ALLIED MOTION TECHNOLOGIES INC
Form 10-K
March 20, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

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

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 x

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

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

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 $34,000,000.

Number of shares of the only class of Common Stock outstanding: **6,538,437 as of March 8, 2007**

DOCUMENTS INCORPORATED BY REFERENCE

Notice and Proxy for 2007 Annual Meeting of Shareholders

Table of Contents

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 international, national and local 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 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 establish low cost region manufacturing and component sourcing capabilities, and the ability of the Company to control 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.

PART I

Item 1. Business.

Allied Motion Technologies Inc. (Allied Motion or the Company) was organized under the laws of Colorado in 1962 and operates primarily in the United States and Europe. Allied Motion utilizes its underlying core Electromagnetic Motion Technology/Know How to provide compact, high performance products as solutions to a variety of motion applications. The Company is engaged in the business of designing, manufacturing and selling motor, servo motion and optical encoder products.

Examples of the end products using Allied Motion s technology include HVAC and various actuation systems such as RV slide outs, truck tarp roll-out and lift devices for trucks, buses and off-road vehicles; anti-lock brake, fuel cell and LPG fuel pump applications for the specialty automotive market; wheel chairs, professional patient rehab equipment, MRI scanners, diagnostic equipment, portable medical dosage pumps and surgical hand tools in the healthcare and medical market; high definition printers;

tunable lasers and spectrum analyzers for the fiber optic industry; processing equipment for the semiconductor industry; commercial grade floor cleaners, polishers and material handling devices for factories and commercial buildings; arc-welders and cable pullers in the construction and repair and maintenance markets; and missile/munitions control systems for the military.

Allied Motion is organized into five subsidiaries: Emoteq Corporation (Emoteq Tulsa, OK), Computer Optical Products, Inc. (COPI Chatsworth, CA), Motor Products Corporation (Motor Products Owosso, MI), Stature Electric, Inc. (Stature Watertown, NY) and Precision Motor Technology B.V. (Premotec Dordrecht, The Netherlands).

Emoteq designs, manufactures and markets direct current brushless motors, related components, and drive and control electronics as well as a family of static frequency converters for military and aerospace applications and has extensive experience in power electronics design and software development required for the application of specialized drive electronics technology. Markets served include semiconductor manufacturing, industrial automation, medical equipment, and military and aerospace. Emoteq also manufactures precision direct current fractional horsepower motors and certain motor components and spare parts and replacement equipment for general-purpose instrumentation products. Industrial equipment and military products are the major application for the motors.

COPI manufactures optical encoders. They are used to measure rotational and linear movements of parts in diverse applications such as printers, sorting machinery, machine tools, robots, medical equipment, tunable lasers and spectrum analyzers. The primary markets for the optical encoders are in the industrial, computer peripheral manufacturing, medical and telecommunications sectors. COPI also designs, manufactures and markets fiber optic-based encoders with special characteristics, such as immunity to radio frequency interference and high temperature tolerance, suited for industrial, aerospace and military environments. Applications include airborne navigational systems, anti-lock braking transducers, missile flight surface controls and high temperature process control equipment.

Motor Products has been a motor producer for more than sixty years and is a vertically integrated manufacturer of customized, highly engineered sub-fractional horsepower permanent magnet DC and brushless DC motors serving a wide range of original equipment applications. The motors are used in HVAC and actuation systems in a variety of markets including trucks, buses, RV s, off-road vehicles, health, fitness, medical and industrial equipment.

Stature Electric manufactures fractional and integral horsepower motors, gear motors, and motor part sets. Stature s component products are sold throughout North America and in Europe, primarily to original equipment manufacturers (OEM S) that use them in their end products. Stature Electric excels at engineering, designing, packaging and applying integrated gearing and motor solutions for the commercial and industrial equipment, healthcare, recreation and non-automotive transportation markets.

Premotec has been manufacturing small precision electric motors for more than thirty years which utilize four different motor technologies: Brushless DC, Coreless DC, Iron Core DC, and Permanent Magnet Stepper and Synchronous motors, and also offers a range of reduction gearboxes tailored to a number of these motors. The products are manufactured at Premotec s facility in The Netherlands and at contract manufacturing facilities in Eastern Europe and China. Premotec s products are sold to OEM customers in Europe, the United States and Korea and through distributors to smaller OEM s in almost all countries of the European Union. The products are used in a wide variety of industrial, professional and medical applications, such as fuel injection systems, bar code readers, laser scanning equipment, HVAC actuators, dialysis equipment, industrial ink jet printers, waste water treatment, cash dispensers, dosing systems for the pharmaceutical industry, textile manufacturing, document handling equipment and studio television cameras.

