ALLIED MOTION TECHNOLOGIES INC
Form 10-K
March 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

OR

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

For the transition period from to

Commission file number: 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.)
495 Commerce Drive, Amherst, New York	**14228**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(716) 242-8634**

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 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 whether the registrant has submitted electronically and posted on its corporate Website, 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 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. 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 x Non-accelerated filer o Smaller reporting company o

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 $142,682,759.

Number of shares of the only class of Common Stock outstanding: 9,276,241 as of March 1, 2016

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated into Part III.

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Disclosure Regarding Forward-Looking Statements

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. 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. Certain of these factors, risks and uncertainties are discussed in the sections of this report entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.

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.

Description of the Business

Allied Motion Technologies Inc. (Allied Motion or the Company) is a global company that designs, manufactures and sells precision and specialty motion control components and systems used in a broad range of industries. While we serve a very broad base of industries, our primary target markets are Vehicle, Medical, Aerospace & Defense, Electronics and Industrial. Our products and solutions support a wide variety of applications in these markets and include brush and brushless DC motors, brushless servo and torque motors, coreless DC motors, integrated brushless motor-drives, gearmotors, gearing, modular digital servo drives, motion controllers, incremental and absolute optical encoders, and associated motion control-related products.

We are focused exclusively on motion control applications and known worldwide for our expertise in electro-magnetic, mechanical and electronic motion technology. Our growth strategy is focused on becoming the motion solution leader in our selected target markets by leveraging our technology/know how to develop integrated solutions that utilize multiple Allied Motion technologies to change the game by enhancing and optimizing the operation, performance and efficiency of our customers products and manufacturing equipment. Our goal is to grow sales with a larger base of customers, new applications and technologies, and increased market share globally and within our targeted markets.

We develop, design and manufacture our products through six *Allied Motion Technology Units* that each have unique technology knowledge and expertise for their particular products. These Technology Units, along with support facilities, are located in the United States, Canada, Mexico, Europe and Asia. We also operate three *Allied Motion Solution Cente*rs that create for our customers integrated motion control solutions that incorporate various Allied Motion products to create a uniquely designed solution for our customers   applications. We sell our products and solutions globally to a broad spectrum of customers through our Sales Units, which employ our own direct sales force and authorized manufacturers   representatives and distributors. Our customers include end users and original equipment manufacturers (OEMs).

Allied Motion was established in 1962 under the laws of Colorado and operates in the United States, Canada, Mexico, Europe and Asia. We are headquartered in Amherst, New York and the mailing address of our corporate headquarters is 495 Commerce Drive, Amherst, New York 14228. The telephone number at this location is (716) 242-8634. Our website is www.alliedmotion.com. We trade under the ticker symbol   AMOT   on the NASDAQ exchange.

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Markets and Applications

Our products and solutions support a wide range of applications in our primary served markets. Examples of applications in these markets that use components and systems include the following:

Vehicle: electronic power steering and drive-by-wire applications to electrically replace or provide power-assist to a variety of mechanical linkages, traction / drive systems, pumps; automated and remotely guided power steering systems, various high performance vehicle applications, actuation systems (e.g., lifts, slide-outs, covers, etc.), HVAC systems, improving energy efficiency of vehicles while idling and alternative fuel systems such as LPG, fuel cell and hybrid vehicles. Vehicle types include off- and on-road construction and agricultural equipment; trucks, buses, boats, utility, recreational (e.g., RVs, ATVs (all-terrain vehicles)), specialty automotive, automated and remotely guided vehicles, etc.

Medical: 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, radiology equipment, automated pharmacy dispensing equipment, kidney dialysis equipment, respiratory ventilators, heart pumps, patient handling equipment (e.g., wheel chairs, scooters, stair lifts, patient lifts, transport tables and hospital beds, etc.).

Aerospace & Defense: inertial guided missiles, mid-range smart munitions systems, weapons systems on armed personnel carriers, unmanned vehicles, security and access control, camera systems, door access control, airport screening and scanning devices, etc.

Electronics: products are used in the handling, inspection, and testing of components and final products such as PCs, gaming equipment and cell phones, high definition printers, tunable lasers and spectrum analyzers for the fiber optic industry, and test and processing equipment for the semiconductor manufacturing industry, etc.

Industrial: factory automation, specialty equipment, material handling equipment, commercial grade floor polishers and cleaners, commercial building equipment such as welders, cable pullers and assembly tools, etc.

Sales, Support and Technology Units

Allied Motion s One Team approach to the market is realized through the close collaboration of our Solution Centers and Technology Units (TUs) working together with our sales organization to provide innovative motion solutions and create value for our customers.

Allied Motion Sales Organization: Our sales organization is evolving with the goal of becoming the best sales and service force in our industry. Through our One Team approach for providing motion control solutions and components that best address our customers needs, we are broadening the knowledge and skills of our direct sales force, while creating sales and service support in our Solution Centers. This enables the entire sales organization to be capable of selling globally all products designed, developed and produced by Allied Motion. Currently, our primary channels to market include our direct sales force and external authorized Sales Representatives, Agents and Distributors that provide field coverage in Asia, Europe, Canada, Israel and the Americas. While the majority of our sales are directly to OEMs, we are working to expand our market reach through Distribution channels.

Allied Motion Solution Centers: We have Solution Centers in China, Europe and North America that enable the design and sale of individual products as well as integrated motion control systems that utilize multiple Allied Motion products. 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

Allied Motion Technology Units: We have six Technology Units (TUs) where products are designed and developed, and in some cases, also produced. The locations of the TUs along with support facilities, including a brief description and capabilities at each, are as follows:

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

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

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

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 medical 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, RVs, 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, 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 (OEMs) for use in their end products.

Allied Motion Globe Motors

- Designs, manufactures, and markets precision, fractional and sub-fractional horsepower motors and motorized solutions including integrated drives, controls, gearing and feedback devices.

- Locations include: Dayton, OH, USA; Dothan, AL, USA; Reynosa, Mexico; and Porto, Portugal.

Acquisitions

Subsequent to the end of 2015, on January 12, we acquired all of the outstanding stock of Heidrive GmbH, a drive technology and engineering company for 20,000 (approximately US $22,000). Headquartered in Kelheim, Germany, Heidrive designs and manufactures customized, innovative synchronous motion systems for highly demanding applications from medical technology and robotics to cargo aviation and building technologies, as well as various commercial applications. Its products

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include a variety of motors, gears and electronic controls. Heidrive has approximately 220 employees with manufacturing facilities in Kelheim and Mrakov, Czech Republic. Heidrive s 2015 revenues were approximately 29,000 (US $32,000), up about 8% from the prior year, and total assets at December 31, 2015 were approximately 10,000 (US $11,000). The acquisition is expected to be immediately accretive to Allied Motion.

Segment Information

We operate in one segment for the design and manufacture of motion control products, marketed to original equipment manufacturers and end users. Segment information, including sales from external customers, assets by segment, and long-lived assets by geographic area, as set forth in Note 12, *Segment Information,* of the notes to the consolidated financial statements is contained in Item 8 of this report.

Competitive Environment

Our products and solutions are sold into a global market with a large and diverse group of competitors that vary by product, geography, industry and application. We believe the motion control market is highly fragmented with many competitors, a number of which are substantially larger and have greater resources than Allied Motion. We believe our competitive advantages include our electro-magnetic, mechanical and electronic motion control expertise, the breadth of our motor technologies and of our ability to integrate these technologies with our encoders, gearing, power electronics, digital control technologies and network/feedback communications capabilities, as well as our global presence. Unlike many of our competitors, we are unique in our ability to provide custom-engineered motion control solutions that integrate the products we manufacture such as embedded or external electrical control solutions with our motors. We compete on technological capabilities, quality, reliability, service responsiveness, delivery speed and price. Our competitors include Ametek, Danaher Motion, Parker Hannifin Corporation, and other smaller competitors.

Availability of Parts and Raw Materials

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

Patents, Trademarks, Licenses, Franchises and Concessions

We hold a number of patents and trademarks for components manufactured by our various subsidiaries, and we have several patents pending on new products recently developed, which are considered to be of major significance.

Working Capital Items

We currently maintain inventory levels adequate for our short-term needs based upon present levels of production. We consider the component parts of our different product lines to be readily available and current suppliers to be reliable and capable of satisfying anticipated needs.

Major Customers

During 2013, no single customer accounted for more than 10% of total revenue. During 2014 and 2015, the Company s total annual revenues increased significantly as a result of both sales to customers of businesses acquired by the Company during that period and from increased sales to a number of existing customers of the Company, with five customers accounting for approximately 40% of the Company s total revenue during each of those years.

