



INVESTOR PRESENTATION

Q4 2014  
Earnings Call  
*February 3, 2015*

# Safe Harbor

The company's guidance with respect to anticipated financial results for the first quarter ending March 31, 2015 and other statements that are not historical information are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: (a) the effects of global macroeconomic conditions upon demand for our products; (b) the volatility and cyclical nature of the industries the company serves, particularly the semiconductor industry; (c) the volatility, seasonality and delays of renewable energy projects and inverter sales; (d) our ability to integrate successfully the operations of companies we acquire, including the retention of key employees, realization of the benefits of such companies' products, the total available market and expected sales of such products, and product cost expectations surrounding the fabless manufacturing models for REFUSol and the power control modules product line we acquired from AEG Power Solutions GmbH; (e) opportunities that might present themselves, or actions we might take as a result of our exploration of strategic alternatives for our solar inverter business, (f) with regard to the renewable energy market, tariffs on Chinese & Taiwanese solar panels, the continuation of feed-in-tariffs and other incentives in Europe and elsewhere for inverters, including the RPS (renewable portfolio standards), the timing and availability of grant programs in North America and Europe and the reduction of the investment tax credit for solar facilities in the United States after 2016; (g) the impact of price changes resulting from a variety of factors including increased competition in the solar inverter equipment market; (h) the timing of orders received from customers; (i) the company's ability to realize benefits from cost improvement efforts including avoided costs, restructuring plans and inorganic growth; (j) the company's ability to obtain materials and manufacture products; and (k) unanticipated changes to management's estimates, reserves or allowances. These and other risks are described in Advanced Energy's Form 10-K, Forms 10-Q and other reports and statements filed with the Securities and Exchange Commission.

These reports and statements are available on the SEC's website at [www.sec.gov](http://www.sec.gov). Copies may also be obtained from Advanced Energy's website at [www.advancedenergy.com](http://www.advancedenergy.com) or by contacting Advanced Energy's investor relations at 970-407-6555.

Forward-looking statements are made and based on information available to the company on the date of this presentation. As reiterated previously, aspirational goals and targets discussed on the conference call or in the presentation materials should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in the latest earnings press release or this presentation.





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Yuval Wasserman  
*President and CEO*

# Strategic Planning

- Many opportunities for power conversion technology
- Investments with greatest potential return
- Engage with customers at early stage of development
  - Long-term relationships, design wins, market share gains
- Expand TAM
  - 3 acquisitions into adjacent markets in 2014
  - Diversifying and evening out cyclicalities of business
- Explore strategic alternatives for solar inverter business
  - Variety of options
  - Simultaneously driving improved profitability

# Q4 2014 Highlights

- Exceeded top line expectations with revenue of \$152.7M
  - Highlights strength and leverage of diversified model
- Non-GAAP\* EPS of \$0.50 and GAAP EPS of \$0.23
- Generated \$22.6 million cash from operations
- Inventory write-down of \$13.3 million

*\*Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization and severance.*



# Design Win Progress

- Won majority of design wins and major projects pursued
  - Semiconductor etch, pulsed RF solutions, 2MHz products
  - Solutions in VNAND, 3D packaging, PECVD Arc films, PEALD for DRAM patterning and spacer applications
  - Bi-polar DC gaining traction in large area sputtering applications
- Diversity of markets and catalog-based industrial sales making design wins less indicative of entire business

# Record Semiconductor Performance

- Sales increased 22% q/q; 33% y/y
- Outperformed market
- OEM purchases of critical components for Etch and PECVD tool shipments for front-end-loaded Q1
- Demand for 3D NAND - shift from pilot to production shipments
- Digestion expected after record Q4
- Important technology transitions to drive 2015

# Strength in Industrial Applications

- Sales up 24% q/q
- Advanced material applications in Americas
- Automotive applications in Americas and China
  - Top supplier of deposition tools for automotive headlights
  - Transition to LED lighting driving advanced optical coatings
- Demand offset by economies in Europe and China
  - Impacted power control module business
  - Cautious on these geographies near-term