Fiscal Year End Change

The Company changed its fiscal year end from June 30 to December 31 effective December 31, 2002; therefore, the Company reported a six-month transition period ending December 31, 2002. The following table describes the periods presented in this Form 10-K.

Period:	**Referred to as:**
Audited results from January 1, 2006 through December 31, 2006	Year 2006
Audited results from January 1, 2005 through December 31, 2005	Year 2005
Audited results from January 1, 2004 through December 31, 2004	Year 2004
Audited results from January 1, 2003 through December 31, 2003	Year 2003
Audited results from July 1, 2002 through December 31, 2002	Transition Period
Unaudited results from July 1, 2001 through December 31, 2001	Six Month Comparative Period
Audited results from July 1, 2001 through June 30, 2002	Fiscal Year 2002

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.

Financial Information about Operating Segments

The information required by this item is set forth in Note 8 of the Notes to Consolidated Financial Statements contained herein.

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.

Seasonality of the Business

The Company s business is not of a seasonal nature; however, revenues may be influenced by customers fiscal year ends and holiday seasons.

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 2006, 2005 and 2004, no single customer accounted for more than 10% of total revenues.

Sales Backlog

The Company s backlog at December 31, 2006 consisted of sales orders totaling approximately $28,200,000 while backlog at December 31, 2005 was $25,200,000. 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.

Government Sales

Approximately $256,000 of the Company s backlog as of December 31, 2006 consisted of contracts directly with the United States Government compared to $325,000 in 2005. The Company s contracts with the government contain a provision generally found in government contracts that permits the government to terminate the contract at its option. When the termination is attributable to no fault of the Company, the government would, in general, have to pay the Company certain allowable costs up to the time of termination, but there is no compensation for loss of profits.

Engineering and Development Activities

The Company s expenditures on engineering and development for the years ended December 31, 2006, 2005 and 2004 were $3,823,000, $3,526,000 and $2,896,000, respectively. Of these expenditures, no material amounts were charged directly to customers.

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. However, there can be no assurance that any future regulations will not affect the Company s operations.

Foreign Operations

The information required by this item is set forth in Note 8 of the Notes to Consolidated Financial Statements contained herein.

Employees

At December 31, 2006 the Company had approximately 517 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 Capital 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 1A. Risk Factors.

In addition to the other information contained or incorporated by reference in this document, readers should carefully consider the following risk factors. Any of these risks or the occurrence of any one or more of the uncertainties described below could have a material adverse effect on the Company s financial condition and the performance of its business. The Company refers to itself as we or our in the following risk factors.

Our operating results could fluctuate significantly.

Our quarterly and annual operating results are affected by a wide variety of factors that could materially adversely affect revenues and profitability, including:

- the timing of customer orders and the deferral or cancellation of orders previously received;
- the level of orders received which can be shipped in a quarter;
- fulfilling backlog on a timely basis;
- competitive pressures on selling prices;
- changes in the mix of products sold;
- the timing of investments in engineering and development;
- development of and response to new technologies; and
- delays in new product qualifications.

As a result of the foregoing and other factors, we have and may continue to experience material fluctuations in future operating results on a quarterly or annual basis which could materially and adversely affect our business, financial condition, operating results and stock price.

Our operating results depend in part on our ability to contain or reduce costs.

Our efforts to maintain and improve profitability depend in part on our ability to reduce the costs of materials, components, supplies and labor, including establishing production capabilities at our low cost region subcontractors. While the failure of any single cost containment effort by itself would most likely not significantly impact our results, we cannot give any assurances that we will be successful in implementing cost reductions and maintaining a competitive cost structure.

There is substantial price competition in our industry, and our success and profitability will depend on our ability to maintain a competitive cost and price structure.

There is substantial price competition in our industry, and our success and profitability will depend on our ability to maintain a competitive cost and price structure. We may have to reduce prices in the future to remain competitive. Also, our future profitability will depend in part upon our ability to continue to improve our manufacturing efficiencies and maintain a cost structure that will enable us to offer competitive prices. Our inability to maintain a competitive cost structure could have a material adverse effect on our business, financial condition and results of operations.

Our profits may decline if the price of raw materials continues to rise and we cannot recover the increases from our customers.