Sales Backlog

Backlog as of December 31, 2015 was $70,999 compared with $75,065 as of December 31, 2014. The time to convert the majority of backlog to sales is approximately three to four months. Given the short product lead times, we do not believe that the amount of our backlog of orders is a reliable indication of our future sales. We may on occasion receive multi-year orders from customers for product to be delivered on demand over that time frame. There can be no assurance that the Company s backlog from these customers will be converted into revenue.

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Engineering and Development Activities

Our engineering and development (E&D) activities are for the development of new products, enhancement of the functionality, effectiveness and reliability of current products, to redesign products to reduce the cost of manufacturing of products or to expand the types of applications for which our products and solutions can be used. Our expenditures on engineering and development for the years ended December 31, 2015 and 2014 were $14,229 and $13,881, respectively, or approximately 6% of sales in both years. We believe E&D is critical to our success and expect to continue to invest at least at these levels in the future. Of these expenditures, no material amounts were charged directly to customers, although we do record non-recurring engineering (NRE) charges to certain customers for custom engineering required to develop products that meet the customer s specifications.

Environmental Issues

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

We do 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 our business or markets that we serve, nor on our results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

International Operations

Our operations outside the United States are conducted through wholly-owned foreign subsidiaries and are located primarily in Europe and Asia. Our international operations are subject to the usual risks inherent in international trade, including currency fluctuations, local government contracting regulations, local governmental restrictions on foreign investment and repatriation of profits, exchange controls, regulation of the import and distribution of foreign goods, as well as changing economic and social conditions in countries in which our operations are conducted. The information required by this item is set forth in Note 12, *Segment Information,* of the notes to consolidated financial statements contained in Item 8 of this report.

Employees

At December 31, 2015, we employed approximately 1,046 full-time employees worldwide. Of those, approximately 600 are located in North America, 335 are located in Europe and the balance are located in China and the rest of the world.

Available Information

The Company maintains a website at www.alliedmotion.com. We make available, free of charge on or through our website our 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 we electronically file or furnish such materials to the SEC.

We have adopted a Code of Ethics for our chief executive officer and president and senior financial officers regarding their obligations in the conduct of Company affairs. We have also adopted a Code of Ethics and Business Conduct that is applicable to all directors, officers and employees. The Codes are available on our website. We intend to disclose on our 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., 495 Commerce Drive, Suite 3, Amherst, NY 14228-2313, Attention: Secretary.

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Item 1A. Risk Factors

In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have a material impact on our business, reputation, financial condition or results of operations. Our most significant risks are set forth below and elsewhere in this Report. These risk factors should be considered in addition to our cautionary comments concerning forward-looking statements in this Report, including statements related to markets for our products and trends in our business that involve a number of risks and uncertainties.

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 may 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 growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicality.

Our growth depends in part on the growth of the markets which we serve. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which would adversely affect our financial statements. Certain of our businesses operate in industries that may experience periodic, cyclical downturns. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, changes in incentive programs, new product introductions and customer inventory levels. Any of these factors could adversely affect our growth and results of operations in any given period.

Our business operations may be adversely affected by information systems interruptions, intrusions or new software implementations.

We are dependent on various information technologies throughout our company to administer, store and support multiple business activities. Disruptions or cybersecurity attacks, such as unauthorized access, malicious software and other intrusions may lead to exposure of proprietary and confidential information as well as potential data corruption. Any intrusion may cause operational stoppages, diminished competitive advantages through reputational damages and increased operational costs. We are committed to a multi-year enterprise resource planning system implementation along with the standardization of our business systems. This endeavor will occupy additional resources, diverting attention from other operational activities, and may cause our information systems to not perform as expected. While we expect to invest significant resources throughout the planning and project management process, unanticipated delays could occur.

If we do not respond to changes in technology, our products may become obsolete and we may experience a loss of customers and lower revenues.

We sell our products to customers in several industries that experience rapid technological changes, new product introductions and evolving industry standards. Without the timely introduction of new products and enhancements, our products and services will likely become technologically obsolete over time and we may lose a significant number of our customers. Our product development efforts may be affected by a number of factors, including our ability to anticipate customer needs, allocate our research and development funding, innovate and develop new products, differentiate our offerings and commercialize new technologies, secure intellectual property protection for our product and manufacture products in a cost effective manner. We would be harmed if we did not meet customer requirements and expectations. Our inability, for technological or other reasons, to successfully develop and introduce new and innovative products could result in a loss of customers and lower revenues.

We face competition that could harm our business and we may be unable to compete successfully against new entrants and established companies with greater resources.

Competition in connection with the manufacturing of our products may intensify in the future. The market for our technologies is competitive and subject to rapid technological change. We compete globally on the basis of product performance, customer

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service, availability, reliability, productivity and price. Our competitors may be larger and may have greater financial, operational, economies of scale, personnel, sales, technical and marketing resources than us. Certain of our competitors also may pursue aggressive pricing or product strategies that may cause us to reduce the prices we charge for our original equipment and aftermarket products and services or lose sales. These actions may lead to reduced revenues, lower margins and/or a decline in market share, any of which may adversely affect our business, financial condition and results of operations.

We intend to develop new products and expand into new markets, which may not be successful and could harm our operating results.

We intend to expand into new markets and develop new and modified products based on our existing technologies and engineering capabilities, including the continued expansion of our Motion Control Systems. These efforts have required and will continue to require us to make substantial investments, including significant research, development and engineering expenditures and capital expenditures for new, expanded or improved manufacturing facilities. Specific risks in connection with expanding into new products and markets include: longer product development cycles, the inability to transfer our quality standards and technology into new products, and the failure of our customers to accept the new or modified products.

Our competitiveness depends on successfully executing our growth initiatives and our globalization strategies.

We continue to invest in initiatives to support future growth, such as the creation of an effective corporate structure, implementation of our enterprise resource planning system, launch of a new integrated website, implementation of a structured approach to identify target markets, and the expansion of our Allied Systematic Tools. The failure to achieve our objectives on these initiatives could have an adverse effect on our operating results and financial condition. Our globalization strategy includes localization of our products and services to be closer to our customers and identified growth opportunities. Localization of our products and services includes expanding our capabilities, including supply chain and sourcing activities, product design, manufacturing, engineering, marketing and sales and support. These activities expose us to risks, including those related to political and economic uncertainties, transportation delays, labor market disruptions and challenges to protect our intellectual property.

We depend heavily on a limited number of customers, and if we lose any of them or they reduce their business with us, we would lose a substantial portion of our revenues.

A significant portion of our revenues and trade receivables are concentrated with a small group of customers. These customers have a variety of suppliers to choose from and therefore can make substantial demands on us, including demands on product pricing and on contractual terms, often resulting in the allocation of risk to us as the supplier. Our ability to maintain strong relationships with our principal customers is essential to our future performance. If we lose a key customer, if any of our key customers reduce their orders of our products or require us to reduce our prices before we are able to reduce costs, if a customer is acquired by one of our competitors or if a key customer suffers financial hardship, our operating results would likely be harmed.

Our inability to adequately enforce and protect our intellectual property or defend against assertions of infringement could prevent or restrict our ability to compete.

We rely on patents, trademarks and proprietary knowledge and technology, both internally developed and acquired, in order to maintain a competitive advantage. Our inability to defend against the unauthorized use of these rights and assets could have an adverse effect on our results of operations and financial condition. Litigation may be necessary to protect our intellectual property rights or defend against claims of infringement. This litigation could result in significant costs and divert our management s focus away from operations.

Increased healthcare, pension and other costs under the Company s benefit plans could adversely affect the Company s financial condition and results of operations.

We provide health benefits to many of its employees and the costs to provide such benefits continue to increase annually. The amount of any increase or decrease in the cost of Company-sponsored health plans will depend on a number of different factors including new governmental regulations mandating types of coverage and reporting and other requirements.

We also sponsor defined benefit pension, defined contribution pension, and other postretirement benefit plans. Our costs to provide such benefits generally continue to increase annually. We use actuarial valuations to determine the Company s benefit obligations for certain benefit plans, which require the use of significant estimates, including the discount rate, expected long-term rate of return on plan assets, mortality rates and the rates of increase in compensation and health care costs. Changes

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to these significant estimates could increase the cost of these plans, which could also have a material adverse effect on the Company s financial condition and results of operations.

If we are unable to attract and retain qualified personnel, our ability to operate and grow our company will be in jeopardy.

We are required to hire and retain skilled employees at all levels of our operations in a market where such qualified employees are in high demand and are subject to receiving competing offers. We believe that there is, and will continue to be, competition for qualified personnel in our industry, and there is no assurance that we will be able to attract or retain the personnel necessary for the management and development of our business. The inability to attract or retain employees currently or in the future may have a material adverse effect on our business.

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.

Our success will depend in large part upon our ability to attract, train, retain and motivate highly skilled employees. There is currently aggressive competition for employees who have experience in technology and engineering. 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 rely on suppliers to provide equipment, components and services, which creates certain risks and uncertainties that may adversely affect our business.

