ADVANCED ENERGY INDUSTRIES INC

FORM 10-Q
(Quarterly Report)

Filed 11/13/1997 For Period Ending 9/30/1997

Address	1625 SHARP POINT DR
	FT COLLINS, Colorado 80525
Telephone	970-221-4670
CIK	0000927003
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 1997.

[ ] 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: 0-26966

ADVANCED ENERGY INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE                                 84-0846841
-------------------------------          ------------------------------------
(State or other jurisdiction of          (I.R.S. Employer Identification No.)
incorporation or organization)


1625 SHARP POINT DRIVE, FORT COLLINS, CO   80525
----------------------------------------   ------------------------------------
(Address of principal executive offices)   (Zip Code)
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Registrant's telephone number, including area code: (970) 221-4670

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 .

As of September 30, 1997, there were 21,401,494 shares of the Registrant's Common Stock, par value $0.001 per share, outstanding.

ADVANCED ENERGY INDUSTRIES, INC.
FORM 10-Q

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 9,250	$11,231
Accounts receivable, net	34,585	16,116
Inventories	20,911	13,976
Prepaid expenses and other current assets	1,648	1,013
Deferred income tax benefit	1,280	1,223
Total current assets	67,674	43,559
Property and equipment, net	10,587	9,500
Other assets	1,784	2,972
Goodwill	7,335	--
Total assets	$87,380	$56,031
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$13,233	$ 2,253
Accrued payroll and employee benefits	4,852	2,396
Other accrued expenses	1,079	1,156
Customer deposits	164	166
Accrued income tax payable	1,423	1,485
Current portion of long-term debt	4,495	924
Total current liabilities	25,246	8,380
Long-term debt	10,220	1,127
Deferred income tax liability	28	28
Total liabilities	35,494	9,535
Stockholders' equity	51,886	46,496
Total liabilities and stockholders' equity	$87,380	$56,031

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER ENDED SEPTEMBER 30,	
	1997 (UNAUDITED)	1996 (UNAUDITED)
Net Sales	$42,571	$21,639
Cost of Sales	25,538	15,047
Gross profit	17,033	6,592
Operating Expenses:		
Research and development	4,072	3,349
Sales and marketing	2,329	2,201
General and administrative	1,943	933
Storm damage	3,000	--
Purchased in-process research and development	3,080	--
Operating Income	2,609	109
Other income, net	54	97
Net income before income taxes	2,663	206
Provision for income taxes	2,146	83
Net Income	$ 517	$ 123
Net Income per share	$ 0.02	$ 0.01
Weighted average shares outstanding	22,402	21,622

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997 (UNAUDITED)	1996 (UNAUDITED)
Net Sales	$95,928	$78,636
Cost of Sales	58,835	49,286
Gross profit	37,093	29,350
Operating Expenses:		
Research and development	10,406	10,491
Sales and marketing	6,464	6,532
General and administrative	4,893	4,989
Storm damage	3,000	--
Purchased in-process research and development	3,080	--
Operating Income	9,250	7,338
Other expense, net	(46)	(139)
Net income before income taxes	9,204	7,199
Provision for income taxes	4,632	2,741
Net Income	$ 4,572	$ 4,458
Net Income per share	$ 0.21	$ 0.21
Weighted average shares outstanding	22,073	21,645

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 1997 (UNAUDITED)	NINE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,572	$ 4,458
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation and demonstration equipment amortization	2,395	1,914
Goodwill amortization	126	--
Purchased in-process research and development	3,080	--
Bad debt reserve	100	--
Amortization of deferred compensation	36	36
Loss on disposal of property and equipment	3	41
Changes in operating assets and liabilities --		
Accounts receivable, trade	(15,748)	(520)
Related parties and other receivables	(1,171)	(120)
Inventories	(4,244)	806
Income taxes	(300)	(1,040)
Other current assets	(596)	(335)
Deposits and other	648	43
Demonstration and customer service equipment	65	(536)
Accounts payable	9,688	(4,058)
Accrued payroll and employee benefits	2,178	(253)
Customer deposits and other accrued expenses	(79)	18
Net cash provided by operating activities	753	454
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Tower Electronics, Inc., net of cash acquired	(12,061)	--
Purchase of property and equipment, net	(2,730)	(4,878)
Net cash used in investing activities	(14,791)	(4,878)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes receivable	690	--
Proceeds from notes payable	12,000	--
Repayment of notes payable and capital lease obligations	(725)	(502)
Proceeds from sale of common stock	132	129
Net cash provided by (used in) financing activities	12,097	(373)
EFFECT OF CUMULATIVE TRANSLATION ADJUSTMENT	(40)	9
DECREASE IN CASH AND CASH EQUIVALENTS	(1,981)	(4,788)
CASH AND CASH EQUIVALENTS, beginning of period	11,231	13,332
CASH AND CASH EQUIVALENTS, end of period	$ 9,250	$ 8,544
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Exercise of stock options in exchange for stockholders' notes receivable	$ 148	$ --
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 232	$ 143
Cash paid for income taxes	$ 3,320	$ 3,657

