UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2012

OR

☐ **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 1-15477

MAXWELL TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-2390133**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3888 Calle Fortunada San Diego, California	**92123**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 503-3300

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.10 per share	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if and, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 the definitions of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of Common Stock held by non-affiliates as of June 30, 2012 based on the closing price of the common stock on the NASDAQ Global Market was $179,494,759.

The number of shares of the registrant’s Common Stock outstanding as of July 24, 2013, was 29,535,041 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

We are filing this Amendment No. 1 to our annual report on Form 10-K for the year ended December 31, 2012, originally filed wi th the Securities and Exchange Commission ("SEC") on August 1, 2013 (the "Original Filing"), solely to update the Report of our Independent Registered Public Accounting Firm on our financial statements contained in “Item 8. Financial Statements and Supplementary Data” to reference the restatement described in the Original Filing, as required by paragraph 9 of PCAOB Auditing Standard No. 6. Further, as required by SEC rules, we are including the entirety of Item 8 of Form 10-K in this Amendment; however, there have been no changes to our financial statements contained in the Original Filing. The sole change is to add a reference to the restatement in our auditor's report.

No other item or disclosure appearing in the Original Filing is affected by this Amendment. This Amendment is presented as of the filing date of the Original Filing and does not reflect events occurring after that date, or modify or update other items or disclosures in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings with the SEC.

In this Amendment, “the Company,” “we”, “us” and “our” refer to Maxwell Technologies, Inc. and its subsidiaries.

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Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and notes thereto appear on pages 1 to 52 of this Amendment.

MAXWELL TECHNOLOGIES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Maxwell Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Maxwell Technologies, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2012. In connection with our audits of the financial statements, we have also audited the financial statement schedule of Maxwell Technologies, Inc. listed in Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maxwell Technologies, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the financial statements, the 2011 financial statements have been restated to correct for misstatements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Maxwell Technologies, Inc.'s and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 1, 2013 expressed an adverse opinion on the effectiveness of Maxwell Technologies, Inc.'s internal control over financial reporting.

/s/ BDO USA LLP

San Diego, California
August 1, 2013

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31,	
	2012	2011 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,739	$ 29,289
Trade and other accounts receivable, net of allowance for doubtful accounts of $157 and $450 at December 31, 2012 and 2011, respectively	33,420	27,973
Inventories	41,620	33,234
Prepaid expenses and other current assets	3,228	3,152
Total current assets	107,007	93,648
Property and equipment, net	36,235	28,541
Intangible assets, net	669	1,111
Goodwill	25,416	24,887
Pension asset	6,939	6,359
Other non-current assets	206	200
Total assets	$ 176,472	$ 154,746
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 27,181	$ 36,100
Accrued warranty	269	258
Accrued employee compensation	4,743	6,343
Deferred revenue	6,408	1,042
Short-term borrowings and current portion of long-term debt	9,452	5,431
Deferred tax liability	980	499
Total current liabilities	49,033	49,673
Deferred tax liability, long-term	1,384	933
Long-term debt, excluding current portion	83	68
Other long-term liabilities	1,039	3,028
Total liabilities	51,539	53,702
Commitments and contingencies (Note 12 and Note 14)		
Stockholders' equity:		
Common stock, $0.10 par value per share, 40,000 shares authorized; 29,162 and 28,174 shares issued and outstanding at December 31, 2012 and 2011, respectively	2,913	2,815
Additional paid-in capital	267,623	252,907
Accumulated deficit	(158,134)	(165,308)
Accumulated other comprehensive income	12,531	10,630
Total stockholders' equity	124,933	101,044
Total liabilities and stockholders' equity	$ 176,472	$ 154,746

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

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,		
	2012	2011 (Restated)	2010
Revenue	$ 159,258	$ 147,176	$ 121,882
Cost of revenue	94,206	90,106	74,995
Gross profit	65,052	57,070	46,887
Operating expenses:			
Selling, general and administrative	33,656	35,218	35,646
Research and development	21,700	22,356	17,736
Total operating expenses	55,356	57,574	53,382
Income (loss) from operations	9,696	(504)	(6,495)
Interest expense, net	(116)	(109)	(188)
Amortization of debt discount and prepaid debt costs	(57)	(55)	(83)
Gain on embedded derivatives and warrants	—	1,086	2,341
Income (loss) from operations before income taxes	9,523	418	(4,425)
Income tax provision	2,349	1,856	1,631
Net income (loss)	$ 7,174	$ (1,438)	$ (6,056)
Net income (loss) per share:			
Basic	$ 0.25	$ (0.05)	$ (0.23)
Diluted	$ 0.25	$ (0.05)	$ (0.23)
Weighted average common shares outstanding:			
Basic	28,568	27,637	26,234
Diluted	28,709	27,637	26,234

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

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Years Ended December 31,		
	2012	2011 (Restated)	2010
Net income (loss)	$ 7,174	$ (1,438)	$ (6,056)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	1,796	(628)	5,529
Realized gain on marketable securities	—	—	2
Defined benefit pension plan, net of tax:			
Actuarial (loss) gain on benefit obligation and plan assets, net of tax benefit of $39, tax provision of $38 and tax benefit of $814 for the years ended December 31, 2012, 2011 and 2010, respectively	(352)	192	(3,402)
Amortization of deferred loss, net of tax benefit of $26 and $41 for the years ended December 31, 2012 and 2011, respectively	190	268	—
Amortization of prior service cost, net of tax benefit of $5, $7 and $7 for the years ended December 31, 2012, 2011 and 2010, respectively	39	39	32
Settlement, net of tax benefit of $30 for the year ended December 31, 2012	228	—	—
Other comprehensive income (loss), net of tax	1,901	(129)	2,161
Comprehensive income (loss)	$ 9,075	$ (1,567)	$ (3,895)

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

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2009	26,321	$ 2,633	$ 224,575	$ (157,814)	$ 8,598	$ 77,992
Common stock issued under employee benefit plans	319	32	3,258	—	—	3,290
Share-based compensation	114	8	2,619	—	—	2,627
Shares issued for exercise of warrants	462	46	8,509	—	—	8,555
Repurchase of shares	(34)	(4)	(542)	—	—	(546)
Net loss	—	—	—	(6,056)	—	(6,056)
Foreign currency translation adjustments	—	—	—	—	5,529	5,529
Pension adjustment, net of tax benefit of $807	—	—	—	—	(3,370)	(3,370)
Realized gain on marketable securities	—	—	—	—	2	2
Balance at December 31, 2010	27,182	2,715	238,419	(163,870)	10,759	88,023
Common stock issued under employee benefit plans	310	32	2,787	—	—	2,819
Share-based compensation	177	17	2,565	—	—	2,582
Conversion of debenture into shares of common stock	514	51	9,290	—	—	9,341
Repurchase of shares	(9)	—	(154)	—	—	(154)
Net loss (Restated)	—	—	—	(1,438)	—	(1,438)
Foreign currency translation adjustments	—	—	—	—	(628)	(628)
Pension adjustment, net of tax provision of $86	—	—	—	—	499	499
Balance at December 31, 2011 (Restated)	28,174	2,815	252,907	(165,308)	10,630	101,044
Common stock issued under employee benefit plans	227	22	1,740	—	—	1,762
Share-based compensation	204	20	3,068	—	—	3,088
Proceeds from issuance of common stock, net	573	57	10,226	—	—	10,283
Repurchase of shares	(16)	(1)	(318)	—	—	(319)
Net income	—	—	—	7,174	—	7,174
Foreign currency translation adjustments	—	—	—	—	1,796	1,796
Pension adjustment, net of tax provision of $15	—	—	—	—	105	105
Balance at December 31, 2012	29,162	$ 2,913	$ 267,623	$ (158,134)	$ 12,531	$ 124,933