Our business requires that we buy equipment, components and services. Our reliance on suppliers involves certain risks, including poor quality or an insecure supply chain, which could adversely affect the reliability and reputation of our products; changes in the cost of these purchases due to inflation, exchange rates, or other factors; shortages of components, commodities or other materials, which could adversely affect our manufacturing efficiencies and ability to make timely delivery.

Any of these uncertainties could adversely affect our profitability and ability to compete. The effect of unavailability or delivery delays would be more severe if associated with our higher volume and more profitable products. Even where substitute sources of supply are available, qualifying the alternate suppliers and establishing reliable supplies could cost more or could result in delays and a loss of sales.

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

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 regional 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. 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.

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We face the challenge of accurately aligning our capacity with our demand.

We can experience capacity constraints and longer lead times for certain products in times of growing demand while we can also experience idle capacity as economies slow or demand for certain products decline. Accurately forecasting our expected volumes and appropriately adjusting our capacity have been, and will continue to be, important factors in determining our results of operations. We cannot guarantee that we will be able to increase manufacturing capacity to a level that meets demand for our products, which could prevent us from meeting increased customer demand and could harm our business. However, if we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and we may experience reduced margins. If we do not accurately align our manufacturing capabilities with demand it could have a material adverse effect on our results of operations.

The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.

The manufacture of many of our products is an exacting and complex process. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors, and if not discovered before the product is released to market could result in recalls and product liability exposure. Because of the time required to develop and maintain manufacturing facilities, an alternative manufacturer may not be available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in significant costs and liability, as well as negative publicity and damage to our reputation that could reduce demand for our products.

Quality problems with our products could harm our reputation, erode our competitive advantage and could result in warranty claims and additional costs.

Quality is important to us and our customers, and our products are held to high quality and performance standards. In the event our products fail to meet these standards, our reputation could be harmed, which could damage our competitive advantage, causing us to lose customers and resulting in lower revenues. We generally allow customers to return defective or damaged products for credit, replacement or exchange. We generally warrant that our products will meet customer specifications and will be free from defects in materials and workmanship. We reserve for our exposure to warranty claims based upon recent historical experience and other specific information as it becomes available. However, these reserves may not be adequate to cover future warranty claims and additional warranty costs or inventory write-offs may be incurred which could harm our operating results.

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.

Future acquisitions could result in debt, dilution, liabilities, increased interest expense, restructuring charges and amortization expenses related to intangible assets. In addition, any acquired business, technology, service or product could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable.

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Our international sales and operations are subject to a variety of market and financial risks and costs that could affect our profitability and operating results.

We do business around the world and are continuing our strategy of global expansion. Our international sales are primarily to customers in Europe, Canada and Asia. In addition, our manufacturing operations, suppliers and employees are located in many places around the world. The future success of our business depends in large part on growth in our sales in non-U.S. markets. Our global operations are subject to numerous financial, legal and operating risks, such as political and economic instability; prevalence of corruption in certain countries; enforcement of contract and intellectual property rights and compliance with existing and future laws, regulations and policies, including those related to tariffs, investments, taxation, trade controls, product content and performance, employment and repatriation of earnings. In addition, we are affected by changes in foreign currency exchange rates, inflation rates and interest rates.

Foreign currency exchange rates may adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which may require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar could adversely affect the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries.

Our international operations expose us to legal and regulatory risks, which could have a material effect on our business.

Our profitability and international operations are, and will continue to be, subject to risks relating to changes in foreign legal and regulatory requirements. In addition, our international operations are governed by various U.S. laws and regulations, including Foreign Corrupt Practices Act and other similar laws that prohibit us and our business partners from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities and could negatively affect our business, reputation, operating results and financial condition.

We are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations or embargos may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory.

In addition to government regulations regarding sale and export, we are subject to other regulations regarding our products. For example, the U.S. Securities and Exchange Commission has adopted disclosure rules for companies that use conflict minerals in their products, with substantial supply chain verification requirements in the event that the materials come from, or could have come from, the Democratic Republic of the Congo or adjoining countries. These new rules and verification requirements will impose additional costs on us and on our suppliers, and may limit the sources or increase the cost of materials used in our products. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers that could place us at a competitive disadvantage, and our reputation may be harmed.

Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial statements.

Our ability to service our indebtedness depends on our financial performance, which is affected by prevailing economic conditions and financial, business, regulatory and other factors. Some of these factors are beyond our control. Our debt level and related debt service obligations can have negative consequences, including requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and capital investment; reducing our flexibility in planning for or reacting to changes in our business and market conditions; and exposing us to interest rate risk since a portion of our debt obligations are at variable rates. In addition, certain of our indebtedness will have significant outstanding principal balances on their maturity dates, commonly known as balloon payments. Therefore, we will likely need to refinance at least a portion of our outstanding debt as it

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matures. We may incur significantly more debt in the future, particularly to finance acquisitions, and there can be no assurance that our cost of funding will not substantially increase.

Our existing credit agreements contain, and any future debt agreements we may enter into may contain, certain financial tests and other covenants that limit our ability to incur indebtedness, acquire other businesses and impose various other restrictions. If we breach any of the covenants and do not obtain a waiver from the lenders, the outstanding indebtedness could be declared immediately due and payable. 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.

Economic and credit market uncertainty could interrupt our access to capital markets, borrowings, or financial transactions to hedge certain risks, which could adversely affect our financial condition.

To date, we have been able to access debt and equity financing that has allowed us to make investments in growth opportunities and fund working capital requirements. In addition, we enter into financial transactions to hedge certain risks, including foreign exchange and interest rate risk. Our continued access to capital markets, the stability of our lenders and their willingness to support our needs, and the stability of the parties to our financial transactions that hedge risks are essential for us to meet our current and long-term obligations, fund operations, and fund our strategic initiatives. An interruption in our access to external financing or financial transactions to hedge risk could affect our business prospects and financial condition.

We may never realize the full value of our intangible assets, which represent a significant portion of our total assets.

These intangible assets consist primarily of goodwill, customer lists, trade names and patented technology arising from our acquisitions. Goodwill is not amortized, but is tested annually or upon the occurrence of certain events which indicate that the assets may be impaired. Definite lived intangible assets are amortized over their estimated useful lives and are tested for impairment upon the occurrence of certain events which indicate that the assets may be impaired. We may not receive the recorded value for our intangible assets if we sell or liquidate our business or assets. In addition, intangible assets with definite lives will continue to be amortized. Amortization expenses relating to these intangible assets will continue to reduce our future earnings.

Failure of our internal control over financial reporting could limit our ability to report our financial results accurately and timely 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.

Unforeseen exposure to additional income tax liabilities may affect our operating results.

Our distribution of taxable income is subject to domestic tax and, as a result of our significant manufacturing and sales presence in foreign countries, foreign tax. Our effective tax rate may be affected by shifts in our mix of earnings in countries with varying statutory tax rates, changes in reinvested foreign earnings, alterations to tax regulations or interpretations and outcomes of any audits performed on previous tax returns.

We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings incidental to our business, including claims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition matters, as well as regulatory investigations or enforcement. We may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. These lawsuits may include claims for compensatory damages, punitive and consequential damages and/or injunctive relief. The defense of these lawsuits may divert our management s attention, we may incur significant expenses in defending these lawsuits and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our operations and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. We estimate loss contingencies and establish reserves based on our assessment where liability is deemed probable

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and reasonably estimable given the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingencies recorded as liabilities. We cannot guarantee that our liabilities in connection with litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and reputation.

Our business is subject to environmental regulations that could be costly to comply with.

Federal, state and local regulations impose various environmental controls on the manufacturing, transportation, storage, use and disposal of batteries and hazardous chemicals and other materials used in, and hazardous waste produced by the manufacturing of our products. Conditions relating to our historical operations may require expenditures for clean-up in the future and changes in environmental laws and regulations may impose costly compliance requirements on us or otherwise subject us to future liabilities. Additional or modified regulations relating to the manufacture, transportation, storage, use and disposal of materials used to manufacture our products or restricting disposal or transportation of our products may be imposed that may result in higher costs or lower operating results. In addition, we cannot predict the effect that additional or modified environmental regulations may have on us or our customers.

We face the potential harms of natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions to our operations.

Natural disasters, pandemics, acts or threats of war or terrorism, international conflicts, political instability, and the actions taken by governments could cause damage to or disrupt our business operations, our suppliers or our customers, and could create economic instability. Although it is not possible to predict such events or their consequences, these events could decrease demand for our products or make it difficult or impossible for us to deliver products.

Item 2. Properties.

