements | 1,997 | 694 |
| Pension and post-retirement obligations | 3,812 | 3,516 |
| Total Liabilities | 18,815 | 22,365 |
| Commitments and Contingencies | | |
| Stockholders' Equity: | | |
| Common stock, no par value, authorized 50,000 shares; 8,631 and 8,466 shares issued and outstanding at December 31, 2012 and 2011, respectively | 22,547 | 21,568 |
| Preferred stock, par value $1.00 per share, authorized 5,000 shares; no shares issued or outstanding | | |
| Retained earnings | 20,528 | 15,970 |
| Accumulated other comprehensive (loss) income | (923) | (1,216) |
| Total Stockholders' Equity | 42,152 | 36,322 |
| Total Liabilities and Stockholders' Equity | $ 60,967 | $ 58,687 |

See accompanying notes to consolidated financial statements.

17

Table of Contents

**ALLIED MOTION TECHNOLOGIES INC.**

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

**(In thousands, except per share data)**

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|---|---|---|
| Revenues | $ 101,968 | $ 110,941 |
| Cost of products sold | 72,328 | 77,410 |
| Gross margin | 29,640 | 33,531 |
| Operating costs and expenses: | | |
| Selling | 5,093 | 5,626 |
| General and administrative | 10,811 | 12,639 |
| Engineering and development | 6,060 | 5,983 |
| Adjustment to contingent consideration | | (1,101) |
| Amortization of intangible assets | 548 | 732 |
| Total operating costs and expenses | 22,512 | 23,879 |
| Operating income | 7,128 | 9,652 |
| Other (income) expense: | | |
| Interest expense | 13 | 84 |
| Other (income) expense, net | (383) | 49 |
| Total other (income) expense, net | (370) | 133 |
| Income before income taxes | 7,498 | 9,519 |
| Provision for income taxes | (2,101) | (2,552) |
| Net income | $ 5,397 | $ 6,967 |
| Foreign currency translation adjustment | 624 | (559) |
| Pension adjustments | (331) | (786) |
| Comprehensive income | $ 5,690 | $ 5,622 |
| Basic earnings per share: | | |
| Earnings per share | $ 0.63 | $ 0.83 |
| Basic weighted average common shares | 8,616 | 8,437 |
| Diluted earnings per share: | | |
| Earnings per share | $ 0.63 | $ 0.81 |
| Diluted weighted average common shares | 8,616 | 8,575 |

See accompanying notes to consolidated financial statements.

Table of Contents

**ALLIED MOTION TECHNOLOGIES INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**(In thousands)**

| | Common Stock | | | | Accumulated Other Comprehensive Income | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Unamortized Cost of Equity Awards | Retained Earnings | Foreign Currency Translation Adjustments | Pension Adjustments |
| Balances, December 31, 2010 | 8,110 | $ 20,953 | $ (480) | $ 9,342 | $ 56 | $ 73 |
| Stock transactions under employee benefit stock plans and option exercises | 152 | 670 | | | | |
| Issuance of restricted stock, net of forfeitures | 87 | 635 | (913) | | | |
| Stock compensation expense | | | 703 | | | |
| Issuance of stock due to warrant exercises | 117 | | | | | |
| Pension adjustments, net of tax | | | | | | |