

ADVANCED ENERGY INDUSTRIES INC

FORM 10-Q (Quarterly Report)

Filed 5/14/1998 For Period Ending 3/31/1998

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)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 1998.

☐ **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)

DELAWARE

84-0846841

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1625 SHARP POINT DRIVE, FORT
COLLINS, CO

80525

(Address of principal executive
offices)

(Zip Code)

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 April 30, 1998, there were 22,535,862 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)

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 11,539	\$ 11,470
Marketable securities - trading.....	17,821	20,174
Accounts receivable, net.....	26,328	28,386
Inventories.....	23,086	26,243
Other current assets.....	2,060	2,472
Deferred income tax assets, net.....	2,755	2,836
	-----	-----
Total current assets.....	83,589	91,581
	-----	-----
PROPERTY AND EQUIPMENT, net.....	13,177	11,331
OTHER ASSETS:		
Deposits and other.....	910	500
Goodwill, net.....	6,860	7,112
Demonstration and customer service equipment, net..	1,912	1,719
	-----	-----
Total assets.....	\$106,448	\$112,243
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade.....	\$ 7,970	\$ 12,045
Accrued payroll and employee benefits.....	4,665	5,243
Other accrued expenses.....	1,321	1,327
Customer deposits.....	60	226
Accrued income taxes payable.....	1,852	2,734
Current portion of long-term debt.....	2,563	3,298
	-----	-----
Total current liabilities.....	18,431	24,873
	-----	-----
LONG-TERM LIABILITIES:		
Long-term debt.....	10	22
	-----	-----
Total liabilities.....	18,441	24,895
	-----	-----
STOCKHOLDERS' EQUITY.....	88,007	87,348
	-----	-----
Total liabilities and stockholders' equity....	\$106,448	\$112,243
	-----	-----
	-----	-----

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 MARCH 31,	
	1998	1997
	(UNAUDITED)	(UNAUDITED)
SALES.....	\$36,670	\$20,667
COST OF SALES.....	25,543	13,158
	-----	-----
Gross profit.....	11,127	7,509
	-----	-----
OPERATING EXPENSES:		
Research and development.....	4,642	2,821
Sales and marketing.....	2,996	1,799
General and administrative.....	2,153	1,248
	-----	-----
Total operating expenses.....	9,791	5,868
	-----	-----
INCOME FROM OPERATIONS.....	1,336	1,641
OTHER INCOME (EXPENSE).....	149	(387)
	-----	-----
Net income before income taxes.....	1,485	1,254
PROVISION FOR INCOME TAXES.....	564	489
	-----	-----
NET INCOME.....	\$ 921	\$ 765
	-----	-----
	-----	-----
BASIC EARNINGS PER SHARE.....	\$ 0.04	\$ 0.04
	-----	-----
	-----	-----
DILUTED EARNINGS PER SHARE.....	\$ 0.04	\$ 0.04
	-----	-----
	-----	-----
BASIC WEIGHTED-AVERAGE COMMON SHARES		
OUTSTANDING.....	22,501	21,271
	-----	-----
	-----	-----
DILUTED WEIGHTED-AVERAGE COMMON SHARES		
OUTSTANDING.....	23,124	21,735
	-----	-----
	-----	-----