As of December 31, 2015, the Company occupies facilities as follows:

Description / Use	Location	Approximate Square Footage	Owned Or Leased
Corporate headquarters	Amherst, New York	6,000	Leased
Office and manufacturing facility	Amherst, New York	6,000	Leased
Office and manufacturing facility	Changzhou, China	30,000	Leased
Office	Dayton, Ohio	29,000	Owned
Office and manufacturing facility	Dayton, Ohio	25,000	Leased
Office and manufacturing facility	Dordrecht, The Netherlands	32,000	Leased
Office and manufacturing facility	Dothan, Alabama	88,000	Owned
Office	Ferndown, Great Britain	1,000	Leased
Office and manufacturing facility	Oakville, Ontario, Canada	2,000	Leased
Office and manufacturing facility	Owosso, Michigan	85,000	Owned

Office and manufacturing facility	Porto, Portugal	52,000	Owned
Office and manufacturing facility	Reynosa, Mexico	50,000	Leased
Office and manufacturing facility	Stockholm, Sweden	20,000	Leased
Office and manufacturing facility	Tulsa, Oklahoma	30,000	Leased
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. 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.

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Item 4. Mine Safety Disclosures.

Not applicable.

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 listed 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 4, 2016 was 375. 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		
Year ended December 31, 2015	**High**	**Low**	**Dividends**
Fourth Quarter	$ 27.70	$ 17.20	$ 0.025
Third Quarter	$ 23.04	$ 16.02	$ 0.025
Second Quarter	$ 42.63	$ 20.28	$ 0.025
First Quarter	$ 35.00	$ 18.36	$ 0.025

Year ended December 31, 2014	**High**	**Low**	**Dividends**
Fourth Quarter	$ 25.16	$ 11.55	$ 0.025
Third Quarter	$ 17.85	$ 12.00	$ 0.025
Second Quarter	$ 16.48	$ 10.89	$ 0.025
First Quarter	$ 14.17	$ 10.50	$ 0.025

Equity Compensation Plan Information

The following table shows the equity compensation plan information of the Company at December 31, 2015:

Plan category	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders	748,686

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Performance Graph

The following performance graph and tables reflect the five year 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 a $100 investment made on December 31, 2010, including reinvestment of any dividends.

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Allied Motion Technologies	$ 100.00	$ 82.57	$ 98.12	$ 187.47	$ 359.17	$ 398.66
NASDAQ (U.S.)	$ 100.00	$ 100.53	$ 116.92	$ 166.19	$ 188.78	$ 199.95
S&P Electrical Components & Equipment	$ 100.00	$ 91.23	$ 112.00	$ 155.44	$ 144.63	$ 122.69

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Item 6. Selected Financial Data.

For a more detailed discussion of 2013 through 2015, refer to Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data of this report.

Dollars in thousands, except share data	2015	2014	2013 (1)	2012	2011
Results from Operations					
Revenues	$ 232,434	$ 249,682	$ 125,502	$ 101,968	$ 110,941
Net income	11,074	13,860	3,953	5,397	6,967
Diluted earnings per share	$ 1.20	$ 1.51	$ 0.45	$ 0.63	$ 0.81
Year-End Financial Position					
Cash and cash equivalents (2)	$ 21,278	$ 13,113	$ 8,371	$ 9,728	$ 9,155
Working capital	41,514	34,828	25,037	25,958	20,538
Total assets	166,086	165,640	170,977	60,967	58,687
Short term debt	9,860	7,723	14,145	397	157
Long term debt	58,906	67,125	73,500		
Shareholders equity	64,597	55,951	48,003	42,152	36,322
Shareholders equity per common share outstanding	$ 6.96	$ 6.07	$ 5.28	$ 4.88	$ 4.29
Supplemental Financial Data					
Capital expenditures	$ 4,730	$ 4,046	$ 3,087	$ 2,597	$ 1,849
Depreciation expense	4,822	4,553	2,088	1,250	1,439
Engineering and development	14,229	13,881	7,931	6,060	5,983
Interest expense	6,023	6,435	1,445	13	84
Intangible amortization	2,644	2,714	825	548	732
Twelve month backlog (3)	70,999	75,065	75,599	32,915	44,005
Ratios					
Net return on sales	4.8%	5.6%	3.1%	5.3%	6.3%
Return on shareholders equity	18.4%	26.7%	8.8%	13.8%	21.0%
Current ratio	2.2	2.0	1.6	3.2	2.2
Net debt to capitalization (4)	42%	52%	62%	0%	0%

(1) Includes the effect of the Globe acquisition in the fourth quarter of 2013.

(2) Amount for 2013 excludes restricted cash of $1,800.

(3) Twelve-month backlog is defined as confirmed orders for which the customer has provided a release and delivery date.

(4) Net debt is total debt less cash and cash equivalents. Capitalization is the sum of net debt and shareholders equity.

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

Overview

We are a global company that designs, manufactures and sells precision and specialty motion control components and systems used in a broad range of industries. Our target markets include Vehicle, Medical, Aerospace & Defense, Electronics and Industrial. We are headquartered in Amherst, NY, and have operations in the United States, Canada, Mexico, Europe and Asia. We are known worldwide for our expertise in electro-magnetic, mechanical and electronic motion technology. We sell component and integrated motion control solutions to end customers and original equipment manufacturers (OEM s) through our own direct sales force and authorized manufacturers representatives and distributors. Our products include brush and brushless DC motors, brushless servo and torque motors, coreless DC motors, integrated brushless motor-drives, gearmotors, gearing, modular digital servo drives, motion controllers, incremental and absolute optical encoders, and other motion control-related products.

Financial Overview

Highlights for our fiscal year ended December 31, 2015, include:

- Revenue for 2015 was $232,434 compared with $249,682 in 2014. Excluding the unfavorable effects of foreign currency exchange (FX), revenue in 2015 was $247,801, a $1,881, or 1%, decline from the prior year. Electronics and Medical market sales helped to offset lower demand from the Vehicle, Industrial and Aerospace and Defense markets. For full year period of 2015, approximately 66% of the Company s sales came from U.S. customers and 34% from customers in markets outside the U.S., primarily in Europe, Canada and Asia.

- Gross profit was $68,772 for 2015, a 6% decline from $73,426 in 2014. As a percentage of revenue, gross margin improved 20 basis points to 29.6% in 2015 primarily due to mix, the continued shift to more solutions-oriented sales and application of Allied Systematic Tools to drive efficiencies and drive down production costs.

- Operating income was $20,930, or 9% of revenue, for 2015 compared with $24,150, or 10% of revenue, for 2014. Included in 2015 was $569 of acquisition-related costs.

- Net income was $11,074, or $1.20 per diluted share, for 2015 compared with $13,860, or $1.51 per diluted share, for 2014.

- Bookings in 2015, excluding the unfavorable effects FX, were $247,413 for 2015 compared with $251,527 for 2014. Backlog as of December 31, 2015 was $70,999, or $74,995 when excluding FX, a decline from $75,065 at 2014 year end.

- Our debt, net of cash position, decreased by $14,247 to $47,488 at December 31, 2015 from 2014 year end.

- We declared and paid a dividend of $0.025 per share pursuant to our quarterly dividend program during each quarter of 2015. Dividends to shareholders for 2015 were $0.10 per diluted share, or a dividend payout ratio of 8%, when compared with the earnings per share of $1.20.

Refer to the information included in Constant Currency Presentation below for a reconciliation of sales, net income and diluted earnings per share reflected on a constant currency basis to amounts as reported.

Our Strategy

Our growth strategy is focused on becoming the motion solution leader in our selected target markets by further developing our products and services platform to utilize multiple Allied Motion technologies to change the game and create increased value solutions for our customers. Our strategy further defines Allied Motion as being a Technology/Know-How driven company and to be successful, we continue to invest in our Areas of Excellence.

We have set 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. We also will continue 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

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solutions for our customers. The make-up of our new opportunities has evolved from individual component solutions to a majority of the new 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, and Cost allow us to have a positive outlook for the continued long term growth of our Company.

Outlook for 2016

In 2016, we will continue to focus on leveraging the growth synergies as provided by the Globe acquisition in late 2013 and the January 2016 Heidrive acquisition to expand our business in our served markets. With strong cash flows and a continually improving debt position, we will continue to evaluate and pursue strategic acquisitions to enhance our growth opportunities in the future. In addition, we will continue to execute the Critical Issues as defined by our strategy, developed in late 2013. The Critical Issues from that strategy include:

1) Creating an effective corporate structure to leverage the resources and capabilities of the combined entity

2) Implement a new ERP system to provide the infrastructure necessary to support the planned growth of the Company

3) Launch a new/integrated website in the first quarter of 2016 to better meet the needs of our current business environment

4) Plan and implement a structured approach to identify the requirements of our target markets and to create and implement solutions to ensure we meet the requirements of those markets

5) Through the continued enhancement and development of our Operational Effectiveness Team, implement AST to drive continuous improvement in all areas of our business

Allied Motion is an applied Technology/Know-How Motion Company and to grow, we will continue to invest in the technical resources to ensure we can move forward with our mantra to Create Motion Solutions that Change the Game and to meet the emerging needs of our customers in our served market segments. In support of our sales efforts, we have three Solution Centers (United States, Europe and Asia) that are providing the support required to sell multi-technology solutions. We have several new multi-product motion control solution wins that will be moving into production during 2016 in addition to a very active pipeline of new opportunities where our integrated solution capability has provided us with a competitive advantage. We anticipate that our investment in these key resources will help drive our growth now and in the future and we plan to continue investing in these resources during 2016. We further expect this shift from a component supplier to a more complete solutions provider, along with the application of AST, to drive margin improvement.