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

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2012	2011 (Restated)	2010
Operating activities:			
Net income (loss)	$ 7,174	$ (1,438)	$ (6,056)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,051	6,800	6,027
Amortization of intangible assets	441	559	535
Amortization of debt discount and prepaid debt costs	57	55	83
Gain on embedded derivatives and warrants	—	(1,086)	(2,341)
Pension (benefit) cost	437	(109)	(209)
Stock-based compensation expense	3,088	2,582	2,627
Loss on impairment of property and equipment	—	—	880
Provision for (recovery of) losses on accounts receivable	(245)	300	(159)
Changes in operating assets and liabilities:			
Trade and other accounts receivable	(4,914)	(827)	(4,485)
Inventories	(8,290)	(14,123)	(1,175)
Prepaid expenses and other assets	333	122	(19)
Deferred income taxes	550	(1,108)	(110)
Accounts payable and accrued liabilities and deferred revenue	(3,122)	8,466	4,012
Accrued employee compensation	(1,699)	278	1,374
Other long-term liabilities	(2,007)	(5,572)	7,764
Net cash provided by (used in) operating activities	(1,146)	(5,101)	8,748
Investing activities:			
Purchases of property and equipment	(15,200)	(14,466)	(8,794)
Net cash used in investing activities	(15,200)	(14,466)	(8,794)
Financing activities:			
Principal payments on long-term debt and short-term borrowings	(9,638)	(12,462)	(11,073)
Proceeds from long-term and short-term borrowings	13,481	12,229	10,749
Proceeds from exercise of stock warrants	—	—	7,500
Repurchase of shares for employee tax withholding obligation	(319)	(154)	(546)
Proceeds from issuance of common stock under equity compensation plans	1,762	2,819	3,290
Proceeds from issuance of common stock under secondary security offering	10,283	—	—
Release of restricted cash	—	8,000	—
Net cash provided by financing activities	15,569	10,432	9,920
Increase (decrease) in cash and cash equivalents from operations	(777)	(9,135)	9,874
Effect of exchange rate changes on cash and cash equivalents	227	(1,405)	373
Increase (decrease) in cash and cash equivalents	(550)	(10,540)	10,247
Cash and cash equivalents at beginning of year	29,289	39,829	29,582
Cash and cash equivalents at end of year	$ 28,739	$ 29,289	$ 39,829
Cash paid for:			
Interest	$ 174	$ 166	$ 267
Income taxes	$ 1,594	$ 3,329	$ 12
Supplemental schedule of noncash investing and financing activities:			
Landlord funding of leasehold improvements	$ 1,002	$ 1,522	$ 434
Conversion of debenture into shares of common stock	$ —	$ 9,341	$ —
Stock warrant liability settled in shares of common stock	$ —	$ —	$ 1,055

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

Unless the context otherwise requires, all references to “Maxwell,” the “Company,” “we,” “us,” and “our” refer to Maxwell Technologies, Inc. and its subsidiaries, and all references to “Maxwell SA” refer to our Swiss Subsidiary, Maxwell Technologies, SA.

Note 1—Description of Business and Summary of Significant Accounting Policies

Description of Business

Maxwell Technologies, Inc. is a Delaware corporation originally incorporated in 1965 under the name Maxwell Laboratories, Inc. In 1983, the Company completed an initial public offering, and in 1996, changed its name to Maxwell Technologies, Inc. The Company is headquartered in San Diego, California, has two manufacturing facilities located in San Diego, California and Rossens, Switzerland, and is in the process of opening a manufacturing facility in Peoria, Arizona. In addition, the Company has two contract manufacturers located in China. Maxwell operates as one operating segment called High Reliability, which is comprised of three product lines:

- *Ultracapacitors:* Our primary focus, ultracapacitors, are energy storage devices that possess a unique combination of high power density, extremely long operational life and the ability to charge and discharge very rapidly. Our ultracapacitor cells and multi-cell packs and modules provide highly reliable energy storage and power delivery solutions for applications in multiple industries, including transportation, automotive, information technology, renewable energy and industrial electronics.
- *High-Voltage Capacitors:* Our CONDIS ® high-voltage capacitors are designed and manufactured to perform reliably for decades in all climates. These products include grading and coupling capacitors and capacitive voltage dividers that are used to ensure the safety and reliability of electric utility infrastructure and other applications involving transport, distribution and measurement of high-voltage electrical energy.
- *Radiation-Hardened Microelectronic Products:* Our radiation-hardened microelectronic products for satellites and spacecraft include single board computers and components, such as high-density memory and power modules. Many of these products incorporate our proprietary RADPAK ® packaging and shielding technology and novel architectures that enable them to withstand the effects of environmental radiation and perform reliably in space.

The Company’s products are designed and manufactured to perform reliably for the life of the products and systems into which they are integrated. The Company achieves high reliability through the application of proprietary technologies and rigorously controlled design, development, manufacturing and test processes.

Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of Maxwell Technologies, Inc. and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). All intercompany transactions and account balances have been eliminated in consolidation.

Liquidity

As of December 31, 2012, the Company had approximately $28.7 million in cash and cash equivalents. Although the Company has a credit facility providing for a $15.0 million line of credit which has not been drawn upon to date, based on the events of default discussed in Note 7 as a result of the restatement of previously issued financial statements described in Note 2, the bank's obligation to extend any further credit has ceased and terminated. As of December 31, 2012, $3.9 million was outstanding under the equipment term loan provided by the same credit facility. In June 2013, the Company entered into a forbearance agreement with the bank wherein the bank agreed to forbear from further exercise of its rights and remedies under the credit agreement to call the outstanding debt balance in connection with the events of default for a specified period of time.

In April 2011, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC)" to, from time to time, sell up to an aggregate of $125 million of its common stock, warrants or debt securities. To date, the Company has sold 572,510 shares pursuant to this registration statement for net proceeds of $10.3 million. As a result of the restatement of previously issued financial statements described in Note 2, the Company is no longer in compliance with the ongoing eligibility requirements of this shelf registration statement on Form S-3, and therefore it is no longer effective.