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)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(UNAUDITED)	(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 921	\$ 765
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation and amortization.....	1,250	798
Provision for deferred income taxes.....	81	--
Amortization of deferred compensation.....	12	12
Earnings from marketable securities, net.....	(147)	--
Changes in operating assets and liabilities --		
Accounts receivable-trade, net.....	1,256	(2,702)
Related parties and other receivables.....	802	(174)
Inventories.....	3,157	(2,221)
Other current assets.....	412	146
Deposits and other.....	90	21
Demonstration and customer service equipment.....	(466)	367
Accounts payable, trade.....	(4,075)	2,300
Accrued payroll and employee benefits.....	(578)	194
Customer deposits and other accrued expenses.....	(172)	(342)
Income taxes payable.....	(882)	(89)
Net cash provided by (used in) operating activities.....	1,661	(925)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease of marketable securities.....	2,500	--
Purchase of property and equipment, net.....	(2,571)	(315)
Purchase of preferred stock of Litmas.....	(500)	--
Net cash used in investing activities.....	(571)	(315)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable and capital lease obligations.....	(747)	(300)
Proceeds from sale of common stock.....	25	11
Net cash used in financing activities.....	(722)	(289)
EFFECT OF CURRENCY TRANSLATION ON CASH FLOW.....	(299)	82
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	69	(1,447)
CASH AND CASH EQUIVALENTS, beginning of period.....	11,470	11,231
CASH AND CASH EQUIVALENTS, end of period.....	\$ 11,539	\$ 9,784
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest.....	\$ 3	\$ 39
Cash paid for income taxes.....	\$ 1,340	\$ --

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

ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES

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 March 31, 1998, and the results of their operations and cash flows for the three-month periods ended March 31, 1998 and March 31, 1997.

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, 1997.

(2) ACQUISITION

Effective August 15, 1997, the Company acquired all of the outstanding stock of Tower Electronics, Inc., a Minnesota-based designer and manufacturer of custom, high-performance switchmode power supplies used principally in the telecommunications, medical and non-impact printing industries. The purchase price consisted of \$14.5 million in cash and a \$1.5 million non-interest-bearing promissory note to the seller (the "Note"), payable in August 1998. Total consideration, including the effect of imputing interest on the Note, equaled \$15,889,000. The acquisition was accounted for using the purchase method of accounting and resulted in a one-time charge of \$3,080,000 for in-process research and development acquired as a result of the transaction. Acquisition costs totaled approximately \$209,000.

The results of operations of Tower are included within the accompanying consolidated financial statements.

(3) UNDERWRITTEN PUBLIC OFFERING

In October 1997, the Company effected an underwritten offering of its common stock. In connection with this offering, 1,000,000 shares of common stock were sold at a price of \$31 per share, providing gross proceeds of \$31,000,000. Offering costs and underwriters' commissions totaled \$2,276,000.

(4) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
	-----	-----
	(IN THOUSANDS)	
Domestic.....	\$ 15,111	\$16,724
Foreign.....	10,209	9,854
Allowance for doubtful accounts.....	(426)	(428)
	-----	-----
Trade accounts receivable.....	\$24,894	\$26,150
Related parties.....	581	893
Other.....	853	1,343
	-----	-----
Total accounts receivable.....	\$26,328	\$28,386
	-----	-----

(5) INVENTORIES

Inventories consisted of the following:

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
	-----	-----
	(IN THOUSANDS)	
Parts and raw materials.....	\$15,740	\$18,549
Work in process.....	2,768	2,542
Finished goods.....	4,578	5,152
	-----	-----
Total inventories.....	\$23,086	\$26,243
	-----	-----

(6) EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share," which requires companies to present basic earnings per share ("EPS") and diluted EPS, instead of the primary and fully-diluted EPS that were previously required. The new standard is effective for the Company in fiscal 1997 and all prior periods have been retroactively adjusted. Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued.

(7) STOCKHOLDERS' EQUITY

Stockholders' equity consisted of the following:

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
	-----	-----
	(IN THOUSANDS. EXCEPT PAR VALUE)	
Common stock, \$0.001 par value, 30,000 shares authorized; 22,525 and 22,493 shares issued and outstanding at March 31, 1998 and December 31, 1997, respectively....	\$ 23	\$ 22
Additional paid-in capital.....	52,649	52,625
Retained earnings.....	36,348	35,427
Deferred compensation.....	(22)	(34)
Cumulative translation adjustment.....	(991)	(692)
	-----	-----
Total stockholders' equity.....	\$88,007	\$87,348
	-----	-----

(8) COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income," which is required to be adopted by the Company in fiscal 1998. Reclassification of financial statements for earlier periods provided for comparative purposes is required. SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company adopted SFAS 130 in the first quarter of fiscal 1998.

