UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2008

Commission File Number

0-04041

ALLIED MOTION TECHNOLOGIES INC.

(Exact Name of Registrant as Specified in Its Charter)

Colorado	**84-0518115**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

23 Inverness Way East, Suite 150

Englewood, Colorado 80112

Telephone: (303) 799-8520

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

Number of Shares of the only class of Common Stock outstanding: 7,306,274 as of November 5, 2008

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ALLIED MOTION TECHNOLOGIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, except per share data)

(Unaudited)

	September 30, 2008	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,498	$ 534
Trade receivables, net of allowance for doubtful accounts of $212 and $254 at September 30, 2008 and December 31, 2007, respectively	11,569	10,223
Inventories, net	11,182	11,000
Deferred income taxes	470	724
Prepaid expenses and other	1,289	1,171
Total Current Assets	28,008	23,652
Property, plant and equipment, net	10,361	11,133
Goodwill and intangible assets	15,887	16,722
Total Assets	$ 54,256	$ 51,507
Liabilities and Stockholders Investment		
Current Liabilities:		
Debt obligations	805	827
Accounts payable	5,931	5,197
Accrued liabilities and other	4,611	4,563
Income taxes payable	736	669
Total Current Liabilities	12,083	11,256
Debt obligations, net of current portion	2,200	3,595
Deferred income taxes	1,285	1,452
Pension and post-retirement obligations	1,127	1,207
Total Liabilities	16,695	17,510
Commitments and Contingencies		
Stockholders Investment:		
Preferred stock, par value $1.00 per share, authorized 5,000 shares; no shares issued or outstanding		
Common stock, no par value, authorized 50,000 shares; 7,306 and 6,942 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	17,902	16,746
Retained earnings	17,928	15,297
Other comprehensive income	1,731	1,954
Total Stockholders Investment	37,561	33,997
Total Liabilities and Stockholders Investment	$ 54,256	$ 51,507

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, except per share data)

(Unaudited)

	For the three months ended September 30, 2008	2007	For the nine months ended September 30, 2008	2007
Revenues	$ 21,538	$ 20,901	$ 68,399	$ 63,292
Cost of products sold	16,034	15,613	50,329	48,145
Gross margin	5,504	5,288	18,070	15,147
Operating costs and expenses:				
Selling	1,134	959	3,288	2,783
General and administrative	2,097	1,860	6,941	5,477
Engineering and development	1,041	999	3,043	2,961
Amortization of intangible assets	264	259	797	773
Total operating costs and expenses	4,536	4,077	14,069	11,994
Operating income	968	1,211	4,001	3,153
Other income (expense), net:				
Interest expense	(33)	(153)	(132)	(556)
Other income (expense), net	115	(3)	42	55
Total other income (expense), net	82	(156)	(90)	(501)
Income before income taxes	1,050	1,055	3,911	2,652
Provision for income taxes	(346)	(369)	(1,282)	(904)
Net income	$ 704	$ 686	$ 2,629	$ 1,748
Basic net income per share:				
Net income per share	$ 0.10	$ 0.10	$ 0.36	$ 0.26
Basic weighted average common shares	7,305	6,655	7,253	6,620
Diluted net income per share:				
Net income per share	$ 0.09	$ 0.10	$ 0.35	$ 0.24
Diluted weighted average common shares	7,473	7,099	7,426	7,147

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	For the nine months ended September 30, 2008	2007
Cash Flows From Operating Activities:		
Net income	$ 2,629	$ 1,748
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,648	2,607
Other	672	678
Changes in assets and liabilities:		
Trade receivables	(1,508)	(1,857)
Inventories, net	(409)	(1,087)
Prepaid expenses and other	(128)	(356)
Accounts payable	813	1,599
Accrued liabilities and other	67	(864)
Net cash provided from operating activities	4,784	2,468
Cash Flows From Investing Activities:		
Purchase of property and equipment	(1,121)	(977)
Net cash used in investing activities	(1,121)	(977)
Cash Flows From Financing Activities:		
(Repayments) on lines-of-credit, net	(824)	(683)
Borrowings on term loans		4,000
Repayments on term loans	(600)	(4,981)
Repayment of capital lease obligations	(22)	(89)
Stock transactions under employee benefit stock plans	806	211
Debt issuance costs		(142)
Net cash used in financing activities	(640)	(1,684)
Effect of foreign exchange rate changes on cash	(59)	28
Net increase (decrease) in cash and cash equivalents	2,964	(165)
Cash and cash equivalents at beginning of period	534	669
Cash and cash equivalents at September 30	$ 3,498	$ 504

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.

1. Basis of Preparation and Presentation

Allied Motion Technologies Inc. (the Company) is engaged in the business of designing, manufacturing and selling motion control products to a broad spectrum of customers throughout the world. The Company is organized into five business units: Emoteq, Computer Optical Products, Motor Products, Stature Electric and Premotec.