In the future, the Company may supplement these available sources of cash by issuing additional debt or equity.

As of December 31, 2012, the Company had cash and cash equivalents of $28.7 million. Management believes that this available cash balance, combined with cash the Company expects to generate from operations, will be sufficient to fund its operations, obligations as they become due, and capital investments for at least the next twelve months

Reclassifications

Certain prior period amounts in the consolidated statements of operations have been reclassified to conform to the current period presentation. These reclassifications do not impact reported net income (loss) and do not otherwise have a material impact on the presentation of the overall financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and related disclosures. These estimates include, but are not limited to, assessing the collectability of accounts receivable, applied and unapplied production costs, production capacities, the usage and recoverability of inventories and long-lived assets, including deferred income taxes, the incurrence of warranty obligations, impairment of goodwill and other intangible assets, estimation of the cost to complete certain projects, accruals for estimated losses from legal matters, and estimation of the value of stock-based compensation awards, including the probability that the performance criteria of restricted stock awards will be met.

Revenue Recognition

Revenue is derived primarily from the sale of manufactured products directly to customers. Product revenue is recognized, according to the guidelines of the Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) Numbers 101, *Revenue Recognition in Financial Statements* , and 104, *Revenue Recognition* , when all of the following criteria are met: (1) persuasive evidence of an arrangement exists (upon contract signing or receipt of an authorized purchase order from a customer); (2) title passes to the customer at either shipment from the Company’s facilities or receipt at the customer facility, depending on shipping terms; (3) customer payment is deemed fixed or determinable and free of contingencies or significant uncertainties; and (4) collectability is reasonably assured. This policy has been consistently applied from period to period.

Beginning in the fourth quarter of 2011, for three distributors of the Company's products, the Company offered extended payment terms which allowed these distributors to pay us after they received payment from their customer, with respect to certain sales transactions. Also beginning in the fourth quarter of 2011, for one other distributor of the Company's products, the Company offered return rights and profit margin protection with respect to certain sales transactions. Therefore, for these four distributors, the Company determined that the revenue recognition criteria of SAB 101 and 104 were not met at the time of shipment, as there was no fixed or determinable price, nor was collection reasonably assured, at least with respect to certain sales transactions. As a result, for the three distributors provided with extended payment terms, which did not provide for a fixed or determinable price, the Company determined to defer the recognition of revenue on all sales beginning in the fourth quarter of 2011 to the period in which cash is received. For the one distributor provided with return rights and profit margin protection, for which the Company could not estimate exposure, the Company determined to defer the recognition of revenue on all sales beginning in the fourth quarter of 2011 until until the distributor confirms with the Company that they are not entitled to any further returns or credits.

The Company deferred revenue recognition on net sales of approximately $18.9 million and $10.8 million for the years ended December 31, 2012 and 2011, respectively. Under these arrangements, the Company recognized revenue of $12.7 million and $3.2 million during the fiscal years 2012 and 2011, respectively. Payments from customers on net sales for which revenue has been deferred are included in deferred revenue in the amount of $6.4 million and $1.0 million as of December 31, 2012 and 2011, respectively. The Company has recorded the cost basis of related inventory shipped of approximately $9.2 million and $5.5 million at December 31, 2012 and 2011, respectively, in "inventory" in the condensed consolidated balance sheets.

Cash and Cash Equivalents

The Company invests its excess cash in debt instruments of the U.S. Government and its agencies, bank certificates of deposit, commercial paper and high-quality corporate issuers. All highly liquid instruments with an original maturity of three months or less from purchase are considered cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Trade receivables are stated at gross invoiced amount less an allowance for uncollectible accounts. The allowance for

doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management determines the allowance for doubtful accounts based on known troubled accounts, historical experience and other currently available evidence.

Inventories

Inventories are stated at the lower of cost (first-in first-out basis) or market. Finished goods and work-in-process inventory values include the cost of raw materials, labor and manufacturing overhead. Consigned inventory includes finished goods delivered to customers for which the related sale has not met the revenue recognition criteria and revenue has been deferred. Inventory when written down to market value establishes a new cost basis and its value is not subsequently increased based upon changes in underlying facts and circumstances. The Company makes adjustments to reduce the cost of inventory to its net realizable value, if required, for estimated excess or obsolete inventories. Factors influencing these adjustments include inventories on-hand compared with historical and estimated future sales for existing and new products and assumptions about the likelihood of obsolescence. Unabsorbed and underabsorbed costs are treated as expense in the period incurred.

Property and Equipment

Property and equipment are carried at cost and are depreciated using the straight-line method. Depreciation is provided over the estimated useful lives of the related assets (three to ten years). Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the lease. Leasehold improvements funded by landlords are recorded as property and equipment, which is depreciated over the shorter of the estimated useful life of the asset or the lease term, and deferred rent, which is amortized over the lease term. As of December 31, 2012 and 2011, the net book value of leasehold improvements funded by landlords was $5.9 million and $3.7 million, respectively. As of December 31, 2012 and 2011, the unamortized balance of deferred rent related to landlord funding of leasehold improvements was $2.7 million and $2.1 million, respectively, which is included in "accounts payable and accrued liabilities" and "other long-term liabilities" in the consolidated balance sheets.

Goodwill

Goodwill, which represents the excess of the cost of an acquired business over the net fair value assigned to its assets and liabilities, is not amortized. Instead, goodwill is assessed for impairment under the *Intangibles—Goodwill and Other* Topic of the FASB ASC. The Company has established December 31 as the annual impairment test date. The Company first makes a qualitative assessment as to whether goodwill is impaired and if it is more likely than not that goodwill is impaired, the Company performs a two-step quantitative impairment analysis to determine if goodwill is impaired. The Company may also determine to skip the qualitative assessment in any year and move directly to the quantitative test. No impairments of goodwill were reported during the years ended December 31, 2012, 2011 and 2010.

Impairment of Long-Lived Assets and Intangible Assets

Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. If the Company determines that the carrying value of the asset is not recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived or intangible asset exceeds its fair value. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of ten to thirteen years. No impairments of property and equipment or intangible assets were recorded during the years ended December 31, 2012 and 2011. In 2010, the Company recorded an impairment of property and equipment of $880,000 to reduce the carrying value of equipment to its estimated fair value. This impairment charge related to the reclassification of assets that were previously classified as held-for-sale, to held-and-used, during the fourth quarter of 2010.

Warranty Obligation

The Company provides warranties on all product sales. The majority of the Company's warranties are for one to two years in the normal course of business. The Company accrues for the estimated warranty costs at the time of sale based on historical warranty experience plus any known or expected changes in warranty exposure.