	QUARTER ENDED MARCH 31, 1998 (UNAUDITED)	QUARTER ENDED MARCH 31, 1997 (UNAUDITED)
	-----	-----
	(IN THOUSANDS)	
Net income, as reported.....	\$921	\$765
Adjustment to arrive at comprehensive net income:		
Cumulative translation adjustment.....	(299)	82
	-----	-----
Comprehensive net income.....	\$622	\$847
	-----	-----
	-----	-----

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 1997 Annual Report on Form 10-K.

In particular, the Company believes that the factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 Part I "CAUTIONARY STATEMENTS -- RISK 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.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1997

SALES

Sales for the first quarter of 1998 were \$36.7 million, an increase of 77% from first quarter of 1997 sales of \$20.7 million. The increase in sales between such periods has resulted from increased unit sales of the Company's systems. Sales for the first quarter of 1998 also include sales by the Company's wholly owned subsidiary Tower Electronics, Inc. ("Tower"), which was acquired as of August 15, 1997. Almost half of the increase in sales was attributable to domestic semiconductor equipment customers, primarily the Company's largest customer. Sales to the data storage market increased significantly, particularly to the Company's largest customer in that industry. Sales to the flat panel display industry also increased from the comparable period last year. Sales to customers in the United States and Europe increased significantly from the comparable quarter in 1997, while the growth in sales to Japan and the Pacific Rim were less substantial. The growth in this region was due to increased sales to data storage customers in Japan.

Sales for the first quarter of 1998 were down 20% from fourth quarter 1997 sales of \$46.0 million. This decrease was due primarily to decreased demand from the semiconductor capital equipment and data storage industries.

GROSS MARGIN

The Company's gross margin for the first quarter of 1998 was 30.3%, down from 36.3% in the comparable period in 1997 and down from 37.6% in the fourth quarter of 1997. The decrease in gross margin from the first quarter of 1997 to the first quarter of 1998 was due primarily to higher raw material costs, unfavorable absorption of manufacturing overhead resulting from lower than anticipated production volumes, and an additional provision of \$1.5 million for excess and obsolete materials. During the first quarter of 1998, raw materials were returned from outsource vendors and became excess following a decline in orders; these raw materials could become obsolete as new products are introduced. Offsetting this was a decrease in customer service costs as a percentage of sales.

The decrease in gross margin from the fourth quarter of 1997 to the first quarter of 1998 was due primarily to unfavorable absorption of manufacturing overhead and to the provision for excess and obsolete materials described above. During the fourth quarter of 1997, the Company expanded into a new manufacturing facility to accommodate the anticipated growth in the semiconductor capital equipment market. The growth in the semiconductor equipment industry did not materialize as expected and resulted in an over-capacity situation. The Company has initiated cost reduction measures, including a 10% reduction in executive salaries and certain scheduled mandatory time off for all personnel, except those in critical functions, in anticipation of continued softness in the semiconductor equipment and data storage markets. Other cost-reducing initiatives are being considered. However, the Company expects that underutilization of manufacturing capacity will continue to negatively impact gross margins until sales improve.

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 first quarter of 1998 were \$4.6 million, an increase of 65% from \$2.8 million in the comparable period in 1997. The increase in expenses was primarily a result of increased spending for payroll and materials and supplies for new product development. As a percentage of sales, research and development expenses decreased slightly to 12.6% in the first quarter of 1998 from 13.7% in the first quarter of 1997, reflecting the higher sales base.

The Company believes that continued research and development investment is essential to ongoing development of new products, which, in turn, is critical to the Company's ability to achieve design wins and otherwise compete in the various industries it serves. 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 first quarter of 1998 were \$3.0 million, compared to \$1.8 million in the first quarter of 1997, representing an increase of 67%. The increase was primarily due to higher payroll costs and materials and supplies expense incurred as the Company continues to strengthen its sales management and product management teams. Additionally, the Company has increased spending in an effort to develop worldwide applications engineering capabilities. As a percentage of sales, sales and marketing expenses decreased slightly to 8.2% in the first quarter of 1998 from 8.7% in the first quarter of 1997, reflecting the higher sales base.