Our global production footprint provides us with the opportunity to be a good value proposition and supplier for global companies who require support around the world. We will continue to evaluate and find areas to leverage our current manufacturing and sales footprint to drive sales and improve efficiencies.

We expect to 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.

Further development and promotion of our parent brand, Allied Motion, will continue in 2016. A global structure has been defined and we intend to use that to our advantage in the marketplace.

Critical Accounting Policies

The Company has prepared its financial statements in conformity with accounting principles generally accepted in the United States, and these statements necessarily include some amounts that are based on informed judgments and estimates of management. The Company s significant accounting policies are discussed in Note 1 of Item 8, Financial Statements and Supplementary Data of this report. The policies are reviewed on a regular basis. The Company s critical accounting policies are subject to judgments and uncertainties which affect the application of such policies. The Company uses historical experience and all available information to make these judgments and estimates. As discussed below the Company s financial position or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

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The Company s critical accounting policies include:

Revenue Recognition

The Company derives revenues from the sale of products and services. Refer to Note 1 to the Company s consolidated financial statements for a description of the Company s revenue recognition policies. Although most of the Company s sales agreements contain standard terms and conditions, certain agreements non-standard terms and conditions. As a result, judgment is sometimes required to determine the appropriate accounting. If the Company s judgments regarding revenue recognition prove incorrect, the Company s revenues in particular periods may be adversely affected.

Allowance for Doubtful Accounts

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

See Note 1, *Business and Summary of Significant Accounting Policies*, of our consolidated financial statements for information regarding trade accounts receivable and the allowance for doubtful accounts.

Inventory Valuation

Inventories include material, direct labor and related manufacturing overhead, and are stated at the lower of cost or market determined on a first-in, first-out basis. We record inventory when we take delivery and title to the product according to the terms of each supply agreement. The Company monitors and forecasts expected inventory needs based on sales forecasts. Inventory is written down or written off when it becomes obsolete or when it is deemed excess. These determinations involve the exercise of significant judgment by management. If actual market conditions are significantly different from those projected by management, the recorded reserve may be adjusted, and such adjustments may have a significant impact on the Company s results of operations. Demand for the Company s products can fluctuate significantly, and in the past the Company has recorded substantial charges for inventory obsolescence.

See Note 1, *Business and Summary of Significant Accounting Policies*, of our consolidated financial statements for information regarding inventory valuation as well as excess and obsolete inventory provisions.

Income Taxes

The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts recorded in the consolidated financial statements, and for operating loss and tax credit carryforwards.

Realization of the recorded deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdiction in future years to obtain benefit from the reversal of net deductible temporary differences and from tax credit and operating loss carryforwards.

We regularly assess our ability to realize our deferred tax assets. Assessments of the realization of deferred tax assets require that management consider all available evidence, both positive and negative, and make significant judgments about many factors, including the amount and likelihood of future taxable income. A valuation allowance is provided to the extent that management deems it more likely than not that the net deferred tax assets will not be realized. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed.

See Note 8, *Income Taxes*, of our consolidated financial statements for information regarding income tax expense as well as the valuation of our deferred income taxes.

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Goodwill

As of December 31, 2015, we had $17,757 of goodwill related to various business acquisitions. We perform impairment tests on goodwill on an annual basis during the fourth quarter of each fiscal year, or on an interim basis if events or circumstances indicate that it is more likely than not that impairment has occurred. Goodwill is potentially impaired if the carrying value of the reporting unit that contains the goodwill exceeds its estimated fair value.

Goodwill is evaluated for impairment by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. If it is determined, based on qualitative factors, that the fair value of the reporting unit may be more likely than not less than carrying amount, or if significant adverse changes in the Company s future financial performance occur that could materially impact fair value, a quantitative goodwill impairment test would be required.

The fair value of our reporting unit is generally determined using a combination of an income approach, which estimates fair value based upon future discounted cash flows and a market approach which uses published market prices for analysis. We completed our annual goodwill impairment test in the fourth quarter of 2015 and concluded no impairment of goodwill exists, as our goodwill reporting unit had a calculated fair value in excess of carrying value of greater than 25%.

Although goodwill is not currently impaired, there can be no assurance that future impairments will not occur. Significant negative industry or economic trends, disruptions to our business, failure to achieve the revenue and cost synergies expected from our acquisitions, or other unexpected significant changes in the use of certain assets could all have a negative effect on fair values in the future.

See Note 3, *Goodwill*, of our consolidated financial statements for information regarding the carrying values of our goodwill.

Pension and Postretirement Benefits

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

See Note 11, *Pension and Post Retirement Plans*, of our consolidated financial statements for further information regarding our pension plan valuation assumptions.

Stock-based Compensation

We measure compensation cost arising from the grant of share-based payments to employees at fair value and recognize such cost over the period during which the employee is required to provide service in exchange for the award, usually the vesting period. Total stock-based compensation expense recognized during the years ended December 31, 2015, 2014, and 2013 was $1,744, $1,541 and $927, respectively.

For awards with service conditions, we recognize compensation cost on a straight-line basis over the requisite service/vesting period once the awards have been earned. For awards with performance conditions, accruals of compensation cost are made based on the probable outcome of the performance conditions.

The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if circumstances change and we use different assumptions, our stock-based compensation expense could be materially different in the future. See Note 5, *Stock-Based Compensation Plans*, of our consolidated financial statements for further information regarding our Stock Incentive plans.

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Impact of Recently Issued Accounting Pronouncements

In the normal course of business, we evaluate all new accounting pronouncements issued by the Financial Accounting Standards Board (FASB), Securities and Exchange Commission (SEC), Emerging Issues Task Force (EITF) or other authoritative accounting bodies to determine the potential impact they may have on our Consolidated Financial Statements. See Note 1 *Summary of Significant Accounting Policies* of the notes to consolidated financial statements contained in Item 8 of this report for additional information about these recently issued accounting standards and their potential impact on our financial condition or results of operations.

Operating Results

Year 2015 compared to 2014

	For the year ended December 31,		2015 vs. 2014 Variance	
(In thousands, except per share data)	**2015**	**2014**	**$**	**%**
Revenues	$ 232,434	$ 249,682	$ (17,248)	(7)%
Cost of goods sold	163,662	176,256	(12,594)	(7)%
Gross margin	68,772	73,426	(4,654)	(6)%
Gross margin percentage	30%	29%		
Operating costs and expenses:				
Selling	8,149	8,709	(560)	(6)%
General and administrative	22,251	23,972	(1,721)	(7)%
Engineering and development	14,229	13,881	348	3%
Business development	569		569	100%
Amortization of intangible assets	2,644	2,714	(70)	(3)%
Total operating costs and expenses	47,842	49,276	(1,434)	(3)%
Operating income	20,930	24,150	(3,220)	(13)%
Interest expense	6,023	6,435	(412)	(6)%
Other income	(514)	(908)	394	(43)%
Total other expense (income)	5,509	5,527	(18)	(0)%
Income before income taxes	15,421	18,623	(3,202)	(17)%
Provision for income taxes	(4,347)	(4,763)	416	(9)%
Net income	$ 11,074	$ 13,860	$ (2,786)	(20)%
Effective tax rate	28.2%	25.6%	2.6%	10%
Diluted earnings per share	$ 1.20	$ 1.51	$ (0.31)	(21)%
Bookings	$ 231,940	$ 251,527	$ (19,587)	(8)%
Backlog	$ 70,999	$ 75,065	$ (4,066)	(5)%

NET INCOME AND ADJUSTED NET INCOME: Net income decreased in 2015 from 2014 primarily due to unfavorable currency exchange and decreased volume offset by lower G&A expense.

Adjusted net income for the year ended December 31, 2015, was $11,461. Adjusted diluted earnings per share for 2015 was $1.24. Adjusted net income and adjusted diluted earnings per share are non-GAAP measurements. Adjusted net income for 2015 excludes $569 ($387 net of tax) of business development. See information included in Non GAAP Measures below for a reconciliation of net income to Adjusted net income.

EBITDA AND ADJUSTED EBITDA: EBITDA was $28,910 for 2015 compared to $32,325 for 2014. Adjusted EBITDA was $31,223 and $33,866 for 2015 and 2014, respectively. EBITDA and adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted

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EBITDA also excludes stock compensation expense and certain other items. Refer to information included in Non - GAAP Measures below for a reconciliation of net income to EBITDA and adjusted EBITDA.