Income Taxes

Deferred income taxes are provided on a liability method in accordance with the *Income Taxes* Topic of the FASB ASC, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their reported amounts at each period end. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

The guidance also provides criteria for the recognition, measurement, presentation and disclosures of uncertain tax positions. A tax benefit from an uncertain tax position may be recognized if it is “more likely than not” that the position is sustainable based solely on its technical merits.

Concentration of Credit Risk

The Company maintains cash balances at various financial institutions primarily in California and in Switzerland. In California, cash balances commonly exceed the $250,000 Federal Deposit Insurance Corporation insurance limit. In Switzerland, the banks where the Company has cash deposits are either government-owned, or in the case of cash deposited with non-government banks, deposits are insured up to 100,000 Swiss Francs. The Company has not experienced any losses in such accounts and management believes that the Company is not exposed to any significant credit risk with respect to such cash and cash equivalents.

Financial instruments, which subject the Company to potential concentrations of credit risk, consist principally of the Company’s accounts receivable. The Company’s accounts receivable result from product sales to customers in various industries and in various geographical areas, both domestic and foreign. The Company performs credit evaluations of its customers and generally requires no collateral. One customer, Shenzhen Xinlikang Supply China Management Co. LTD., accounted for 18% of total revenue in 2012. There were no sales to a single customer amounting to more than 10% of total revenue for the years ended December 31, 2011 and 2010. Three customers: Shenzhen Xinlikang Supply China Management Co. LTD.; Xiamen Golden Dragon Bus Co. LTD.; and ABB, accounted for 26%, 15% and 11%, respectively, of total accounts receivable as of December 31, 2012. No customer accounted for more than 10% of total accounts receivable as of December 31, 2011.

Research and Development Expense

Research and development expenditures are expensed in the period incurred. Third-party funding of research and development expense under cost-sharing arrangements is recorded as an offset to research and development expense in the period the expenses are incurred.

Advertising Expense

Advertising costs are expensed in the period incurred. Advertising expense was $1.2 million, $287,000 and $256,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

Shipping and Handling Expense

The Company recognizes shipping and handling expenses as a component of cost of revenue. Total shipping and handling expense included in cost of revenue was $1.4 million, $2.9 million, and $1.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Patent Defense Costs

The Company capitalizes patent defense costs as additional cost of the patents when a successful outcome in a patent defense case is probable. If the Company is ultimately unsuccessful the costs would be charged to expense. Legal expenses associated with a previous patent infringement lawsuit were capitalized as an intangible asset. The Company settled this lawsuit in 2009, and the $1 million in consideration that the Company received in the settlement was netted against the capitalized patent defense costs. The net amount is being amortized over the remaining lives of these patents. As of December 31, 2012, unamortized patent defense costs of $362,000 are classified as intangible assets in the consolidated balance sheet.

Foreign Currencies

The Company’s primary foreign currency exposure is related to its subsidiary in Switzerland, which has Euro and local currency (Swiss Franc) revenue and operating expenses, and local currency loans. Changes in these currency exchange rates impact the reported U.S. dollar amount of revenue, expenses and debt. The functional currency of the Swiss subsidiary is the Swiss Franc. Assets and liabilities of the Swiss subsidiary are translated at month-end exchange rates, and revenues, expenses, gains and losses are translated at rates of exchange that approximate the rate in effect at the time of the transaction. Any translation adjustments resulting from this process are presented separately as a component of accumulated other comprehensive income within stockholders’ equity in the consolidated balance sheets. Foreign currency transaction gains and losses are reported in "cost of revenue" and "selling, general and administrative" expense in the consolidated statements of operations.

Foreign Currency Derivative Instruments

As part of its risk management strategy, the Company uses forward contracts to hedge certain foreign currency exposures. The Company's objective is to offset gains or losses resulting from these exposures with opposing gains or losses on the forward contracts, thereby reducing volatility of earnings created by these foreign currency exposures. In accordance with the *Derivatives and Hedging* Topic of the FASB ASC, the fair values of the forward contracts are estimated at each period end based on quoted market prices and are recorded in “prepaid expenses and other current assets” or “accounts payable and accrued liabilities” on the consolidated balance sheets. Any gains or losses recognized on these contracts are recorded in “cost of revenue” and “selling, general and administrative” expense in the consolidated statements of operations.

Net Income (Loss) per Share

In accordance with the *Earnings Per Share* Topic of the FASB ASC, basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted net income per share includes the impact of additional common shares that would have been outstanding if dilutive potential common shares were issued. Potentially dilutive securities are not considered in the calculation of diluted net loss per share, as their inclusion would be anti-dilutive. The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share data):

	Years Ended December 31,		
	2012	2011 (Restated)	2010
Numerator			
Net income (loss)	$ 7,174	$ (1,438)	$ (6,056)
Denominator			
Weighted average common shares outstanding	28,568	27,637	26,234
Effect of potentially dilutive securities			
Options to purchase common stock	115	—	—
Convertible debentures	—	—	—
Restricted stock awards	10	—	—
Restricted stock unit awards	2	—	—
Employee stock purchase plan	14	—	—
Weighted average common shares outstanding, assuming dilution	28,709	27,637	26,234
Net income (loss) per share			
Basic	$ 0.25	$ (0.05)	$ (0.23)
Diluted	$ 0.25	$ (0.05)	$ (0.23)

The following table summarizes instruments that may be convertible into common shares that are not included in the denominator used in the diluted net income (loss) per share calculation because to do so would be antidilutive (in thousands):

Common Stock	2012	2011	2010
Outstanding options to purchase common stock	504	1,184	1,515
Restricted stock awards outstanding	319	262	96
Shares issuable on conversion of convertible debentures	—	—	514
Restricted stock unit awards	20	22	14
Employee stock purchase plan awards	—	21	16

Stock-Based Compensation

The Company has issued stock-based compensation awards to its employees and non-employee directors, including stock options, restricted stock, restricted stock units, and shares under an employee stock purchase plan. The Company records compensation expense for stock-based awards in accordance with the criteria set forth in the *Stock Compensation* Subtopic of the FASB ASC. Although the Company has not granted stock options since 2010, the Company used the Black-Scholes option pricing model to estimate the fair value of historical stock option grants. The determination of the fair value of stock options utilizing the Black-Scholes model was affected by the Company’s stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends.

The fair value of restricted stock and restricted stock units is based on the closing market price of the Company's common stock on the date of grant. Compensation expense equal to the fair value of each restricted stock award is recognized ratably over the requisite service period. For restricted stock awards with vesting contingent on Company performance conditions, the Company uses the requisite service period that is most likely to occur. The requisite service period is estimated based on the expected achievement date of the performance condition. If it is unlikely that a performance condition will be achieved, no compensation expense is recognized unless is later determined that achievement of the performance condition is likely. The requisite service period may be adjusted for changes in the expected outcomes of the related performance conditions, with the impact of such changes recognized as a cumulative adjustment in the consolidated statement of operations in the period in which the expectation changes.