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION AND MANAGEMENT OPINION

In the opinion of management, the accompanying unaudited consolidated balance sheets and statements of operations and cash flows contain all adjustments, consisting only of normal recurring items, necessary to present fairly the financial position of Advanced Energy Industries, Inc., a Delaware corporation, and its wholly owned subsidiaries (the "Company") at September 30, 1997, and the results of their operations and cash flows for the three and nine month periods ended September 30, 1997 and September 30, 1996.

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's latest annual report on Form 10-K for the year ended December 31, 1996.

(2) INITIAL PUBLIC OFFERING

In November 1995, the Company closed on the initial public offering of its common stock. In connection with the offering, 2,400,000 shares of previously unissued common shares were sold at a price of $10 per share, providing gross proceeds of $24,000,000, less $2,790,000 in offering costs.

(3) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
	(IN THOUSANDS)	
Domestic	$20,340	$ 9,944
Foreign	12,594	5,585
Allowance for doubtful accounts	(349)	(242)
Trade accounts receivable	$32,585	$15,287
Related parties	800	541
Other	1,200	288
Total accounts receivable	$34,585	$16,116

(4) INVENTORIES

Inventories consisted of the following:

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
	(IN THOUSANDS)	
Parts and raw materials	$14,293	$11,149
Work in process	3,466	1,122
Finished goods	3,152	1,705
Total inventories	$20,911	$13,976

(5) NET INCOME PER COMMON SHARE

Net income per share is computed based on results of operations attributable to common stock and weighted average number of common and common equivalent shares outstanding during each of the periods. Earnings per share are calculated by dividing the net earnings by the weighted average of common and common equivalent shares outstanding during each of the periods.

(6) STOCKHOLDERS' EQUITY

Stockholders' equity consisted of the following:

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
	(IN THOUSANDS. EXCEPT PAR VALUE)	
Common stock, $0.001 par value, 30,000 shares authorized; 21,401 and 21,268 shares issued and outstanding	$ 21	$ 21
Additional paid-in capital	23,355	23,075
Retained earnings	29,637	25,065
Stockholders' notes receivable	(541)	(1,083)
Deferred compensation	(46)	(82)
Cumulative translation adjustment	(540)	(500)
Total stockholders' equity	$51,886	$46,496

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains, in addition to historical information, forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve risks and uncertainties. As a result, the Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and in the Company's 1996 annual report on Form 10-K.

In particular, the Company believes that the following factors could impact forward-looking statements made herein or in future written or oral releases and by hindsight, prove such statements to be overly optimistic and unachievable: volatility of the semiconductor and semiconductor equipment industries, customer concentration, dependence on design wins, rapid technological change and dependence on new system introduction, competition, and management of growth.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

SALES

Sales for the third quarter of 1997 were $42.6 million, an increase of 97% from third quarter of 1996 sales of $21.6 million. The increase in sales between such periods has resulted from increased unit sales of the Company's systems. A significant part of the unit sales increase was attributable to increased demand by domestic semiconductor equipment customers, primarily the Company's two largest customers, reflecting recovery in the semiconductor equipment industry. Sales to data storage and flat panel display customers also increased significantly. Sales to industrial and other markets were flat. Sales in all geographic areas increased from the comparable quarter in 1996.

On August 15, 1997, the Company purchased all of the outstanding stock of Tower Electronics, Inc. ("Tower"), a privately-held Minnesota-based manufacturer of custom, low-power power supplies used principally in the telecommunications, medical and non-contact printing markets. For the period of August 15, 1997, through September 30, 1997 Tower accounted for $1.0 million of the Company's consolidated sales.

GROSS MARGIN

The Company's gross margin for the third quarter of 1997 was 40.0%, up from 30.5% in the comparable period in 1996, and improved from 38.4% in the second quarter of 1997. The increase in gross margin from the third quarter of 1996 to the third quarter of

1997 was due to decreased material costs. Certain provisions for inventory revaluation reserves made in the third quarter of 1996 were not required to be made in the comparable period in 1997. Other reasons for the increase in gross margin between the third quarter of 1996 and the third quarter of 1997 were more favorable absorption of infrastructure and customer service costs, as a result of the higher sales base in 1997.