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

The assets and liabilities of the Company s foreign subsidiaries are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average rates prevailing during the month of the transaction. The resulting translation adjustments are included in the cumulative translation adjustment component of stockholders investment in the accompanying consolidated balance sheets. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

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

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

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the Annual Report on Form 10-K for the year ended December 31, 2007 that was previously filed by the Company.

Recent Accounting Pronouncements

In February 2007 the Financial Accounting Standards Board (FASB) issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115, which permits companies to choose, at specified election dates, to measure certain financial instruments and other eligible items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are subsequently reported in earnings. The decision to elect the fair value option is generally irrevocable, is applied instrument by instrument and can only be applied to an entire instrument. The standard was effective for the Company as of January 1, 2008. The Company has not elected the fair value option for any eligible items.

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2. Inventories

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

	September 30, 2008	December 31, 2007
Parts and raw materials	$ 8,398	$ 8,326
Work-in process	2,449	2,002
Finished goods	1,997	2,433
	12,844	12,761
Less reserves	(1,662)	(1,761)
Inventories, net	$ 11,182	$ 11,000

3. Property, Plant and Equipment

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

	September 30, 2008	December 31, 2007
Land	$ 332	$ 332
Building and improvements	4,744	4,685
Machinery, equipment, tools and dies	17,135	16,336
Furniture, fixtures and other	2,470	2,349
	24,681	23,702
Less accumulated depreciation	(14,320)	(12,569)
Property, Plant and Equipment, net	$ 10,361	$ 11,133

4. Stock-Based Compensation

The Company s stock incentive plans provide for awards of stock options, stock appreciation rights and restricted stock to employees and directors, as determined by the board of directors.

Stock Options

All stock options were fully vested by September 30, 2006, and the Company did not recognize any compensation expense relating to outstanding stock options during the three and nine months ended September 30, 2008 or 2007.

The following is a summary of option activity, during the nine months ended September 30, 2008:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)		Aggregate Intrinsic Value
Outstanding at beginning of period	843,200	$	3.75	2.6		
Forfeited	(6,000)	$	4.99			
Exercised	(248,250)	$	2.56		$	517,000
Outstanding at end of Period	588,950	$	4.23	2.5	$	629,000
Exercisable at end of period	588,950	$	4.23	2.5	$	629,000

There have been no options granted since October 2004.

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Restricted Stock

On February 18, 2008 and July 30, 2008, 84,950 and 2,000 shares of unvested restricted stock were awarded with a value of $4.89 and $5.43 per share, respectively. The value at the date of grant is amortized to compensation expense over the related three year vesting period. Shares of restricted stock are forfeited if an employee leaves the Company before the vesting date. Shares that are forfeited become available for future grant under the Company s stock incentive plans. During the three months ended September 30, 2008 and 2007, compensation expense, net of forfeitures, of $84,000 and $55,000 was recorded, respectively. During the nine-months ended September 30, 2008 and 2007, compensation expense, net of forfeitures, of $250,000 and $142,000 was recorded, respectively.

The following is a summary of restricted stock activity during the nine months ended September 30, 2008:

	Number of Shares
Outstanding at beginning of period	119,460
Granted	86,950
Forfeited	(2,447)
Vested	(52,467)
Outstanding at end of Period	151,496

5. Earnings per Share

Basic income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share is determined by dividing the net income by the sum of (1) the weighted average number of common shares outstanding and (2) if not anti-dilutive, the effect of stock awards determined utilizing the treasury stock method. The dilutive effect of outstanding awards for the three months ended September 30, 2008 and 2007 was 168,000 and 444,000 shares, respectively. The dilutive effect of outstanding awards for the nine months ended September 30, 2008 and 2007 was 173,000 and 527,000 shares, respectively. Stock options to purchase 139,000 and 55,000 shares of common stock were excluded from the calculation of diluted income per share for the three and nine months ended September 30, 2008 and 2007, respectively, since the results would have been anti-dilutive.

6. Segment Information

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in one segment for the manufacture and marketing of motion control products for original equipment manufacturers and end user applications. In accordance with SFAS No. 131, the Company s chief operating decision maker has been identified as the Office of the President and Chief Operating Officer, which reviews operating results to make decisions about allocating resources and assessing performance for the entire company. SFAS No. 131, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under SFAS No. 131 due to their similar customer base and similarities in: economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company

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operates in one segment, all financial information required by SFAS No. 131 can be found in the accompanying consolidated financial statements and within this note.

The Company s wholly owned foreign subsidiary, Premotec, located in Dordrecht, The Netherlands is included in the accompanying consolidated financial statements. Financial information related to the foreign subsidiaries is summarized below (in thousands):

	As of and for the three months ended September 30,		As of and for the nine months ended September 30,	
	2008	2007	2008	2007
Revenues derived from foreign subsidiaries	$ 6,621	$ 5,122	$ 21,135	$ 15,789
Identifiable assets	$ 12,777	$ 10,974	$ 12,777	$ 10,974

Sales to customers outside of the United States by all subsidiaries were $9,736,000 and $7,733,000 during the three months ended September 30, 2008 and 2007, respectively, and $30,217,000 and $22,554,000 for the nine months ended September 30, 2008 and 2007, respectively.