Share-based compensation expense recognized in the consolidated statement of operations is based on equity awards ultimately expected to vest. The FASB ASC requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods with a cumulative catch up adjustment if actual forfeitures differ from those estimates.

Pending Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, *Disclosures about Offsetting Assets and Liabilities* , which requires companies to disclose information about financial instruments that have been offset and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. In January 2013, the FASB issued Accounting Standards Update No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* , which limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. Companies will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. These standard updates will be effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Company does not expect the adoption of these standard updates to impact its financial position or results of operations, as they only require additional disclosure in the Company's financial statements.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* . The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. This standard update will be effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Company does not expect the adoption of this standard update to impact its financial position or results of operations, as it only requires additional disclosure in the Company's financial statements.

Business Enterprise Information

The Company operates as one operating segment, High Reliability, according to the *Disclosures about Segments of an Enterprise and Related Information* Topic of the FASB ASC, which establishes standards for the way that public business enterprises report information about operating segments in annual consolidated financial statements. The Company's chief operating decision maker does not regularly review discrete financial information below the consolidated level.

Revenues by product line and geographic area are presented below (in thousands):

	Year ending December 31,		
	2012	2011 (Restated)	2010
Revenues by product line:			
Ultracapacitors	$ 95,953	$ 86,836	$ 68,501
High-voltage capacitors	45,574	42,309	35,708
Microelectronic products	17,731	18,031	17,673
Total	$ 159,258	$ 147,176	$ 121,882

	Year ending December 31,		
	2012	2011 (Restated)	2010
Revenues from external customers located in:			
China	$ 74,054	$ 43,187	$ 30,835
United States	26,473	29,723	22,248
Germany	25,119	26,253	27,579
All other countries (1)	33,612	48,013	41,220
Total	$ 159,258	$ 147,176	$ 121,882

(1) Revenue from external customers located in countries included in “All other countries” do not individually compromise more than 10% of total revenues for any of the years presented.

Long-lived assets by geographic location are as follows (in thousands):

	December 31,		
	2012	2011	2010
Long-lived assets:			
United States	$ 24,239	$ 17,614	$ 10,865
China	6,340	5,916	4,786
Switzerland	5,862	5,211	5,259
Total	$ 36,441	$ 28,741	$ 20,910

Note 2—Restatement of Previously issued Financial Statements and Financial Information

Background on the Restatement

Audit Committee's Investigation

In January 2013, following receipt of information concerning potential revenue recognition issues, the Audit Committee of the Board of Directors engaged independent legal counsel and forensic accountants to conduct an investigation concerning the potential issues and to work with management to determine the potential impact on accounting for revenue. In February 2013, as a result of the findings of the Audit Committee's investigation to date, the Company determined that certain of its employees had engaged in conduct which resulted in revenue being recorded in periods prior to the criteria for revenue recognition under U.S. generally accepted accounting principles being satisfied.

The investigation revealed arrangements with three of the Company's distributors regarding extended payment terms, and with one of the Company's distributors regarding return rights and profit margin protection, for sales to such distributors with respect to certain transactions. In addition, arrangements were revealed with one non-distributor customer to honor transfer of title at a date later than the customer's purchase orders indicated. Based on the results of its investigation, the Audit Committee determined that these arrangements had not been communicated to the Company's finance and accounting department, or to the Company's CEO, and therefore, had not been considered when revenue was

originally recorded. Based on the terms of the agreements with these customers as they were known to the Company's finance and accounting department, it had been the Company's policy to record revenue related to shipments as title passed at either shipment from the Company's facilities or

receipt at the customer's facility, assuming all other revenue recognition criteria had been achieved. In addition to the arrangements noted above, the investigation uncovered an error on an individual transaction where a customer was given extended payment terms but those terms were not considered when revenue was originally recognized.

As a result of the arrangements discovered during the investigation, the Company does not believe that a fixed or determinable sales price existed at the time of shipment, nor was collection reasonably assured, at least with respect to certain transactions. In addition, revenue related to certain shipments to the one non-distributor customer was recorded before the actual transfer of title and the satisfaction of the Company's obligation to deliver the products. Therefore, revenue from these sales should not have been recognized at the time of shipment.

Based on the arrangements with customers revealed in the investigation that were not considered when revenue was originally recognized, the Company determined the following:

- Beginning in the period in which the investigation revealed arrangements regarding extended payment terms for certain sales to three distributors, the Company determined it is appropriate to defer revenue recognition on all sales to these distributors from the period of shipment to the period of cash receipt. For these distributors, revenue recognition in the period of cash receipt was determined to be appropriate beginning in the fourth quarter of 2011.

- Beginning in the period in which the investigation revealed return rights and profit margin protection for one distributor, the Company determined it appropriate to defer revenue recognition until the Company determines that the distributor is not entitled to any further returns or credits. For this distributor, the deferral of revenue until the Company determines that the distributor is not entitled to any further returns or credits was determined to be appropriate beginning in the fourth quarter of 2011. At such time as this determination is made, which is currently anticipated to occur in the second half of the fiscal year 2013, previous sales for which revenue has been deferred, net of any credits or returns that may be made by the distributor, will be recognized as revenue.

- For the arrangements with the non-distributor customer to honor transfer of title at a date later than the customer's purchase order indicated, the Company determined it appropriate to defer revenue recognition to the period in which the Company agreed to honor transfer of title.

- For the individual transaction where a customer was given extended payment terms which were not considered when revenue was originally recognized in the first quarter of 2011, revenue recognition when the cash was received, which was in the second quarter of 2011, was determined to be appropriate.

Management's Subsequent Internal Review

Once the audit committee investigation was complete, the Company conducted a review beginning with the first quarter of 2009 through the first quarter of 2013 to ensure that all sales arrangements had been detected and accounted for appropriately. During this review, the Company noted that there were a number of quarter end revenue cut-off errors wherein revenue was recorded prior to the transfer of title to the customer and the satisfaction of the Company's obligation to deliver the products. The Company has corrected these errors occurring in the first quarter of 2011 through the third quarter of 2012 by moving the revenue recognition for these items to the period in which delivery actually occurred.

Results of the Audit Committee's Investigation and Management's Internal Review

Based on the findings of the investigation, as previously reported in the Company's current report on Form 8-K dated March 7, 2013, the Audit Committee, in consultation with management and the Board of Directors, concluded that the Company's previously issued financial statements contained in its annual report on Form 10-K for the year ended December 31, 2011, and the quarterly reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011, September 30, 2011, March 31, 2012, June 30, 2012 and September 30, 2012, should no longer be relied upon. Accordingly, the accompanying consolidated financial statements for the first three quarters of the fiscal year ended December 31, 2012, for the fiscal year ended December 31, 2011, and for each of the interim periods within the fiscal year ended December 31, 2011, have been restated in this Annual Report on Form 10-K.