The Company sustained damage to its manufacturing facilities and certain equipment during a severe rainstorm on July 29, 1997, which interrupted production during the subsequent sixty day period. Immediately prior to the rainstorm, the Company had been increasing its manufacturing overhead costs through increased staffing in anticipation of higher sales levels. Due to the impact of the storm, full production capabilities were underutilized resulting in underabsorption of manufacturing overhead. The Company has since returned to full production and continues to undertake measures to increase capacity to meet demand.

RESEARCH AND DEVELOPMENT

The Company's research and development expenses are incurred researching new technologies, developing new products and improving existing product designs. Research and development expenses for the third quarter of 1997 increased to $4.1 million from $3.3 million in the comparable period in 1996, primarily as a result of increased spending for new product development. As a percentage of sales, research and development expenses decreased to 9.6% in the third quarter of 1997 from 15.5% in the third quarter of 1996, as a result of the higher sales base.

In connection with the acquisition of Tower on August 15, 1997, the Company recorded a one-time charge of $3.1 million in the third quarter of 1997 for the portion of the purchase price attributable to in-process research and development costs.

The Company believes that continued research and development investment is essential to ongoing development of new products. Since inception, all research and development costs have been internally funded and expensed.

SALES AND MARKETING

Sales and marketing expenses support domestic and international sales and marketing activities that include personnel, trade shows, advertising, and other marketing activities. Sales and marketing expenses for the third quarter of 1997 were $2.3 million, compared to $2.2 million in the third quarter of 1996, representing an increase of 5.8%. The increase was primarily due to higher payroll costs. As a percentage of sales, sales and marketing expenses decreased to 5.5% in the third quarter of 1997 from 10.2% in the third quarter of 1996, as a result of the higher sales base.

The Company is in the process of reorganizing its sales and marketing team to better address the specific needs of its customers. Sales and marketing expenses are expected to continue to increase in future periods.

GENERAL AND ADMINISTRATIVE

General and administrative expenses support the worldwide financial, administrative, information systems and human resources functions of the Company. General and administrative expenses for the third quarter of 1997 were $1.9 million, compared to $0.9 million in the third quarter of 1996. In the third quarter of 1996, the Company reduced accrued bonuses and other employee benefits as part of its cost reduction efforts, which were one-time reductions not made in the comparable period in 1997. As a percentage of sales, general and administrative expenses increased slightly to 4.6% in the third quarter of 1997 from 4.3% in the third quarter of 1996, as a result of the higher sales base.

The Company is in the process of implementing new information management system software throughout the Company, including the replacement of existing systems in its foreign locations. The Company expects that charges related to training and implementation of the new software will continue into 1998, particularly for the foreign locations.

ONE-TIME CHARGES

The Company took one-time charges totaling $6.1 million in the third quarter of 1997. A charge of $3.0 million was taken for storm damage to the Company's headquarters and main manufacturing facilities that resulted from heavy rains in the Fort Collins area on July 29, 1997. The extent of insurance coverage, if any, is unresolved. Any recoveries from the Company's insurance will be recorded when received.

As part of the acquisition of Tower, the Company incurred a charge of $3.1 million for purchased in-process research and development, which is non- deductible for income tax purposes.

OTHER INCOME (EXPENSE)

Other income (expense) consists primarily of foreign exchange gains and losses, interest income and expense and other miscellaneous income and expense items. Other income was $0.1 million for the third quarter of 1997, unchanged from the third quarter of 1996.

The majority of the Company's foreign sales are denominated in local currencies. The Company has experienced fluctuations in foreign currency exchange rates during the first half of 1997, particularly against the Japanese Yen. As a hedge against currency fluctuations in the Japanese Yen, the Company entered into various forward foreign exchange contracts during the first half of 1997 to mitigate the effect of potential depreciation in the Yen. The Company continues to evaluate various policies to minimize the effects of currency fluctuations.

PROVISION FOR INCOME TAXES

The income tax provision of $2.1 million for the third quarter of 1997 represented an estimated effective rate of 80.6% compared to an effective income tax rate for the year 1996 of 38.1%. The higher tax rate exceeds the normal tax provision for the Company because certain charges, including the $3.1 million one-time charge for purchased in-process research and development, were not deductible. The Company adjusts its income taxes periodically based upon the anticipated tax status of all foreign and domestic entities.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

SALES

Sales for the first nine months of 1997 were $95.9 million, an increase of 22% from sales of $78.6 million in the comparable period in 1996. The Company's increase in sales between such periods has resulted from increased unit sales of the Company's systems during the third quarter of 1997. A significant part of the sales increase is attributable to increased demand by domestic semiconductor equipment customers, primarily the Company's larger customers, reflecting the recovery in the semiconductor equipment industry from a downturn in the second half of 1996 and the first half of 1997. Sales to the data storage and flat panel display industries also increased between the periods presented. Sales to customers in Japan increased 115% from the comparable period in 1996.