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 first quarter of 1998 were \$2.2 million, compared to \$1.2 million in the first quarter of 1997. The increase in general and administrative spending was primarily a result of increases in payroll and purchased services expenses incurred to provide support services for the increased level of sales. Additionally, \$0.3 million of general and administrative costs for the first quarter of 1998 is attributable to amortization of goodwill. As a percentage of sales, general and administrative expenses decreased slightly to 5.9% in the first quarter of 1998 from 6.0% in the first quarter of 1997, reflecting the Company's effort to contain general and administrative expenses as sales grow.

The Company continues to implement its management system software, including the replacement of existing systems in its foreign locations. The Company expects that charges related to training and implementation of the software will continue through 1998, particularly for the foreign locations.

OTHER INCOME (EXPENSE)

Other income (expense) consists primarily of foreign exchange gains and losses and interest income and expense. Other income for the first quarter of 1998 was \$0.1 million, primarily due to \$0.2 million of interest income from marketable securities. In the comparable period in 1997, other expense was \$0.4 million, primarily due to a foreign currency exchange loss.

The Company experienced fluctuations in foreign currency exchange rates during 1997 and the first quarter of 1998, particularly against the Japanese yen. As a hedge against currency fluctuations in the yen, the Company entered into various forward foreign exchange contracts during 1997 to mitigate the effect of potential depreciation in that

currency. The Company continues to evaluate various policies to minimize the effects of currency fluctuations.

PROVISION FOR INCOME TAXES

The income tax provision of \$0.6 million for the first quarter of 1998 represented an estimated effective rate of 38.0% compared to an effective income tax rate for the year 1997 of 39.2%. The tax rate for 1997 was higher primarily due to charges resulting from the acquisition of Tower that were not deductible. The Company adjusts its provision for income taxes periodically, based upon the anticipated tax status of all of its 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 cash flow from operations, borrowings under its revolving line of credit, long-term loans secured by property and equipment, and, since November 1995, proceeds from underwritten public offerings.

Operations provided cash of \$1.7 million in the first three months of 1998, primarily as a result of net income, depreciation, amortization, and decreases in accounts receivable and inventories, partially offset by decreases in accounts payable. In the comparable period in 1997, operations used cash of \$0.9 million, primarily as a result of increases in accounts receivable and inventories, partially offset by net income, depreciation and increases in accounts payable.

Investing activities used cash of \$0.6 million in the first three months of 1998, as a result of the purchase of property and equipment for \$2.6 million and preferred stock of Litmas, Inc. ("Litmas") for \$0.5 million, partially offset by a decrease of marketable securities of \$2.5 million. In the comparable period in 1997, investing activities used cash of \$0.3 million due to the purchase of property and equipment.

Financing activities used cash of \$0.7 million in the first three months of 1998 and \$0.3 million in the comparable period of 1997. In both periods presented the cash used was due primarily to repayment of notes payable and capital lease obligations.

The Company plans to spend approximately \$3.0 million through the remainder of 1998 for the acquisition of manufacturing and test equipment and furnishings, including the provision of equipment to a new manufacturing facility in Austin, Texas, to accommodate the Company's largest customer in the semiconductor capital equipment industry. The Company also plans to invest an additional \$0.25 million in preferred stock of Litmas in each of the second and third quarters of 1998.

As of March 31, 1998, the Company had working capital of \$65.2 million. The Company's principal sources of liquidity consisted of \$11.5 million of cash and cash equivalents, \$17.8 million of marketable securities, and a credit facility consisting of a \$30.0 million revolving line of credit, with options to convert up to \$10.0 million to a three-year term loan. Advances under the revolving line of credit bear interest at either the prime rate (8.5% at April 30, 1998) minus 1.25% or the LIBOR 360-day rate (5.96875% at April 30, 1998) plus 150 basis points, at the Company's option. All advances under the revolving line of credit will be due and payable in December 2000; however, there were no advances outstanding as of March 31, 1998.