As a result of the Audit Committee's investigation, certain employees were terminated and the Company's Sr. Vice President of Sales and Marketing resigned as reported in the Company's current report on Form 8-K dated March 7, 2013.

In connection with the errors identified during the investigation resulting in the restatement of previously reported financial statements, the Company identified control deficiencies in its internal control over financial reporting that constitute material weaknesses. For a discussion of our disclosure controls and procedures and the material weaknesses identified, see Part II, Item 9A, Controls and Procedures, of this Annual Report on Form 10-K.

The Company's previously filed annual report on Form 10-K for the fiscal year ended December 31, 2011, and its quarterly reports on Form 10-Q for the periods affected by the restatements, have not been amended. Accordingly, investors should no longer rely upon the Company's previously released financial statements for any quarterly or annual periods after and including March 31, 2011, and any earnings releases or other communications relating to these periods. See Note 15, *Unaudited Quarterly Financial Information* , of the Notes to the Consolidated Financial Statements, in this Annual Report for the impact of these adjustments for the full fiscal year ended December 31, 2011, and the first three quarters of the fiscal year ended December 31, 2012 and each of the quarterly periods in the fiscal year ended December 31, 2011, respectively.

Restatement Adjustments

Restatement Adjustments Related to Sales Arrangements

Several adjustments were made to the Company's previously filed consolidated financial statements as a result of the restatement in order to reflect revenue recognition in the appropriate periods as discussed above. Accordingly, for the subject sales transactions, revenue and accounts receivable balances were reduced by an equivalent amount in the period that the sale was originally recorded as revenue, and revenue was increased in the subsequent period in which the criteria for revenue recognition were met. Further, for the subject sales transactions, cost of revenue was reduced, and inventory was increased, in the period that the sale was originally recorded as revenue, and cost of revenue was increased, and inventory was reduced, in the period the sale was ultimately recorded as revenue. However, for sales to one distributor in which revenue is being deferred until the Company determines that the distributor is not entitled to any further returns or credits, as discussed above, the increase to revenue, and the related reduction to inventory and increase to cost of revenue, will be recorded in a future period when this determination is made.

The adjustments also reflect the impacts of adjusting the Company's returns reserves for certain stock rotation rights of the distributors, and adjusting the Company's reserves for allowances for doubtful accounts, as well as commissions expense, although these changes were not material.

In addition to the adjustments to revenue, accounts receivable, inventory and cost of revenue, inventory reserves balances and cost of revenue were adjusted in relation to the adjustments to inventory discussed above, in order to reflect inventory ultimately recorded on our balance sheets at its lower of cost or market value.

Other Restatement Adjustments

Since the Company's determination to restate its previously issued financial statements constituted an event of default under the terms of its credit facility, the bank had the right to require immediate payment of the outstanding borrowings. As a result, restatement adjustments were recorded to reclassify the amounts outstanding under the credit facility from long-term debt to current liabilities as of each respective balance sheet date. In addition, an insignificant amount of debt issuance costs were reclassified from a long-term asset to a short-term asset, consistent with the classification of the related debt. In June 2013, the Company entered into a forbearance agreement with the bank wherein the bank agreed to forbear from further exercise of its rights and remedies to call our outstanding debt under the credit facility in connection with the events of default for a period terminating on the earlier of September 30, 2013 or the occurrence of any additional events of default.

Further, a restatement adjustment was made to reclassify a legal settlement with a customer from selling, general and administrative expense to contra-revenue in the second quarter of 2011 in the amount of for $2.6 million. Certain other immaterial adjustments were made in connection with the restatement, which resulted in a $153,000 decrease to the net loss recorded for the year ended December 31, 2011, and a $170,000 decrease to net income/loss for the nine-months ended September 30, 2012.

The restatement adjustments did not impact the Company's previously reported tax provision or benefit in any of the affected periods, other than a $54,000 decrease in the income tax provision for the quarter ended September 30, 2012, as all of the restatement adjustments were related to our U.S. operations, for which we have significant net operating loss carryforwards and have not recorded an income tax expense or benefit in any period to date. However, the restatement adjustments did impact the composition of our deferred tax assets and liabilities as of December 31, 2011 as presented in Note 10, Income Taxes, of the Notes to the Consolidated Financial Statements included in this Annual Report.

Effects of Restatement

For the fiscal year ended December 31, 2011, the restatement adjustments decreased revenue by $10.1 million and decreased previously reported net income by $2.3 million or $0.08 per diluted share, to a net loss of $1.4 million. As of June 30, 2013, we had collected the related

accounts receivable on all sales transactions that were subject to restatement for the year

ended December 31, 2011, with the exception of an insignificant amount that was subsequently credited to certain customers.

The following pages present the effects of the restatement adjustments on the Company's previously reported consolidated balance sheet, statement of operations, and statement of cash flows for the fiscal year ended December 31, 2011.

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	December 31, 2011			
	As previously reported	Restatement Adjustments	Debt Classification Adjustments	Restated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 29,289	$ —	$ —	$ 29,289
Trade and other accounts receivable, net of allowance for doubtful accounts of $450 at December 31, 2011	36,131	(8,158)	—	27,973
Inventories	27,232	6,002	—	33,234
Prepaid expenses and other current assets	3,125	(34)	61	3,152
Total current assets	95,777	(2,190)	61	93,648
Property and equipment, net	28,541	—	—	28,541
Intangible assets, net	1,111	—	—	1,111
Goodwill	24,887	—	—	24,887
Pension asset	6,359	—	—	6,359
Other non-current assets	261	—	(61)	200
Total assets	$ 156,936	$ (2,190)	$ —	$ 154,746
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 36,103	$ (3)	$ —	$ 36,100
Accrued warranty	258	—	—	258
Accrued employee compensation	6,243	100	—	6,343
Deferred revenue	1,042	—	—	1,042
Short-term borrowings and current portion of long-term debt	5,431	—	—	5,431
Deferred tax liability	499	—	—	499
Total current liabilities	49,576	97	—	49,673
Deferred tax liability, long-term	933	—	—	933
Long-term debt, excluding current portion	68	—	—	68
Other long-term liabilities	3,028	—	—	3,028
Total liabilities	53,605	97	—	53,702
Commitments and contingencies (Note 12 and Note 14)				
Stockholders' equity:				
Common stock, $0.10 par value per share, 40,000 shares authorized; 28,174 shares issued and outstanding at December 31, 2011	2,815	—	—	2,815
Additional paid-in capital	252,907	—	—	252,907
Accumulated deficit	(163,021)	(2,287)	—	(165,308)
Accumulated other comprehensive income	10,630	—	—	10,630
Total stockholders' equity	103,331	(2,287)	—	101,044
Total liabilities and stockholders' equity	$ 156,936	$ (2,190)	$ —	$ 154,746