GROSS MARGIN

The Company's gross margin for the first nine months of 1997 was 38.7%, an increase from 37.3% in the comparable period in 1996. The increase in gross margin between such periods was due primarily to lower infrastructure costs associated with cost of goods sold. Cost improvements as a percentage of sales were achieved to a lesser extent in materials, labor and customer support costs largely because of the higher sales base. These improvements were partially offset by a less favorable absorption of manufacturing overhead costs.

The Company sustained damage to its manufacturing facilities and certain equipment during a severe rainstorm on July 29, 1997, which interrupted production during the subsequent sixty day period. Immediately prior to the rainstorm, the Company had been increasing its manufacturing overhead costs through increased staffing in anticipation of higher sales levels. Due to the impact of the storm, full production capabilities were underutilized resulting in underabsorption of manufacturing overhead. The Company has since returned to full production and continues to undertake measures to increase capacity to meet demand.

The underabsorption of manufacturing overhead may continue to negatively impact gross margin.

RESEARCH AND DEVELOPMENT

Research and development expenses for the first nine months of 1997 were $10.4 million, down slightly from $10.5 million in the comparable period in 1996. As a percentage of sales, research and development expenses decreased to 10.8% in the first nine months of 1997 from 13.3% in the comparable period in 1996, as a result of the higher sales base.

SALES AND MARKETING

Sales and marketing expenses for the first nine months of 1997 were $6.5 million, unchanged from the comparable period in 1996. As a percentage of sales, sales and marketing expenses decreased to 6.7% in the first nine months of 1997 from 8.3% in the comparable period in 1996, as a result of the higher sales base.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the first nine months of 1997 were $4.9 million, down slightly from $5.0 million in the comparable period in 1996. As a percentage of sales, general and administrative expenses decreased to 5.1% in the first nine months of 1997 from 6.3% in the comparable period in 1996, as a result of the higher sales base.

PROVISION FOR INCOME TAXES

The income tax provision of $4.6 million for the first nine months of 1997 represented an estimated effective rate of 50.3%, compared to $2.7 million and an effective rate of 38.1% for the comparable period in 1996. The higher tax rate exceeds the normal tax provision for the Company because certain charges, including the $3.1 million one-time charge for purchased in-process research and development, were not deductible. The Company adjusts its income tax provisions periodically based upon the anticipated tax status of all foreign and domestic entities.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations, acquired equipment and met its working capital requirements through borrowings under its revolving line of credit, long-term loans secured by property and equipment and cash flow from operations, and, from November 1995, proceeds from its initial public offering.

Cash provided by operations totaled $0.8 million for the first nine months of 1997 compared to $0.5 million for the same period in 1996. Cash provided in the first nine months of 1997 was primarily a result of net income plus non-cash items affecting net income, and increases in accounts payable, offset by increases in accounts receivable and inventories. Cash provided in the comparable period in 1996 was primarily a result of net income offset by decreases in accounts payable.

The major investing activity for the first nine months of 1997 occurred in the third quarter and consisted of the acquisition of Tower, which used cash of $12.1 million. Additionally, the Company purchased equipment, which used cash of $2.7 million. Total investing activities for the first nine months of 1997 used cash of $14.8 million. In the comparable period in 1996, investing activities used cash of $4.9 million and consisted of equipment purchases and leasehold improvements made primarily as a result of the Company's move into a new 56,000 square foot building during the first quarter of 1996.

Financing activities in the first nine months of 1997 provided cash of $12.1 million and consisted primarily of proceeds from notes payable of $12.0 million and proceeds from notes receivable of $0.7 million offset by repayment of notes payable and capital lease obligations. In the comparable period in 1996, financing activities used cash of $0.4 million and consisted primarily of repayment of notes payable and capital lease obligations.

The Company plans to spend approximately $1.4 million through the remainder of 1997 for the acquisition of manufacturing and test equipment and furnishings.