The Company believes that its cash and cash equivalents, marketable securities, cash flow from operations and available borrowings, will be sufficient to meet the Company's working capital needs through the end of 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.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings in the ordinary course of its business to the best of its knowledge.

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:

2.1 Share Purchase Agreement, dated August 11, 1997, among Roger C. Hertel, Tower Electronics, Inc. and the Company(1)

3.1 The Company's Restated Certificate of Incorporation(2)

3.2 The Company's By-laws(2)

4.1 Form of Specimen Certificate for the Company's Common Stock(2)

4.2 The Company hereby agrees to furnish to the SEC, upon request, a copy of the instruments which define the rights of holders of long-term debt of the Company. None of such instruments not included as exhibits herein represents long-term debt in excess of 10% of the consolidated total assets of the Company.

- 10.1 Master Purchase Order and Sales Agreement, dated January 1, 1990, between Applied Materials Inc. and the Company(2)+
- 10.2 Purchase Order and Sales Agreement, dated July 1, 1993, amended September 16, 1995 between Lam Research Corporation and the Company(2)+
- 10.3 Purchase Agreement, dated November 1, 1995, between Eaton Corporation and the Company(3)+
- 10.4 Amended and Restated Loan and Security Agreement, dated as of November 17, 1995, between Silicon Valley Bank and the Company(2)
- 10.5 Loan and Security Agreement, dated August 15, 1997, among Silicon Valley Bank, Bank of Hawaii and the Company(4)
- 10.6 Loan Agreement dated December 8, 1997, by and among Silicon Valley Bank, as Servicing Agent and a Bank, and Bank of Hawaii, as a Bank, and the Company, as borrower(5)
- 10.7 Equipment Line of Credit, dated July 11, 1994, between Silicon Valley Bank and the Company(2)
- 10.8 Master Lease Purchase Agreement, dated January 20, 1989, as amended, between MetLife Capital Corporation and the Company(2)
- 10.9 Lease Purchase Agreement, dated June 11, 1992, between MetLife Capital Corporation and the Company(2)
- 10.10 Master Equipment Lease, dated July 15, 1993, as amended, between KeyCorp Leasing Ltd. and the Company(2)
- 10.11 Lease, dated June 12, 1984, amended June 11, 1992, between Prospect Park East Partnership and the Company for property in Fort Collins, Colorado(2)
- 10.12 Lease, dated March 14, 1994, as amended, between Sharp Point Properties, L.L.C., and the Company for property in Fort Collins, Colorado(2)
- 10.13 Lease, dated May 19, 1995, between Sharp Point Properties, L.L.C. and the Company for a building in Fort Collins, Colorado(2)
- 10.14 Form of Indemnification Agreement(2)
- 10.15 1995 Stock Option Plan, as amended and restated(5)*
- 10.16 Employee Stock Purchase Plan(2)*
- 10.17 1995 Non-Employee Directors' Stock Option Plan(2)*
- 21.1 Subsidiaries of the Company(4)
- 27.1 Financial Data Schedule for the three-month period ended March 31, 1998.

27.2 Financial Data Schedule as restated for the year ended December 31, 1996; the three-month period ended March 31, 1997; the six-month period ended June 30, 1997; and the nine-month period ended September 30, 1997, respectively.

27.3 Financial Data Schedule as restated for the year ended December 31, 1995; the three-month period ended March 31, 1996; the six-month period ended June 30, 1996; and the nine-month period ended September 30, 1996, respectively.

(b) No reports on Form 8-K were filed or required to be filed by the Company during the three-month period ended March 31, 1998.

(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 Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 0-26966), filed March 21, 1997, as amended.