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31, 2011		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 157,311	$ (10,135)	$ 147,176
Cost of revenue	95,254	(5,148)	90,106
Gross profit	62,057	(4,987)	57,070
Operating expenses:			
Selling, general and administrative	37,944	(2,726)	35,218
Research and development	22,330	26	22,356
Total operating expenses	60,274	(2,700)	57,574
Income (loss) from operations	1,783	(2,287)	(504)
Interest expense, net	(109)	—	(109)
Amortization of debt discount and prepaid debt costs	(55)	—	(55)
Gain on embedded derivatives and warrants	1,086	—	1,086
Income (loss) from operations before income taxes	2,705	(2,287)	418
Income tax provision	1,856	—	1,856
Net income (loss)	$ 849	$ (2,287)	$ (1,438)
Net income (loss) per share:			
Basic	$ 0.03	$ (0.08)	$ (0.05)
Diluted	$ 0.03	$ (0.08)	$ (0.05)
Weighted average common shares outstanding:			
Basic	27,637	—	27,637
Diluted	28,161	—	27,637

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2011		
	As previously reported	Restatement Adjustments	Restated
Operating activities:			
Net income (loss)	$ 849	$ (2,287)	$ (1,438)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	6,800	—	6,800
Amortization of intangible assets	559	—	559
Amortization of debt discount and prepaid debt costs	55	—	55
Gain on embedded derivatives and warrants	(1,086)	—	(1,086)
Pension cost	(109)		(109)
Stock based-compensation expense	2,582	—	2,582
Loss on impairment of property and equipment	—	—	—
Provision for (recovery of) losses on accounts receivable	427	(127)	300
Changes in operating assets and liabilities:			
Trade and other accounts receivable	(9,112)	8,285	(827)
Inventories	(8,121)	(6,002)	(14,123)
Prepaid expenses and other assets	87	35	122
Deferred income taxes	(1,108)	—	(1,108)
Accounts payable and accrued liabilities and deferred revenue	8,469	(3)	8,466
Accrued employee compensation	179	99	278
Other long-term liabilities	(5,572)		(5,572)
Net cash used in operating activities	(5,101)	—	(5,101)
Investing activities:			
Purchases of property and equipment	(14,466)	—	(14,466)
Net cash used in investing activities	(14,466)	—	(14,466)
Financing activities:			
Principal payments on long-term debt and short-term borrowings	(12,462)	—	(12,462)
Proceeds from long-term and short-term borrowings	12,229	—	12,229
Proceeds from exercise of stock warrants	—	—	—
Repurchase of shares for employee tax withholding obligation	(154)	—	(154)
Proceeds from issuance of common stock under equity compensation plans	2,819	—	2,819
Proceeds from issuance of common stock under secondary security offering	—	—	—
Release of restricted cash	8,000	—	8,000
Net cash provided by financing activities	10,432	—	10,432
Decrease in cash and cash equivalents from operations	(9,135)	—	(9,135)
Effect of exchange rate changes on cash and cash equivalents	(1,405)	—	(1,405)
Decrease in cash and cash equivalents	(10,540)	—	(10,540)
Cash and cash equivalents at beginning of year	39,829	—	39,829
Cash and cash equivalents at end of year	$ 29,289	$ —	$ 29,289
Cash paid for:			
Interest	$ 166	$ —	$ 166
Income taxes	$ 3,329	$ —	$ 3,329
Supplemental schedule of noncash investing and financing activities:			
Landlord funding of leasehold improvements	$ 1,522	$ —	$ 1,522
Conversion of debenture into shares of common stock	$ 9,341	$ —	$ 9,341
Stock warrant liability settled in shares of common stock	$ —	$ —	$ —

The restated financial information by product line and geographic area for fiscal year 2011 is presented below (in thousands):

	December 31, 2011		
	As previously reported	Restatement Adjustments	Restated
Revenues by product line:			
Ultracapacitors	$ 96,971	$ (10,135)	$ 86,836
High-voltage capacitors	42,309	—	42,309
Microelectronic products	18,031		18,031
Total	$ 157,311	$ (10,135)	$ 147,176
Revenues from external customers located in:			
China	$ 43,187	$ —	$ 43,187
United States	30,608	(885)	29,723
Germany	32,911	(6,658)	26,253
All other countries	50,605	(2,592)	48,013
Total	$ 157,311	$ (10,135)	$ 147,176

Note 3—Balance Sheet Details (in thousands):

	December 31,	
	2012	2011 (Restated)
Inventories:		
Raw material and purchased parts	$ 13,114	$ 9,661
Work-in-process	1,753	3,942
Finished goods	17,511	14,133
Consigned finished goods	9,242	5,498
Total inventories	$ 41,620	$ 33,234
Property and equipment, net:		
Machinery, furniture and office equipment	$ 62,593	$ 53,356
Computer hardware and software	10,918	9,524
Leasehold improvements	10,376	8,253
Construction in progress	9,283	6,801
Property and equipment, gross	93,170	77,934
Less accumulated depreciation and amortization	(56,935)	(49,393)
Total property and equipment, net	$ 36,235	$ 28,541
Accounts payable and accrued liabilities:		
Accounts payable	$ 14,762	$ 15,196
FCPA settlement	2,250	5,425
Derivative suit settlement accrual	—	3,000
Customer dispute settlement accrual	890	2,333
Income tax payable	2,068	2,362
Other accrued liabilities	7,211	7,784
Total accounts payable and accrued liabilities	$ 27,181	$ 36,100

	Years Ended December 31,	
	2012	2011
Accrued warranty:		
Beginning balance	$ 258	$ 449
Product warranties issued	446	343
Settlement of warranties	(259)	(188)
Changes related to preexisting warranties	(179)	(354)
Foreign currency translation adjustment	3	8
Ending balance	$ 269	$ 258

	Foreign Currency Translation Adjustment	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income
Accumulated other comprehensive income:			
Balance at December 31, 2011	$ 14,580	$ (3,950)	$ 10,630
Current period change	1,796	105	1,901
Balance at December 31, 2012	$ 16,376	$ (3,845)	$ 12,531

Note 4—Goodwill and Intangibles

The Company reviews goodwill for impairment annually according to the *Intangibles—Goodwill and Other* Topic of the FASB ASC. The Company makes a qualitative evaluation about the likelihood of goodwill impairment and if it concludes that it is more likely than not that the carrying amount of its single reporting unit is greater than its fair value, then it will be

required to perform the first step of the two-step quantitative impairment test. Otherwise, performing the two-step impairment test is unnecessary. The first step consists of estimating the fair value and comparing the estimated fair value with the carrying value of the reporting unit. If the fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an implied fair value of goodwill. The implied fair value of goodwill is the residual fair value derived by deducting the fair value of a reporting unit's assets and liabilities from its estimated total fair value, which was calculated in step one. An impairment charge would represent the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The guidance requires goodwill to be reviewed annually at the same time every year or when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist. The Company selected December 31 as its annual testing date. As a result of the Company's annual assessments as of December 31, 2012, 2011, and 2010, no impairment was indicated.