We use various raw materials, such as copper, steel and zinc, in our manufacturing operations. The prices of these raw materials have been subject to volatility. As a result of price increases, we have implemented price surcharges to our customers; however we may be unable to collect surcharges without suffering reductions in unit volume, revenue and operating income. There can be no assurance that we will be able to fully recover the price increases through surcharges in a timely manner.

We may explore additional acquisitions that complement, enhance or expand our business. We may not be able to complete these transactions, and, if completed, we may experience operational and financial risks in connection with our acquisitions that may materially adversely affect our business, financial condition and operating results.

Our future growth may be a function, in part, of acquisitions. We may have difficulty finding these opportunities, or if we do identify these opportunities, we may not be able to complete the transactions for reasons including a failure to secure financing.

To the extent that we are able to complete the transactions, we will face the operational and financial risks commonly encountered with this type of a strategy. These risks include the challenge of integrating acquired businesses while managing the ongoing operations of each business, the challenge of combining the business cultures of each company, and the need to retain key personnel of our existing business and the acquired business. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the acquired business and our existing business. Members of our senior management may be required to devote considerable amounts of time to the integration process, which will decrease the time they will have to manage our businesses, service existing customers, attract new customers and develop new products. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could be adversely affected.

We have existing debt and refinancing risks that could affect our cost of operations.

We have both fixed and variable rate indebtedness and may incur indebtedness in the future, including borrowings under our existing or new credit facilities, to finance possible acquisitions and for general corporate purposes. As a result, we are and expect to be subject to risks normally associated with debt financing including:

- that interest rates may rise;
- that our cash flow will be insufficient to make required payments of principal and interest;
- that any default on our debt could result in acceleration of those obligations;
- that we may be unable to refinance or repay the debt as it becomes due; and
- that any refinancing will not be on terms as favorable as those of the existing debt.

The following factors could affect our ability to obtain additional financing on favorable terms, or at all:

- our results of operations;
- our ratio of debt to equity;
- our financial condition;
- our business prospects;
- changes in interest rates;

- general economic conditions and conditions in our industry; and
- the perception in the capital markets of our business.

In addition, certain covenants relating to our existing indebtedness impose certain limitations on additional indebtedness. If we are unable to obtain sufficient capital in the future, we may have to curtail our capital expenditures and other expenses. Any such actions could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We may not be able to obtain the capital we need to maintain or grow our business.

Our ability to execute our long-term strategy may depend to a significant degree on our ability to obtain new long-term debt and equity capital. We have no commitments for additional borrowings, other than our existing credit facilities, or for sales of equity. We may be unable to obtain future additional financing on terms acceptable to us, or at all. If we fail to comply with certain covenants relating to our indebtedness, we may need to refinance our indebtedness to repay it. We also may need to refinance our indebtedness at maturity. We may not be able to obtain additional capital on favorable terms to refinance our indebtedness.

The market price of our common stock has been and is likely to continue to be volatile, which may make it difficult for shareholders to resell common stock when they want to and at prices they find attractive.

Our common stock has been and is likely to be highly volatile and there has been limited trading volume in the stock. The volatility could affect our stock irrespective of, or disproportionately to, the operating performance of our Company. The fluctuations and limited trading volume may materially adversely affect the market price of our stock and the ability to sell the stock. Most of our outstanding shares are available for resale in the public market without restriction. The sale of a large number of shares could adversely affect the share price.

We are dependent on our key personnel.

We are dependent upon the continued contributions of our senior corporate management, particularly Richard Smith, chief executive officer and chief financial officer, Richard Warzala, president and chief operating officer, and certain other key employees of Allied Motion for our future success. If Mr. Smith, Mr. Warzala or other key employees no longer serve in their positions at Allied Motion, our business, as well as the market price of our common stock, could be substantially adversely affected. We cannot assure you that we will be able to retain the services of Mr. Smith or Mr. Warzala or any other members of our senior management or key employees.

Our future success depends in part on the continued service of our engineering and technical personnel and our ability to identify, hire and retain personnel.

There is continued competition for qualified personnel in our markets. We may not be able to continue to attract and retain engineers or other qualified personnel necessary for the development and growth of our business or to replace personnel who may leave our employ in the future. The failure to retain and recruit key technical personnel could cause additional expense, potentially reduce the efficiency of our operations and could harm our business.

We could incur substantial costs under environmental laws.

Our operations are subject to laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances or wastes and the cleanup of contaminated sites. Some of our operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions and third-party claims for property damage and personal injury as a result of violations of or liabilities under environmental laws or non-compliance with environmental permits.