(4) Incorporated by reference to the Company's Registration Statement on Form S-3 (File No. 333-34039), filed August 21, 1997, as amended.

(5) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-26966), filed March 24, 1998.

* Compensation Plan

+ Confidential treatment has been granted for portions of this agreement.

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

*Vice President, Chief Financial
Officer, Assistant Secretary and
Director (Principal Financial Officer
and Principal Accounting Officer)*

May 14, 1998

EXHIBIT INDEX

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- 10.7 Equipment Line of Credit, dated July 11, 1994, between Silicon Valley Bank and the Company(2)
- 10.8 Master Lease Purchase Agreement, dated January 20, 1989, as amended, between MetLife Capital Corporation and the Company(2)
- 10.9 Lease Purchase Agreement, dated June 11, 1992, between MetLife Capital Corporation and the Company(2)
- 10.10 Master Equipment Lease, dated July 15, 1993, as amended, between KeyCorp Leasing Ltd. and the Company(2)
- 10.11 Lease, dated June 12, 1984, amended June 11, 1992, between Prospect Park East Partnership and the Company for property in Fort Collins, Colorado(2)
- 10.12 Lease, dated March 14, 1994, as amended, between Sharp Point Properties, L.L.C., and the Company for property in Fort Collins, Colorado(2)
- 10.13 Lease, dated May 19, 1995, between Sharp Point Properties, L.L.C. and the Company for a building in Fort Collins, Colorado(2)
- 10.14 Form of Indemnification Agreement(2)
- 10.15 1995 Stock Option Plan, as amended and restated(5)*
- 10.16 Employee Stock Purchase Plan(2)*
- 10.17 1995 Non-Employee Directors' Stock Option Plan(2)*

21.1 Subsidiaries of the Company(4)

27.1 Financial Data Schedule for the three-month period ended March 31, 1998.

27.2 Financial Data Schedule as restated for the year ended December 31, 1996; the three-month period ended March 31, 1997; the six-month period ended June 30, 1997; and the nine-month period ended September 30, 1997, respectively.

27.3 Financial Data Schedule as restated for the year ended December 31, 1995; the three-month period ended March 31, 1996; the six-month period ended June 30, 1996; and the nine-month period ended September 30, 1996, respectively.

(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 Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 0-26966), filed March 21, 1997, as amended.

(4) Incorporated by reference to the Company's Registration Statement on Form S-3 (File No. 333-34039), filed August 21, 1997, as amended.

(5) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-26966), filed March 24, 1998.

* Compensation Plan

+ Confidential treatment has been granted for portions of this agreement.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	MAR 31 1998
CASH	11,539
SECURITIES	17,821
RECEIVABLES	26,754
ALLOWANCES	(426)
INVENTORY	23,086
CURRENT ASSETS	83,589
PP&E	20,915
DEPRECIATION	(7,738)
TOTAL ASSETS	106,448
CURRENT LIABILITIES	18,431
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	23
OTHER SE	87,984
TOTAL LIABILITY AND EQUITY	106,448
SALES	36,670
TOTAL REVENUES	36,670
CGS	25,543
TOTAL COSTS	25,543
OTHER EXPENSES	9,791
LOSS PROVISION	0
INTEREST EXPENSE	10
INCOME PRETAX	1,485
INCOME TAX	564
INCOME CONTINUING	921
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	921
EPS PRIMARY	0.04
EPS DILUTED	0.04