REVENUES: During 2015, we experienced growth in our Electronics and Medical markets. Our remaining markets were down. The 7% decrease in sales in 2015 is primarily due to foreign currency. Our sales for 2015 were comprised of 66% to US customers and 34% to customers primarily in Europe, Canada and Asia. The overall decrease in revenue was due to 6% unfavorable currency impact, and a 1% volume decrease.

ORDER BACKLOG: The decrease in backlog of 5% was due to the impact of foreign currency. Volume was not a factor in the backlog decline.

GROSS MARGIN: Gross margin as a percentage of revenues was 29.6% and 29.4% for 2015 and 2014, respectively. The increase in margin is primarily due to changes in sales mix (increased portion of sales of higher margin business offset partially by a decreased proportion of sales in lower margin business).

SELLING EXPENSES: Selling expenses for 2015 decreased by 6% compared to the same period of 2014 due to reduced headcount in 2015. Selling expenses as a percentage of revenues were 4% in 2015 and 2014.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses decreased by 7% in 2015 from 2014 due to reserves made in 2014 related to a pricing dispute that was settled in the fourth quarter of 2014. Also, 2015 expenditures for incentive compensation, consulting, and company meetings were lower than in 2014. As a percentage of revenues, general and administrative expenses were 10% for 2015 and 2014.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 3% in 2015 compared to 2014 primarily due to the ramp up of a significant development project to meet the future needs of a target market for Allied Motion. As a percentage of revenues, engineering and development expenses on a year to date basis were 6% for 2015 and 2014.

BUSINESS DEVELOPMENT COSTS: The Company incurred $569 of business development costs during 2015 related to the acquisition of Heidrive GmbH on January 12, 2016. Business development costs are typically acquisition related expenses for due diligence and legal services,

AMORTIZATION OF INTANGIBLE ASSETS: Amortization of intangible assets expense was flat between 2014 and 2015.

INCOME TAXES: The effective income tax rate as a percentage of income before income taxes was 28.2% and 25.6% in 2015 and 2014, respectively. The effective tax rate for 2015 and 2014 is lower than the statutory rate primarily due to differences in foreign tax rates and changes in our valuation allowance on foreign net operating losses. The effective rate for 2015 is higher than 2014 primarily due to the effect of state taxes and nondeductible permanent items in 2015 related to an acquisition.

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Year 2014 compared to 2013

(In thousands except per share data)	**For the year ended December 31, 2014**		**2013**		**2014 vs. 2013 Variance $**		**%**
Revenues	$	249,682	$	125,502	$	124,180	99%
Cost of goods sold		176,256		88,980		87,276	98%
Gross margin		73,426		36,522		36,904	101%
Gross margin percentage		29%		29%			
Operating costs and expenses:							
Selling		8,709		5,513		3,196	58%
General and administrative		23,972		13,048		10,924	84%
Engineering and development		13,881		7,931		5,950	75%
Business development				1,913		(1,913)	(100)%
Relocation costs				234		(234)	(100)%
Amortization of intangible assets		2,714		825		1,889	229%
Total operating costs and expenses		49,276		29,464		19,812	67%
Operating income		24,150		7,058		17,092	242%
Interest expense		6,435		1,445		4,990	345%
Other income		(908)		(168)		(740)	440%
Total other expense (income)		5,527		1,277		4,250	333%
Income before income taxes		18,623		5,781		12,842	222%
Provision for income taxes		(4,763)		(1,828)		(2,935)	161%
Net income	$	13,860	$	3,953	$	9,907	251%
Effective tax rate		25.6%		31.6%		-6.0%	(19)%
Diluted earnings per share	$	1.51	$	0.45	$	1.06	236%
Bookings	$	251,527	$	121,133	$	130,394	108%
Backlog	$	75,065	$	75,599	$	(534)	(0.7)%

NET INCOME AND ADJUSTED NET INCOME: Net income increased significantly in 2014 from 2013 due to higher sales in vehicle and aerospace and defense markets resulting from the acquisition of Globe Motors during the fourth quarter of 2013. The majority of the sales increase was due to domestic customers.

Adjusted net income for the year ended December 31, 2013, was $5,413. Adjusted diluted earnings per share for 2013 was $0.61. Adjusted net income and adjusted diluted earnings per share are non-GAAP measurements. Adjusted net income for 2013 excludes $1,913 ($1,301 net of tax) of business development costs and $234 ($159 net of tax) in moving costs to relocate our corporate office. See information included in Non GAAP Measures below for a reconciliation of net income to Adjusted net income.

EBITDA and ADJUSTED EBITDA: EBITDA was $32,325 and $10,139 for 2014 and 2013, respectively. Adjusted EBITDA was $33,866 for 2014 compared to $13,213 for 2013. EBITDA and adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock compensation expense and certain other items. See information included in Non - GAAP Measures below for a reconciliation of net income to EBITDA and adjusted EBITDA.

REVENUES: Overall, the Company experienced significant growth in sales for the year 2014 from 2013.

The 99% increase in revenues in 2014 is primarily due to the acquisition of Globe and consists of significant growth in our vehicle and aerospace and defense markets. 66% of our sales for the year were to US customers with the remaining 34% of our sales to customers primarily in Europe, Canada and Asia. Sales from our US TUs increased 122% and sales from our foreign TUs increased 65%. The change in revenues was comprised of a 101% increase in sales volume for the year combined with a

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2% decrease due to the dollar strengthening against the foreign currencies where we do business, primarily the Euro and the Swedish Krona.

BACKLOG: The significant increase in orders in 2014 from 2013 relates primarily to the addition of Globe, which contributed 94% of the growth.

GROSS MARGIN: Gross margin as a percentage of revenues was 29% for both 2014 and 2013, respectively.

SELLING EXPENSES: The 58% increase in 2014 is primarily due to the acquisition of Globe. However, selling expenses as a percentage of revenues declined to 3% for 2014 from 4% for 2013.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 84% primarily as a result of the addition of Globe, incentive compensation, and consulting and depreciation expenses related to our ERP implementation. As a percentage of sales, general and administrative expenses were 10% for both 2014 and 2013.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 75% in 2014 due to the addition of Globe. As a percentage of revenues, engineering and development expenses were 6% for both 2014 and 2013.

BUSINESS DEVELOPMENT COSTS: The Company incurred $1,913 of business development costs during 2013 related to the acquisition of Globe.

RELOCATION COSTS: The Company incurred $234 of relocation costs during 2013 for the move of the Company s corporate office and personnel to Amherst, New York. This relocation occurred and was completed in the third quarter of 2013.

AMORTIZATION OF INTANGIBLE ASSETS: The 229% increase is the result of amortization for Globe s intangible assets.

INCOME TAXES: The effective tax rate for 2014 and 2013 is lower than the statutory rate primarily due to differences in state and foreign tax rates. The effective rate for 2014 is lower than 2013 primarily due to the effect of a reduction in our valuation allowance on foreign net operating losses.

Non-GAAP Measures

EBITDA and Adjusted EBITDA are provided for information purposes only and are not measures of financial performance under GAAP.

Management believes the presentation of these financial measures reflecting non-GAAP adjustments provides important supplemental information in evaluating the operating results of the Company as distinct from results that include items that are not indicative of ongoing operating results; in particular, those charges and credits that are not directly related to operating unit performance, and that are not a helpful measure of the performance of our underlying business particularly in light of their unpredictable nature. This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for net income determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company s results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. In addition, supplemental presentation should not be construed as an inference that the Company s future results will be unaffected by similar adjustments to net income determined in accordance with GAAP.

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

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The Company s calculation of EBITDA and Adjusted EBITDA for 2015, 2014 and 2013 is as follows (in thousands):

	For the year ended December 31, 2015	2014	2013
Net income as reported	$ 11,074	$ 13,860	$ 3,953
Interest expense	6,023	6,435	1,445
Provision for income tax	4,347	4,763	1,828
Depreciation and amortization	7,466	7,267	2,913
EBITDA	28,910	32,325	10,139
Stock compensation expense	1,744	1,541	927
Business development costs	569		1,913
Relocation costs			234
Adjusted EBITDA	$ 31,223	$ 33,866	$ 13,213

Allied Motion s management uses Adjusted net income to assess the Company s consolidated financial and operating performance. Adjusted net income is provided for informational purposes only and is not a measure of financial performance under generally accepted accounting principles. This measure helps management make decisions that are expected to facilitate meeting current financial goals as well as achieve optimal financial performance. Adjusted net income provides management with a measure of financial performance of the Company based on operational factors, including the profitability of assets on an economic basis, net of operating expenses, and the capital costs of the business on a consistent basis as it removes the impact of certain non-routine items from the Company s operating results. Adjusted net income is a key metric used by senior management and the Company s board of directors to review the consolidated financial performance of the business. This measure adjusts net income determined in accordance with GAAP to reflect changes in financial results associated with the highlighted charges and income items.