# Sustained Service

- Sales flat q/q
- Strong non-break/fix revenue leading to Asia opportunities
- Internet of Things increasing capacity utilization for MEMs and sensors
  - Demand for legacy power products, upgrades, retrofits
  - Greater longer-term service requirements

# Inverter Challenges

- Sales declined 10% q/q
  - Push-outs of utility scale projects
  - Market declines in Europe
  - Pricing pressure in Europe and N.A. from increasing competition
- Simultaneously pursuing strategic alternatives and cost reductions, operating efficiencies and product improvement
  - Launched 3rd generation 3TL platform for Europe
  - Higher power 40kW and 46 kW products – competitive advantage from crowded 20 to 25 kW markets
  - Market moving from 600V to cost-effective 1000V products

# Strategic Focus Intact

- Thin Films
  - Successfully integrated 3 acquisitions over the last year
  - Expanding into new applications and addressing new and adjacent markets
- Solar Inverter
  - Integrated organization driving order activity in geographies (i.e. Korea)
  - Look for alternative options to unlock value
  - Pursue new ways to cost-effectively design and manufacture products
- Leveraging position as technology leader
- Targeting growing number of power conversion markets
- Opportunities ahead in 2015





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Danny Herron  
*CFO*

# 2014 Financial Highlights

- Total Revenues \$583M +7% y/y
  - Precision Power Group +22% y/y to \$362M
  - Solar Inverter (12%) y/y to \$221M
- Net income \$47M +44% y/y or \$1.14 EPS
- Generated \$75M in cash from operations

# Q4 Financial Highlights

- Total Revenues \$153M, flat y/y
- Non-GAAP adjusted net income of \$21M, (26%) y/y
- Ended quarter with \$128M of cash & investments, increase of \$23M q/q



# Revenues by Application

<b>Market (\$ in millions)*</b>	<b>Q4'14</b>	<b>Q3'14</b>	<b>Q4'13</b>
DS & Industrial	\$ 17.0	\$ 13.7	\$ 7.9
Flat Panel Display	3.6	3.6	3.7
Inverters	46.8	52.0	64.9
Renewables	1.8	3.1	4.4
Semiconductor	70.7	57.9	59.4
Service	12.8	12.8	12.3
<b>TOTAL</b>	<b>\$ 152.7</b>	<b>\$ 143.1</b>	<b>\$ 152.6</b>

# P&L Review

	Q4'14	Q3'14	Q4'13
(\$ in Millions, except GM% & EPS)			
Revenues	\$152.7	\$143.1	\$152.6
Gross margin \$	\$40.9	\$47.9	\$58.8
Gross margin %	26.8%	33.5%	38.6%
Adjusted operating income*	\$3.7	\$10.4	\$22.3
Net income (loss)	\$9.3	\$12.3	\$34.4
EPS	\$0.23	\$0.30	\$0.83
Non-GAAP EPS**	\$0.50	\$0.42	\$0.67

\*Non-GAAP measure excludes restructuring charges.

\*\*Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization, acquisition-related costs, severance and other non-recurring items.