During the three and nine months ended September 30, 2008 and 2007, no single customer accounted for more than 10% of total revenues.

7. Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by and distributions to stockholders.

Comprehensive income is computed as follows (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Net income	$ 704	$ 686	$ 2,629	$ 1,748
Foreign currency translation adjustment	(770)	328	(223)	429
Comprehensive (loss) income	$ (66)	$ 1,014	$ 2,406	$ 2,177

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8. Goodwill and Intangible Assets

Included in goodwill and intangible assets on the Company s consolidated balance sheets are the following intangible assets (in thousands):

	September 30, 2008	December 31, 2007	Estimated Life
Goodwill	$ 12,293	$ 12,343	
Amortizable intangible assets			
Customer lists	4,567	4,589	8 years
Trade name	1,340	1,340	10 years
Design and technologies	2,693	2,713	8 years
Patents	24		
Accumulated amortization	(5,030)	(4,263)	
Total intangible assets	3,594	4,379	
Total goodwill and intangible assets	$ 15,887	$ 16,722	

The change in the carrying amount of goodwill for 2008 is as follows (in thousands):

	September 30, 2008
Balance at beginning of period	$ 12,343
Effect of foreign currency translation	(50)
Balance at end of period	$ 12,293

Amortization expense for intangible assets was $264,000 and $259,000 for the three months ended September 30, 2008 and 2007, respectively, and $797,000 and $773,000 for the nine months ended September 30, 2008 and 2007, respectively.

9. Debt Obligations

Debt obligations consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
Credit Agreement (at variable rates)		
Term Loan, 3.24% as of September 30, 2008	$ 3,000	$ 3,600
Revolving line-of-credit		795
Capital lease obligations	5	27
Total	3,005	4,422
Less current maturities	(805)	(827)

Long-term debt obligations	$ 2,200	$ 3,595

The credit agreement contains certain financial covenants related to maximum leverage, minimum fixed charge coverage and minimum tangible net worth of the company. The Company was in compliance with all covenants at September 30, 2008.

At September 30, 2008, approximately $15.3 million was available under the credit agreement and 300,000 was available under a bank overdraft facility.

10. <u>Subsequent Event</u>

On October 11, 2008, our manufacturing facility for Computer Optical Products (COPI), located in Chatsworth, California, sustained heavy damage from a fire. The damaged facility is leased by COPI. The Company is fully insured for damage to its assets and for any loss of profits consequent to the business interruption due to the fire. We expect the property insurance proceeds, which are based on replacement cost, to exceed the net book value of the damaged assets. The gain or loss as a result of the fire and any business interruption recoveries will be recognized in subsequent periods as recoverable amounts are determined and finalized with the insurance company.

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11. Reclassifications

Certain prior year balances were reclassified to conform to the current year presentation. Those reclassifications had no impact on net income, stockholders investment or cash flows from operations as previously reported.

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

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

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

Overview

Allied Motion, a member of the Russell Microcap Index, designs, manufactures and sells motion products to a broad spectrum of customers throughout the world primarily for the commercial motor, industrial motion control, and aerospace and defense markets. Examples of the end products using Allied Motion s technology in the medical and health care industries include wheel chairs, scooters, stair climbers, vehicle

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lifts, patient handling tables, electric powered surgical hand pieces, programmable pumps to meter and administer infusions associated with chemotherapy, pain control and antibiotics; nuclear imaging systems, automated pharmacy dispensing equipment, kidney dialysis equipment, respiratory ventilators and heart pumps. In electronics, our products are used in the handling, inspection, and testing of components and in the automation and verification of final products such as PC s, game equipment, cell phones, etc. Our motors are used in the HVAC systems of trucks, buses, RV s, boats and off-road construction/farming equipment. These motors operate a variety of actuation systems (e.g., lifts, slide-outs, covers etc.), they provide improved fuel efficiency while the vehicles are idling and are used in drive by wire applications to electrically replace a variety of mechanical linkages. Our products are also utilized in high performance vehicles, vehicles using alternative fuel systems such as LPG, fuel cell and hybrid vehicles. Our geared motor products are utilized in commercial grade floor cleaners, polishers and material handling devices for factories and commercial buildings. Our products are also used in a variety of military/defense applications including inertia guided missiles, mid range munitions systems and weapons systems on armored personnel carriers, and in security door access control and airport screening and scanning devices. Other end products utilizing our technology include high definition printers; tunable lasers and spectrum analyzers for the fiber optic industry; processing equipment for the semiconductor industry, as well as cash dispensing machines (ATM s).

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

The Company has made considerable progress in implementing its corporate strategy, with the driving force of Applied Motion Techn