We have pension plan and post-retirement obligations covering some of our domestic employees which could reduce cash flow and negatively impact financial condition.

Our pension plan has a projected benefit obligation in excess of the fair value of plan assets. Our pension plan assets consist primarily of equity and fixed income securities. If the performance of investments in the plan does not meet the Company s assumptions, the excess obligation may increase and the Company may have to record additional costs and/or contribute additional funds to the pension plan. An increase in pension expenses and contributions could decrease the Company s cash available to pay its outstanding obligations and its net income.

Our post-retirement plan is unfunded. We record expense as employees render the services necessary to earn the benefits. The expenses are based on estimates including health care cost increases, retirement and mortality. Actual results may vary materially from estimates which could result in an increase to our expense and decrease in net income.

We have a significant amount of goodwill recorded and an impairment writedown would result in lower net income and a reduction in net worth.

Under accounting standards adopted in 2002, we are not required or allowed to amortize the goodwill reflected on our balance sheet. We are required to evaluate goodwill at least annually to determine if there has been an impairment in the value of such goodwill. If we determine that the goodwill is impaired, we would be required to writedown a portion or all of the goodwill which would reduce net income in the period of any writedown.

Anti-takeover provisions in our corporate documents may discourage or prevent a takeover, even if the change of control would be beneficial to shareholders.

Provisions in our articles of incorporation and our by-laws may have the effect of delaying or preventing an acquisition or merger in which we are acquired or a transaction that changes our board of directors. These provisions:

- authorize the board to issue preferred stock without shareholder approval;
- prohibit cumulative voting in the election of directors;
- limit the persons who may call special meetings of shareholders;
- establish advance notice requirements for nominations for the election of directors or for proposing matters that can be acted on by shareholders at shareholder meetings; and
- require that, in a vote to approve an acquisition or merger in which the Company is acquired or a transaction that changes the board of directors, the affirmative vote of the holders of two-thirds of the Company s outstanding shares is required, unless the transaction is approved by at least two-thirds of the continuing directors, in which event the provisions require that the affirmative vote of a majority of the holders of the Company s outstanding shares is required.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

We believe that effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. If we are unable to detect or correct any issues in the design or operating effectiveness of internal controls over financial reporting or fail to prevent fraud, current and potential customers and shareholders could lose confidence in our financial reporting, which could harm our business and the trading price of our stock.

Item 2. Properties.

As of December 31, 2006, 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	Chatsworth, California	8,500	Leased
Office and manufacturing facility	Tulsa, Oklahoma	25,000	Leased
Office and manufacturing facility	Dordrecht, The Netherlands	36,000	Leased
Office and manufacturing facility	Owosso, Michigan	85,000	Owned
Office and manufacturing facility	Watertown, New York	107,000	Owned

The Company s management believes the above-described facilities are adequate to meet the Company s current and foreseeable needs. All 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 affect on the Company s consolidated financial position or results of operations.

9

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 Capital 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 13, 2007 was 577. The Company did not pay or declare any dividends during years 2006 and 2005 and the Company s long-term financing agreement prohibits the Company from doing so without prior approval.

The following table sets forth, for the periods indicated, the high and low prices of the Company s common stock on the Nasdaq Capital Market System, as reported by Nasdaq.

	Price Range	
	High	**Low**
YEAR ENDED DECEMBER 31, 2005		
First Quarter	$ 8.90	$ 6.66
Second Quarter	7.62	3.65
Third Quarter	4.73	3.82
Fourth Quarter	4.50	3.36
YEAR ENDED DECEMBER 31, 2006		
First Quarter	$ 4.50	$ 3.60
Second Quarter	5.99	3.42
Third Quarter	5.49	4.49
Fourth Quarter	7.00	4.53

Equity Compensation Plan Information

The following table shows the equity compensation plan information of the Company at December 31, 2006.

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders	1,245,150	$ 3.68	108,768

10

PERFORMANCE GRAPH

The following performance graph reflects change in the Company s cumulative total stockholder return on Common Stock as compared with the cumulative total return of the NASDAQ Stock Market Index and the NASDAQ Electrical and Industrial Apparatus Index for the period of five years ended December 31, 2006.

COMPARISON OF 5 YEAR CUMULATIVE RETURN*

AMONG ALLIED MOTION TECHNOLOGIES, INC., THE NASDAQ STOCK MARKET
(U.S) INDEX AND ELECTRICAL INDUSTRIAL APPARATUS

---

* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends.
Fiscal year ending December 31.