As of September 30, 1997, the Company had working capital of $42.4 million. The Company's principal sources of liquidity consisted of $9.3 million of cash and cash equivalents, and a credit facility consisting of a $10.0 million revolving line of credit which replaced the Company's prior line of credit, a $12.0 million term loan to finance the acquisition of Tower, and a $4.0 million line of credit to acquire or refinance borrowings for equipment. Advances under the new revolving line of credit bear interest at either the prime rate (8.5% at October 31, 1997) minus 0.75% or the LIBOR six month rate (5.8125% at October 31, 1997) plus 175 basis points, at the Company's option. All advances under the revolving line of credit will be due and payable in August 1999. The term loan was drawn in August 1997, in connection with the Tower acquisition, and was repaid in full during October 1997. Prior to repayment, amounts outstanding under the term loan bore interest at the prime rate minus 0.25%. The term loan included a prepayment penalty of 0.75% of the amount of the prepayment. Advances under the equipment line of credit bear interest at prime rate minus 0.5%, with interest payable monthly through August 1998 and quarterly thereafter until fully paid. The Company also has a pre-existing term loan for equipment financing for its US operations. At September 30, 1997, $1.1 million was outstanding under the term loan, which bears interest at prime minus 0.25% and is due November 5, 1999.

The Company believes that its cash and cash equivalents, cash flow from operations and available borrowings, will be sufficient to meet the Company's working capital needs through mid-1998. After that time, the Company may require additional equity or debt financing to address its working capital, capital equipment, or expansion needs. In addition, any significant acquisitions by the Company may require additional equity or debt financings to fund the purchase price, if paid in cash. There can be no assurance that additional funding will be available when required or that it will be available on terms acceptable to the Company.

SUBSEQUENT EVENTS

In October 1997, the Company completed an underwritten public offering of 1,000,000 shares of previously unissued common stock at a price of $31 per share, for aggregate net proceeds of approximately $28.8 million after deducting underwriters' commissions and offering costs. The Company used $12.0 million of the net proceeds to repay the $12.0 million term loan used to finance the acquisition of Tower, and incurred a prepayment penalty of approximately $90,000. The remaining proceeds were added to the Company's working capital to finance future business needs. Additionally, 1,500,000 of outstanding shares of previously issued common stock were registered and sold by certain shareholders of the Company.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Number	Description
2.1	Share Purchase Agreement, dated as of August 11, 1997, among the Company, Roger C. Hertel and Tower Electronics, Inc.(1)
3.1	Restated Certificate of Incorporation(2)
3.2	By-laws(2)
4.1	Form of Specimen Certificate for Registrant's Common Stock(2)

4.2 The Company hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of the instruments which define the rights of the holders of long-term debt of the Company. None of such instruments represents long-term debt in excess of 10% of the consolidated total assets of the Company.

10.1 Loan and Security Agreement dated August 15, 1997, among Silicon Valley Bank, Bank of Hawaii and the Company (3)

27.1 Financial Data Schedule

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(1) Incorporated by reference to the Company's Current Report on Form 8-K (File No. 0-26966), dated August 15, 1997, filed August 19, 1997, as amended.
(2) Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 33-97188), filed September 20, 1995, as amended.
(3) Incorporated by reference to the Company's Registration Statement on Form S-3 (File No. 333-34039), filed August 21, 1997, as amended.

(b) Reports on Form 8-K

On August 18, 1997, the Company filed a Current Report on Form 8-K dated August 15, 1997, pursuant to Item 2 of Form 8-K, to report the Company's acquisition of Tower, which Current Report was amended on Form 8-K/A (filed September 16, 1997), to include financial statements of Tower and pro forma financial information required by Item 7 of Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCED ENERGY INDUSTRIES, INC.

	/s/ Richard P. Beck
November 13, 1997	*Vice President, Chief Financial Officer, Assistant Secretary and Director (Principal Financial Officer and Principal Accounting Officer)*

EXHIBIT INDEX

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ARTICLE 5

CIK: 0000927003

NAME: 27.1

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JUL 01 1997
PERIOD END	SEP 30 1997
CASH	9,250
SECURITIES	0
RECEIVABLES	34,934
ALLOWANCES	(349)
INVENTORY	20,911
CURRENT ASSETS	67,674
PP&E	18,797
DEPRECIATION	(8,210)
TOTAL ASSETS	87,380
CURRENT LIABILITIES	25,246
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	21
OTHER SE	51,865
TOTAL LIABILITY AND EQUITY	87,380
SALES	95,928
TOTAL REVENUES	95,928
CGS	58,835
TOTAL COSTS	58,835
OTHER EXPENSES	27,843
LOSS PROVISION	0
INTEREST EXPENSE	233
INCOME PRETAX	9,204
INCOME TAX	4,632
INCOME CONTINUING	4,572
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,572
EPS PRIMARY	0.21
EPS DILUTED	0.21

End of Filing