The Company s calculation of Adjusted net income and Adjusted diluted earnings per share for years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

	For the year ended December 31, 2015	2014	2013
Net income as reported	$ 11,074	$ 13,860	$ 3,953
Non-GAAP adjustments, net of tax			
Business development costs	387		1,301
Relocation costs			159
Non-GAAP adjusted net income	$ 11,461	$ 13,860	$ 5,413
Per Share Amounts			
Non-GAAP adjusted net income per share (diluted)	$ 1.24	$ 1.51	$ 0.61
Diluted weighted average common shares	9,238	9,165	8,840

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Constant Currency Presentation

The Company believes constant currency information provides valuable supplemental information that facilitates period-to-period comparisons of the company s business performance. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates for entities reporting in currencies other than US dollars. Constant currency results are calculated by translating current period results in local currency using the prior year s currency conversion rate. The following table reconciles reported amounts to constant currency amounts for 2015 and 2014. Exchange rates did not have a material impact on 2014 compared to 2013 reported amounts.

	For the year ended December 31, 2015			2014	
		$ in thousands	% increase (decrease) compared to prior year amounts		$ in thousands
Revenues					
Revenues, as reported	$	232,434	-7%	$	249,682
Currency impact		15,367	6%		
Revenues, at prior year exchange rates	$	247,801	-1%	$	249,682
Net income					
Net income, as reported	$	11,074	-20%	$	13,860
Currency impact		1,058	8%		
Net income, at prior year exchange rates	$	12,132	-12%	$	13,860
Diluted earnings per share					
Diluted earnings per share, as reported	$	1.20	-21%	$	1.51
Currency impact		0.11	8%		
Diluted earnings per share, at prior year exchange rates	$	1.31	-13%	$	1.51

Liquidity and Capital Resources

The Company s liquidity position as measured by cash and cash equivalents increased by $8,165, to a balance of $21,278 at December 31, 2015 from 2014.

	Year Ended December 31, 2015		2014		2015 vs. 2014 $		Year Ended December 31, 2013		2014 vs. 2013 $	
Net cash provided by operating activities	$	20,073	$	20,186	$	(113)	$	10,795	$	9,391
Net cash used in investing activities		(4,730)		(2,649)		(2,081)		(94,694)		92,045
Net cash (used in) provided by financing activities		(6,095)		(11,500)		5,405		82,593		(94,093)
Effect of foreign exchange rates on cash		(1,083)		(1,295)		212		(51)		(1,244)
Net increase (decrease) in cash and cash equivalents	$	8,165	$	4,742	$	3,423	$	(1,357)	$	6,099

During 2015, the decrease in cash provided by operating activities is primarily due to lower net income offset by a decrease in working capital needs, primarily trade receivables that was related to the reduced number of days needed for collection in 2015 compared to 2014. The increase in cash provided by operating activities in 2014 compared to 2013 reflected a higher level of earnings, partially offset by an increase in working capital needs, particularly for income taxes payable. A tax payment of $2,656 related to the Globe acquisition was made during the third quarter of 2014.

Net cash used in investing activities was lower in 2014 than in 2015 as the result of the receipt of a $1,434 purchase price adjustment related to the Globe acquisition during the first quarter of 2014. This adjustment offset normal purchases of property, plant and equipment during 2014. During 2015, purchases of property and equipment were $4,730 compared to

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$4,046 for 2014. The significant cash used in 2013 for investing activities reflects the $90,000 acquisition of Globe Motors during the fourth quarter of that year. During 2013, purchases of property, plant and equipment were $3,087.

Net cash used in financing activities was lower in 2015 compared 2014 due to higher payments of long term debt in 2014. Comparing 2014 to 2013, the significant cash provided by financing activities in 2013 was due to the $80,000 of long term debt issued to finance the acquisition of Globe.

During 2015, we made payments of $6,375 for our Term Loan obligation, and $1,000 for our Revolving Credit Facility. At December 31, 2015, we had $67,125 in obligations under the Credit Agreement and the Note Agreement. Note 6, *Debt Obligations,* of the notes to the consolidated financial statements is contained in Item 8 of this report for additional information regarding the Credit and Note Agreements.

The Credit Agreement contains certain financial covenants related to maximum leverage and minimum fixed charge coverage. The Credit Agreement also includes other covenants and restrictions, including limits on the amount of certain types of capital expenditures. The Company was in compliance with all covenants at December 31, 2015 and 2014.

As of December 31, 2015, the amount available to borrow under the Credit Agreement was $15,000.

The average China Facility balance for 2015 was $1,680 (RMB 10,450). There was approximately $294 (2,380 RMB) of additional borrowings during 2015. At December 31, 2015, there was approximately $210 (RMB 1,350) available under the facility.

During the year ended December 31, 2015, the Company paid dividends of $0.10 per share. The Company s working capital, capital expenditure and dividend requirements are expected to be funded from cash provided by operations and amounts available under the Credit Agreement.

Contractual Obligations

The following table summarizes contractual obligations and borrowings as of December 31, 2015 and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods. We expect to fund other commitments primarily with operating cash flows generated in the normal course of business.

	Payments Due by Period				
	Total	**Less Than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More Than 5 Years**
Operating leases	$ 7,291	$ 1,840	$ 2,400	$ 1,598	$ 1,453

Debt Obligations (1)	68,766	9,860	28,906	30,000	
Interest on Debt (2)	19,168	5,228	9,590	4,350	
Total	$ 95,225	$ 16,928	$ 40,896	$ 35,948	$ 1,453

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(1) Amounts represent our debt obligations as of December 31, 2015.

(2) Amounts represent the estimated interest payments based on the principal amounts and applicable interest rates on the debt at December 31, 2015.

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Item 7A. Qualitative and Quantitative Disclosures about Market Risk

Foreign Currency

We have foreign operations in The Netherlands, Sweden, China, Portugal, Canada and Mexico, which expose the Company to foreign currency exchange rate fluctuations due to transactions denominated in Euros, Swedish Krona, Chinese Yuan Renminbi, Canadian dollar and Mexican pesos, respectively. We continuously evaluate our foreign currency risk and will take action from time to time in order to best mitigate these risks. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $7,000 on our 2015 sales. This amount is not indicative of the hypothetical net earnings impact due to partially offsetting impacts on cost of sales and operating expenses in those currencies. We estimate that foreign currency exchange rate fluctuations during the year ended December 31, 2015 decreased sales in comparison to 2014 by approximately $15,400.

We translate all assets and liabilities of our foreign operations, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translate sales and expenses at the average exchange rates in effect during the period. The net effect of these translation adjustments is recorded in the Condensed Consolidated Financial Statements as Comprehensive Income. The translation adjustment was a loss of approximately $4,300 for the year ended December 31, 2015 and a loss of $5,600 for the year ended December 31, 2014. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in our foreign subsidiaries. Net foreign currency transaction gains and losses included in *Other income, net* amounted to gains of approximately $290 and $490 for 2015 and 2014, respectively. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency net assets would have had an impact of approximately $4,370 on our foreign net assets as of December 31, 2015.

Interest Rates

Interest rates on our Credit Facility are based on the Base Rate plus a margin of 0.25% to 2.00% (currently 1.50%) or the Eurocurrency Rate plus a margin of 1.25% to 3.00% (currently 2.0%). The Company uses interest rate derivatives to add stability to interest expense and to manage its exposure to interest rate movements. The Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During October 2013, the Company entered into two Interest Rate Swaps with a combined notional of $25,000 that amortize quarterly to a notional of $6,673 at maturity. This swap is accounted for as a cash flow hedge. Refer to Note 7 to the Company s consolidated financial statements for information about our derivative financial instruments.

As of December 31, 2015, we had $37,125 outstanding under the Term Loan, of which $18,563 is currently being hedged. Refer to Note 6 to the Company s consolidated financial statements for additional information about our outstanding debt. A hypothetical one percentage point (100 basis points) change in the Base Rate on the $18,563 of unhedged floating rate debt outstanding at December 31, 2015 would have an impact of approximately $190 on our interest expense for the year.

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Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Allied Motion Technologies Inc.

We have audited the accompanying consolidated balance sheets of Allied Motion Technologies Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, stockholders equity, and cash flows for each of the years in the three year period ended December 31, 2015. We also have audited the Company s internal control over financial reporting as of December 31, 2015 based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk. Our audits, also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits, provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by COSO.