	12/01	12/02	12/03	12/04	12/05	12/06
ALLIED MOTION TECHNOLOGIES, INC.	100	61	136	251	145	239
NASDAQ STOCK MARKET (U.S.)	100	72	107	117	121	137
ELECTRICAL INDUSTRIAL APPARATUS	100	61	105	102	96	118

Item 6. Selected Financial Data.

The following tables summarize data from the Company s financial statements for the fiscal years 2002 through 2006 and the Transition and Comparative Periods and notes thereto; the Company s complete annual financial statements and notes thereto for the current fiscal year appear in Item 8 herein. See Management s Discussion and Analysis of Financial Condition and Results of Operation for discussion of non-recurring items that affect the comparability of results between periods.

	For the year ended December 31, 2006	2005	2004	2003
	In thousands (except per share data)			
Statements of Operations Data:				
Revenues from continuing operations	$ 82,768	$ 74,302	$ 62,738	$ 39,434
Net income	$ 1,931	$ 923	$ 2,250	$ 948
Diluted income per share from continuing operations	$ .28	$ .13	$ .36	$ 0.19

	For the Six Month Transition Period ended December 31, 2002	For the Six Month Comparative Period ended December 31, 2001
	In thousands (except per share data)	
Statements of Operations Data:		
Revenues from continuing operations	$ 17,191	$ 7,868
Income from continuing operations	$ 45	$ 60
Operating (loss) from discontinued operations	(736)	(223)
Gain on sale of power and process business, net of income taxes	1,019	
Net income (loss)	$ 328	$ (163)
Diluted income per share from continuing operations	$ 0.01	$ 0.01

	For the fiscal years ended June 30, 2002	2001
	In thousands (except per share data)	
Statements of Operations Data:		
Revenues from continuing operations	$ 15,723	$ 21,188
(Loss) income from continuing operations	$ (45)	$ 2,024
Operating (loss) from discontinued operations	(221)	(28)
Net (loss) income	$ (266)	$ 1,996
Diluted (loss) income per share from continuing operations	$ (0.01)	$ 0.42

	December 31, 2006	2005	2004	2003	2002
Balance Sheet Data:					
Total assets	$ 53,624	$ 53,337	$ 54,820	$ 27,497	$ 28,348
Total current and long-term debt	$ 9,829	$ 12,081	$ 14,407	$ 2,312	$ 4,133

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

Overview

Allied Motion designs, manufactures and sells motion products to a broad spectrum of customers throughout the world primarily for the commercial motor, industrial motion control, and aerospace and defense markets. The Company s products are used in demanding applications in medical equipment, HVAC systems for trucks, busses and off-road vehicles, the specialty automotive market, industrial automation, pumps, health-fitness, defense, aerospace, semiconductor manufacturing, fiber optic-based telecommunications, printing, and graphic imaging market sectors, to name a few.

Today, five companies form the core of Allied Motion. The companies, Emoteq, Computer Optical Products, Motor Products, Stature Electric and Premotec offer a wide range of standard motors, encoders and drives for original equipment manufacturers (OEM) and end user applications. A particular strength of each company is its ability to design and manufacture custom motion control solutions to meet the needs of its customers.

The Company has made considerable progress in implementing its new corporate strategy, the driving force of which is Applied Motion Technology/Know How . The Company s commitment to Allied s Systematic Tools, or AST for short, is driving continuous improvement in quality, delivery, cost and growth. AST utilizes a tool kit to effect desired changes through well defined processes such as Strategy Deployment, Target Marketing, Value Stream Mapping, Material Planning, Standard Work and Single Minute Exchange of Dies.

One of the Company s major challenges is to maintain and improve price competitiveness. The Company s customers are continually being challenged by their markets and competitors to be price competitive and they are requiring their suppliers to deliver the highest quality product at the lowest price possible. Currently, the Company is producing some of its motor sub-assemblies and finished products at a sub-contract manufacturing facility in China. The Company will continue to look for opportunities where production in low cost regions for certain projects are anticipated to result in increased profits.

The Company s products contain certain metals, and the Company has been experiencing significant fluctuations in the costs of these metals, particularly copper, steel and zinc, which are both key materials in our products. The Company has reacted by aggressively sourcing material at lower cost from Asian markets, combining the sourcing of metals to benefit from volume purchasing and by passing on surcharges to our customers.

The Company has an aggressive motor development plan for five new standalone products and two new product lines that leverage the combined technology base of the Allied Motion companies. The Company continues to focus on new product designs that design-out cost, provide higher performance and meet the needs of our served markets. Early in 2006, the Company announced several new motor designs targeted at various markets. Each of these motors are targeted at precision motor applications. It normally takes twelve months to get new products designed into new customer applications. All product development efforts are focused on adding value for our customers in our served market segments.