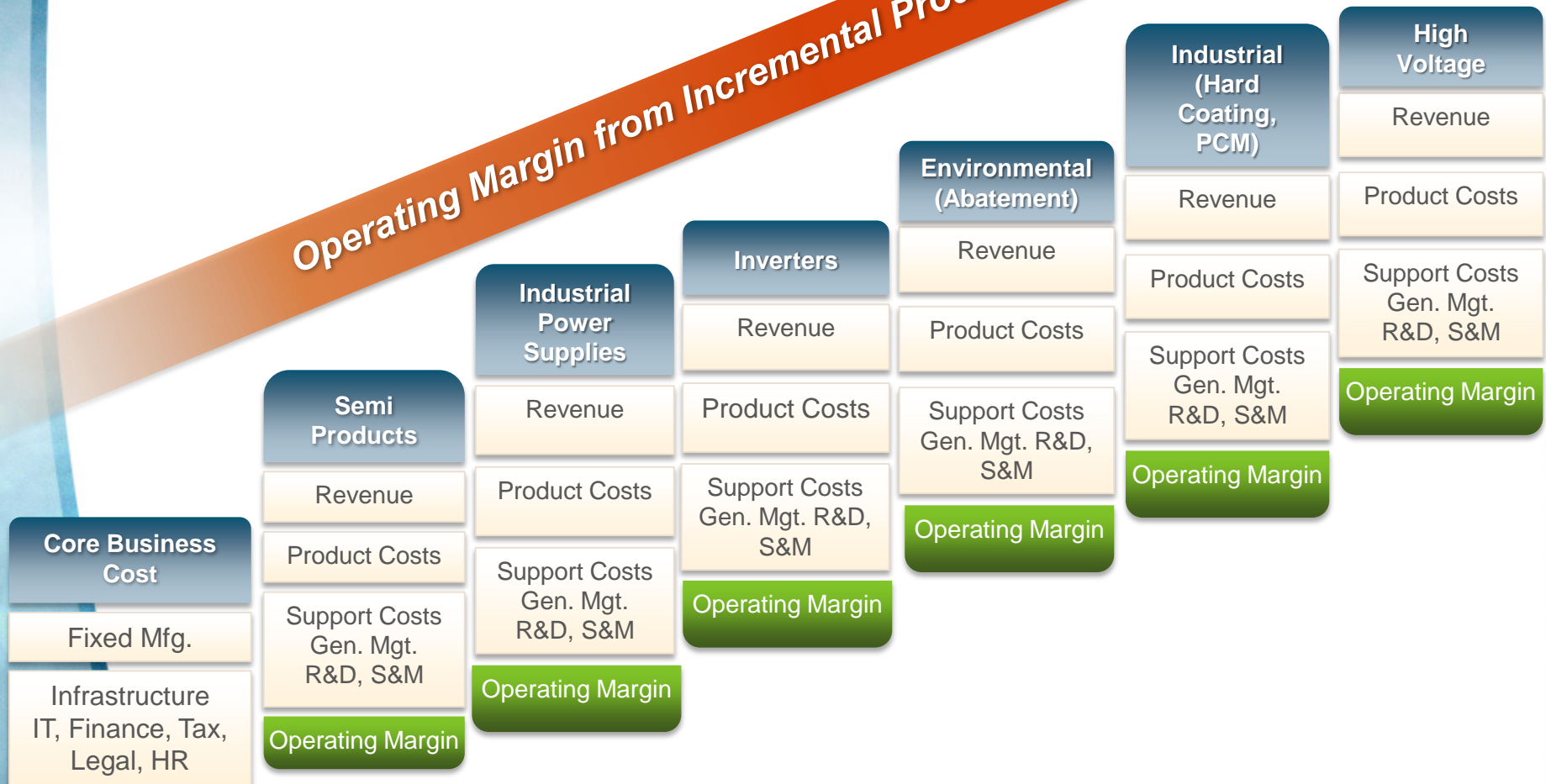
# Balance Sheet

	Q4'14	Q3'14	Q4'13
<i>(\$ in Millions)</i>			
Cash & Investments	\$128.4	\$105.8	\$149.7
Accounts Receivable	\$124.2	\$112.8	\$125.8
Inventory	\$95.1	\$118.9	\$109.8
Total Assets	\$684.6	\$697.4	\$653.0
Liabilities	\$209.6	\$231.3	\$188.5
Shareholders Equity	\$475.0	\$466.1	\$464.5



# Diversification Driving EPS Growth

Operating Margin from Incremental Products Driving EPS Growth



# Q1'15 Guidance\*

	Q4 (as reported)	Q1 Guidance Range	
Revenue (in millions)	\$152.7	\$137	\$147
GAAP EPS	\$0.23	\$0.32	\$0.40
Non-GAAP EPS**	\$0.50	\$0.38	\$0.46

\* Estimates as of Q414 earnings conference call. The company assumes no obligation to update guidance.

\*\*Non-GAAP EPS excludes restructuring charges, stock based compensation and amortization of intangibles, acquisition-related costs, severance and other non-recurring items. Q1 non-GAAP guidance assumes stock based compensation of \$0.8M and amortization of intangibles of \$1.8M.





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Thank You