EKS&H LLP

March 9, 2016

Denver, Colorado

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ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEETS

(in thousands except share and per share data)		**December 31, 2015**		**December 31, 2014**
Assets				
Current Assets:				
Cash and cash equivalents	$	21,278	$	13,113
Trade receivables, net of allowance for doubtful accounts of $611 and $367 at December 31, 2015 and 2014, respectively		22,710		27,745
Inventories, net		26,175		25,371
Deferred income taxes		1,583		1,888
Prepaid expenses and other assets		3,749		2,667
Total Current Assets		75,495		70,784
Property, plant and equipment, net		35,315		37,041
Deferred income taxes		3,516		4,164
Intangible assets, net		29,984		32,791
Goodwill		17,757		18,303
Other long term assets		4,019		3,998
Total Assets	$	166,086	$	167,081
Liabilities and Stockholders Equity				
Current Liabilities:				
Debt obligations		9,860		7,723
Accounts payable		13,000		15,510
Accrued liabilities		11,121		12,723
Total Current Liabilities		33,981		35,956
Long-term debt		58,906		67,125
Deferred income taxes		3,181		2,740
Deferred compensation arrangements		2,636		2,167
Pension and post-retirement obligations		2,785		3,142
Total Liabilities		101,489		111,130
Commitments and Contingencies Stockholders Equity:				
Common stock, no par value, authorized 50,000 shares; 9,276 and 9,213 shares issued and outstanding at December 31, 2015 and 2014, respectively		27,824		25,129
Preferred stock, par value $1.00 per share, authorized 5,000 shares; no shares issued or outstanding				
Retained earnings		46,650		36,505
Accumulated other comprehensive income (loss)		(9,877)		(5,683)
Total Stockholders Equity		64,597		55,951
Total Liabilities and Stockholders Equity	$	166,086	$	167,081

See accompanying notes to consolidated financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share data)		**December 31, 2015**		**For the year ended December 31, 2014**		**December 31, 2013**
Revenues	$	232,434	$	249,682	$	125,502
Cost of goods sold		163,662		176,256		88,980
Gross margin		68,772		73,426		36,522
Operating costs and expenses:						
Selling		8,149		8,709		5,513
General and administrative		22,251		23,972		13,282
Engineering and development		14,229		13,881		7,931
Business development		569				1,913
Amortization of intangible assets		2,644		2,714		825
Total operating costs and expenses		47,842		49,276		29,464
Operating income		20,930		24,150		7,058
Other expense (income):						
Interest expense		6,023		6,435		1,445
Other expense (income), net		(514)		(908)		(168)
Total other expense (income) , net		5,509		5,527		1,277
Income before income taxes		15,421		18,623		5,781
Provision for income taxes		(4,347)		(4,763)		(1,828)
Net income	$	11,074	$	13,860	$	3,953
Basic earnings per share:						
Earnings per share	$	1.20	$	1.52	$	0.45
Basic weighted average common shares		9,228		9,145		8,833
Diluted earnings per share:						
Earnings per share	$	1.20	$	1.51	$	0.45
Diluted weighted average common shares		9,238		9,165		8,840
Net income	$	11,074	$	13,860	$	3,953
Other comprehensive income:						
Foreign currency translation adjustment		(4,334)		(5,601)		652
Change in accumulated income (loss) on derivatives		(25)		(43)		41
Pension adjustments (1)		165		(663)		854
Comprehensive income	$	6,880	$	7,553	$	5,500

(1) Net of tax of $114, ($460) and $480 for the periods ending December 31, 2015, 2014 and 2013, respectively.

See accompanying notes to consolidated financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Unamortized Cost of Equity Awards	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Income (Loss): Accumulated income (loss) on derivatives	Accumulated Other Comprehensive Income (Loss): Pension Adjustments	Total Stockholders Equity
Balances, December 31, 2012	8,631	$ 23,474	$ (927)	$ 20,528	$ 121	$	$ (1,044)	$ 42,152
Stock transactions under employee benefit stock plans	61	420						420
Issuance of restricted stock, net of forfeitures	399	3,141	(3,264)					(123)
Stock compensation expense			927					927
Comprehensive income					652	41	1,334	2,027
Tax effect							(480)	(480)
Net income				3,953				3,953
Dividends to Stockholders				(873)				(873)
Balances, December 31, 2013	9,091	$ 27,035	$ (3,264)	$ 23,608	$ 773	$ 41	$ (190)	$ 48,003
Stock transactions under employee benefit stock plans	30	344						344
Issuance of restricted stock, net of forfeitures	92	1,074	(1,601)					(527)
Stock compensation expense			1,541					1,541
Comprehensive income loss					(5,601)	(43)	(1,123)	(6,767)
Tax effect							460	460
Net income				13,860				13,860
Dividends to Stockholders				(963)				(963)
Balances, December 31, 2014	9,213	$ 28,453	$ (3,324)	$ 36,505	$ (4,828)	$ (2)	$ (853)	$ 55,951
Stock transactions under employee benefit stock plans	37	1,014						1,014
Issuance of restricted stock, net of forfeitures	76	2,064	(2,040)					24
Stock compensation expense		(7)	1,751					1,744
Shares withheld for payment of employee payroll taxes	(50)	(1,559)						(1,559)
Excess tax benefit from stock based compensation arrangements		1,461						1,461
Comprehensive income loss					(4,334)	(25)	279	(4,080)
Tax effect							(114)	(114)
Net income				11,074				11,074
Dividends to Stockholders		11		(929)				(918)

Balances, December 31, 2015	9,276	$	31,437	$	(3,613)	$	46,650	$	(9,162)	$	(27)	$	(688)	$	64,597

See accompanying notes to consolidated financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the year ended December 31, 2015	December 31, 2014	December 31, 2013
Cash Flows From Operating Activities:			
Net income	$ 11,074	$ 13,860	$ 3,953
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,466	7,267	2,913
Deferred income taxes	1,417	1,208	90
Excess tax benefit from stock-based payment arrangements	(1,461)		
Provision for doubtful accounts	333	473	158
Provision for excess and obsolete inventory	432	753	105
Provision for warranty	142	234	175
Restricted stock compensation	1,744	1,541	927
Other	216	429	(385)
Changes in operating assets and liabilities, excluding changes due to acquisition:			
(Increase) decrease in trade receivables, net	3,655	(2,504)	196
(Increase) decrease in inventories	(2,262)	(2,864)	1,763
(Increase) decrease in prepaid expenses and other	(1,394)	194	(561)
Increase (decrease) in accounts payable	(1,874)	752	558
Increase (decrease) in accrued liabilities and other	585	(1,157)	903
Net cash provided by operating activities	20,073	20,186	10,795
Cash Flows From Investing Activities:			
Proceeds from working capital adjustment and (consideration paid for acquisition, net of cash acquired)		1,397	(91,607)
Purchase of property and equipment	(4,730)	(4,046)	(3,087)
Net cash used in investing activities	(4,730)	(2,649)	(94,694)
Cash Flows From Financing Activities:			
Borrowings (repayments) on lines-of-credit, net	383	(7,541)	8,475
Principal payments of long-term debt	(6,375)	(5,250)	(1,250)
Proceeds from issuance of long-term debt			80,000
Change in restricted cash obligations		1,800	(1,800)
Payment of debt issuance costs			(2,377)
Dividends paid to stockholders	(923)	(853)	(889)
Shares withheld for payment of employee payroll taxes	(1,559)		
Excess tax benefit from stock-based payment arrangements	1,461		
Stock transactions under employee benefit stock plans	918	344	434
Net cash (used in) provided by financing activities	(6,095)	(11,500)	82,593
Effect of foreign exchange rate changes on cash	(1,083)	(1,295)	(51)
Net increase (decrease) in cash and cash equivalents	8,165	4,742	(1,357)
Cash and cash equivalents at beginning of period	13,113	8,371	9,728
Cash and cash equivalents at end of period	21,278	13,113	8,371
Supplemental disclosure of cash flow information:			
Net cash paid during the period for:			
Interest	$ 5,575	$ 6,014	$ 1,326

Income taxes	$	2,125	$	5,921	$	1,099

See accompanying notes to consolidated financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share data)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Allied Motion Technologies Inc. (Allied Motion or the Company) is engaged in the business of designing, manufacturing and selling motion control solutions, which include integrated system solutions as well as individual motion control products, to a broad spectrum of customers throughout the world primarily for the commercial motor, industrial motion, automotive control, medical, and aerospace and defense markets.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

For business combinations, we record net assets acquired and liabilities assumed at their fair values. The operating results for Globe Motors, Inc. (Note 2.) are included in the consolidated statements of income and comprehensive income for the year ended December 31, 2013 from October 18, 2013, the date of acquisition.

Cash and Cash Equivalents

Cash and cash equivalents include instruments which are readily convertible into cash (original maturities of three months or less) and which are not subject to significant risk of changes in interest rates. Cash flows from foreign currency transactions are translated using an average rate.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in the Company s existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future.

Activity in the allowance for doubtful accounts for 2015, 2014 and 2013 was as follows (in thousands):

	December 31, 2015	December 31, 2014	December 31, 2013
Beginning balance	$ 367		