Management believes 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.

Operating Results

Year 2006 compared to 2005

	For the year ended December 31,		Increase (decrease)	
	2006	2005	$	%
	(in thousands)			
Revenues	$ 82,768	$ 74,302	$ 8,466	11 %
Cost of products sold	63,207	58,118	5,089	9 %
Gross margin	19,561	16,184	3,377	21 %
Gross margin percentage	24 %	22 %		
Operating costs and expenses:				
Selling	3,227	3,265	(38)	(1)%
General and administrative	7,782	5,952	1,830	31 %
Engineering and development	3,823	3,526	297	8 %
Amortization of intangible assets	1,012	1,010	2	0 %
Total operating costs and expenses	15,844	13,753	2,091	15 %
Operating income	3,717	2,431	1,286	53 %
Other (expense) income, net:				
Interest expense	(983)	(1,075)	(92)	(9)%
Other income, net	166	125	(41)	(33)%
Total other (expense) income, net	(817)	(950)	(133)	(14)%
Income before income taxes	2,900	1,481	1,419	96 %
Provision for income taxes	969	558	411	74 %
Net income	$ 1,931	$ 923	$ 1,008	109 %

NET INCOME The Company achieved net income of $1,931,000 or $.28 per diluted share for 2006 compared to $923,000 or $.13 per diluted share for 2005.

EBITDA EBITDA was $7,166,000 for 2006 compared to $5,785,000 for 2005. EBITDA is a non-GAAP measurement that consists of income before interest expense, provision for income taxes and depreciation and amortization. See information included in Non - GAAP Measures below for a reconciliation of net income to EBITDA.

REVENUES Revenues were $82,768,000 in 2006 compared to $74,302,000 in 2005. This 11% increase is primarily attributable to increased sales in medical, industrial tool and electronics markets and in automotive liquid propane fuel pump applications partially offset by decreases in motors used in HVAC and actuation systems for vehicle markets.

GROSS MARGINS Gross margin as a percentage of revenues increased to 24% for 2006 from 22% for 2005. This improvement reflects the increase in sales of the Company s industrial and electronics markets which provide a higher gross margin from their sales, the cost reductions realized from products being produced at the Company s contract manufacturing facility in China, and the continuous improvement in efficiencies and productivity from implementation of the Company s AST tools.

SELLING EXPENSES Selling expenses were $3,227,000 and $3,265,000 in 2006 and 2005, respectively. Selling expense as a percentage of revenues decreased to 3.9% in 2006 compared to 4.4% last year. The decrease in selling expenses relates to a decrease in sales upon which commissions are paid and personnel changes.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were $7,782,000 in 2006 compared to $5,952,000 in 2005. Of this 31% increase, 14% related to employee performance bonuses, 5% related to salaries and employee benefit expenses and 4% related to audit and professional fees.

ENGINEERING AND DEVELOPMENT EXPENSES   Engineering and development expenses were $3,823,000 and $3,526,000 for 2006 and 2005, respectively. The Company continues to focus resources on new product designs and new customer applications to meet the needs of its served markets.

AMORTIZATION OF INTANGIBLE ASSETS   Amortization of intangible assets was $1,012,000 in 2006 and $1,010,000 in 2005.

INTEREST EXPENSE   Interest expense for 2006 was $983,000 and for 2005 was $1,075,000. The decrease in interest is directly attributed to the decrease in outstanding debt obligations partially offset by higher interest rates.

INCOME TAXES   The provision for income taxes was $969,000 for year 2006 compared to $558,000 for 2005. The effective rate differs from the statutory amounts primarily due to the impact of differences in state and foreign tax rates. The effective income tax rate as a percentage of income before income taxes was 33% in 2006 and 38% in 2005. The difference in the effective tax rates between periods was primarily due to a greater portion of income derived from a foreign jurisdiction with a lower tax rate and a reduction in the foreign jurisdiction enacted tax rates.

Operating Results

Year 2005 compared to 2004

	For the year ended December 31,		**Increase (decrease)**	
	2005	**2004**	**$**	**%**
	(in thousands)			
Revenues	$ 74,302	$ 62,738	$ 11,564	18 %
Cost of products sold	58,118	46,280	11,838	26 %
Gross margin	16,184	16,458	(274)	(0)%
Gross margin percentage	22 %	26 %		