ARTICLE 5

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	YEAR	3 MOS	6 MOS	9 MOS
FISCAL YEAR END	DEC 31 1996	DEC 31 1997	DEC 31 1997	DEC 31 1997
PERIOD START	JAN 01 1996	JAN 01 1997	JAN 01 1997	JAN 01 1997
PERIOD END	DEC 31 1996	MAR 31 1997	JUN 30 1997	SEP 30 1997
CASH	11,231	9,784	11,183	9,250
SECURITIES	0	0	0	0
RECEIVABLES	16,358	19,231	26,396	34,934
ALLOWANCES	(242)	(239)	(242)	(349)
INVENTORY	13,976	16,197	16,169	20,911
CURRENT ASSETS	43,559	47,063	55,366	67,674
PP&E	15,279	15,575	16,046	18,797
DEPRECIATION	(5,779)	(6,384)	(7,018)	(8,210)
TOTAL ASSETS	56,031	58,664	66,051	87,380
CURRENT LIABILITIES	8,380	10,304	14,609	25,246
BONDS	0	0	0	0
PREFERRED MANDATORY	0	0	0	0
PREFERRED	0	0	0	0
COMMON	21	21	21	21
OTHER SE	46,475	47,345	50,604	51,865
TOTAL LIABILITY AND EQUITY	56,031	58,664	66,051	87,380
SALES	98,852	20,667	53,357	95,928
TOTAL REVENUES	98,852	20,667	53,357	95,928
CGS	62,038	13,158	33,297	58,835
TOTAL COSTS	62,038	13,158	33,297	58,835
OTHER EXPENSES	28,603	5,868	13,419	27,843
LOSS PROVISION	0	0	0	0
INTEREST EXPENSE	168	39	76	233
INCOME PRETAX	8,304	1,254	6,540	9,204
INCOME TAX	3,160	489	2,485	4,632
INCOME CONTINUING	5,144	765	4,055	4,572
DISCONTINUED	0	0	0	0
EXTRAORDINARY	0	0	0	0
CHANGES	0	0	0	0
NET INCOME	5,144	765	4,055	4,572
EPS PRIMARY	0.24	0.04	0.19	0.21
EPS DILUTED	0.24	0.04	0.19	0.21

ARTICLE 5

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	YEAR	3 MOS	6 MOS	9 MOS
FISCAL YEAR END	DEC 31 1995	DEC 31 1996	DEC 31 1996	DEC 31 1996
PERIOD START	JAN 01 1995	JAN 01 1996	JAN 01 1996	JAN 01 1996
PERIOD END	DEC 31 1995	MAR 31 1996	JUN 30 1996	SEP 30 1996
CASH	13,332	10,097	8,764	8,544
SECURITIES	0	0	0	0
RECEIVABLES	15,382	17,876	18,789	16,019
ALLOWANCES	(210)	(210)	(206)	(206)
INVENTORY	16,104	17,591	17,166	15,297
CURRENT ASSETS	46,302	46,922	46,124	41,683
PP&E	10,273	13,405	14,563	15,063
DEPRECIATION	(3,634)	(4,153)	(4,628)	(5,222)
TOTAL ASSETS	55,319	58,579	58,709	54,120
CURRENT LIABILITIES	12,553	14,275	11,869	7,297
BONDS	0	0	0	0
PREFERRED MANDATORY	0	0	0	0
PREFERRED	0	0	0	0
COMMON	21	21	21	21
OTHER SE	41,066	42,801	45,528	45,702
TOTAL LIABILITY AND EQUITY	55,319	58,579	58,709	54,120
SALES	94,708	27,166	56,997	78,636
TOTAL REVENUES	94,708	27,166	56,997	78,636
CGS	49,314	17,035	34,239	49,286
TOTAL COSTS	49,314	17,035	34,239	49,286
OTHER EXPENSES	23,916	7,306	15,529	22,012
LOSS PROVISION	0	0	0	0
INTEREST EXPENSE	612	53	101	143
INCOME PRETAX	21,085	2,655	6,993	7,199
INCOME TAX	7,804	982	2,658	2,741
INCOME CONTINUING	13,281	1,673	4,335	4,458
DISCONTINUED	0	0	0	0
EXTRAORDINARY	0	0	0	0
CHANGES	0	0	0	0
NET INCOME	13,281	1,673	4,335	4,458
EPS PRIMARY	0.73	0.08	0.20	0.21
EPS DILUTED	0.69	0.08	0.20	0.21

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