The change in the carrying amount of goodwill during 2011 and 2012 was as follows (in thousands):

Balance at December 31, 2010	$ 24,956
Foreign currency translation adjustments	(69)
Balance at December 31, 2011	24,887
Foreign currency translation adjustments	529
Balance at December 31, 2012	$ 25,416

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. If the Company determines that the carrying value of the asset is not recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the intangible asset exceeds its fair value. No impairments of intangible assets were recorded for the years ended December 31, 2012, 2011, and 2010.

The composition of intangible assets subject to amortization at December 31, 2012 and 2011 was as follows (in thousands):

	Useful Life	Gross Carrying Value	Accumulated Amortization	Cumulative Foreign Currency Translation Adjustment	Net Carrying Value
As of December 31, 2012:					
Patents	13 years	$ 2,476	$ (1,903)	$ —	$ 573
Developed core technology	10 years	1,100	(1,100)	—	—
Patent license agreement	5 years	741	(606)	(39)	96
Total intangible assets at December 31, 2012		$ 4,317	$ (3,609)	$ (39)	$ 669
As of December 31, 2011:					
Patents	13 years	$ 2,476	$ (1,699)	$ —	$ 777
Developed core technology	10 years	1,100	(1,050)	29	79
Patent license agreement	5 years	741	(468)	(18)	255
Total intangible assets at December 31, 2011		$ 4,317	$ (3,217)	$ 11	$ 1,111

Amortization expense for intangible assets was $441,000, $559,000 and $535,000 for the years ended December 31, 2012, 2011 and 2010, respectively. The estimated amortization for each of the next three years ending December 31 is as follows (in thousands):

Fiscal Years	
2013	$ 300
2014	203
2015	166
	$ 669

Actual amortization expense to be reported in future periods could differ from these estimates as a result of intangible asset acquisitions, foreign currency translation adjustments, impairments and other factors.

Note 5—Convertible Debentures

On December 20, 2005, the Company issued $25 million in aggregate principal amount of senior subordinated convertible debentures (the "Debentures"). In February 2011, the holder of the Debentures converted the remaining $8.3 million principal balance into 514,086 shares of the Company's common stock at a conversion price of $16.21 per share. On the conversion date, the common stock had a fair value of $9.3 million, which was based on the closing market price. This conversion resulted in a gain of $1.0 million, which is included in "gain on embedded derivatives and warrants" in the consolidated statement of operations. As long as the Debentures were outstanding, the Company was required to maintain a minimum cash balance of $8.0 million. This amount was classified as restricted cash while the convertible debentures were outstanding. The cash restriction was released in February 2011 when the outstanding principal amount of the convertible debentures was converted to shares of the Company's common stock.

Shares issued upon the exercise of warrants, interest paid with cash and principal converted into shares of common stock are as follows (in thousands):

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Amount	Shares	Amount	Shares
Exercise of warrants	$ —	—	$ 7,500	462
Conversion of principal into shares of common stock	$ 8,333	514	$ —	—
Interest paid with cash	17	N/A	115	N/A
Total debenture payments	$ 8,350	514	$ 115	—

Until the conversion of the remaining principal balance of the Debentures in February 2011, the principal balance was convertible by the holder at any time into common shares. In addition, after eighteen months from the issue date, the Company could have required that a specified amount of the principal of the Debentures be converted if certain conditions were satisfied for a period of 20 consecutive trading days. To determine the fair value of this forced conversion at each reporting date, the Company applied a Z factor, which is a theoretical measurement of the probability of this occurrence.

The change in fair value on revaluation of the conversion rights and warrant liabilities represents the difference between the fair value at the end of the current period or conversion date and the fair value at the beginning of the current period using the value calculated by the Black-Scholes pricing model. The effect of the fair market value adjustment was a $78,000 and $2.3 million gain for the years ended December 31, 2011 and 2010, respectively, which is recorded as "gain on embedded derivatives and warrants" in the consolidated statements of operations.

Note 6—Fair Value Measurements

The Company records certain financial instruments at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB ASC. As of December 31, 2012, the financial instruments to which this topic applied were financial instruments for foreign currency forward contracts. As of December 31, 2012, the fair value of these foreign currency forward contracts was a $329,000 asset, which is recorded in "trade and other accounts receivable, net" in the consolidated balance sheet. The fair value of these derivative instruments is measured using models following quoted market prices in active markets for identical instruments, which is a Level 2 input under the fair value hierarchy of the *Fair Value Measurements and Disclosures* Topic of the FASB ASC. All forward contracts as of December 31, 2012 have a one-month original maturity term and mature on January 3, 2013.

The carrying value of short-term and long-term borrowings approximates fair value because of the relative short maturity of these instruments and the interest rates the Company could currently obtain.

The convertible debentures issued on December 20, 2005 were evaluated and determined not to be conventional convertible debentures and, therefore, because of certain terms and provisions including liquidating damages under the associated registration rights agreement, the embedded conversion features were bifurcated and accounted for as derivative liability instruments until settled in February 2011. The accounting guidance requires that the conversion features be recorded at fair value each reporting period with changes in fair value recorded in the consolidated statement of operations. The fair values of the embedded conversion options are based on Black-Scholes fair value calculations. In February 2011, the remaining $8.3 million principal balance was converted into shares of the Company's common stock and, as such, no further fair value measurements of the liability were required to be made.

The following table summarizes the changes in the liability for the convertible debenture conversion features, which were valued using significant Level 3 inputs under the fair value measurement hierarchy of the FASB ASC (in thousands):

Beginning liability balance, December 31, 2010	$	2,093
Total unrealized gain included in net loss		(1,086)
Liability settled on exercise of warrants		(1,007)
Ending liability balance, December 31, 2011	$	—

Refer to Note 5—Convertible Debentures for the valuation model and unobservable data used to calculate fair value of the conversion features of the convertible debentures issued by the Company.

Note 7—Borrowings

Credit facility

In December 2011, the Company obtained a secured credit facility in the form of a revolving line of credit up to a maximum of $15.0 million (the “Revolving Line of Credit”) and an equipment term loan (the “Equipment Term Loan”) (together, the “Credit Facility”). In general, amounts borrowed under the Credit Facility are secured by a lien on all of the Company’s assets other than its intellectual property. In addition, under the credit agreement, the Company is required to pledge 65% of its equity interests in its Swiss subsidiary. The Company has also agreed not to encumber any of its intellectual property. The agreement contains certain restrictive covenants that limit the Company’s ability to, amongst other things; (i) incur additional indebtedness or guarantees; (ii) create liens or other encumbrances on its property; (iii) enter into a merger or similar transaction; (iv) invest in another entity; (v) declare or pay dividends; and (vi) invest in fixed assets in excess of a defined dollar amount. Repayment of amounts owed pursuant to the Credit Facility may be accelerated in the event that the Company is in violation of the representations, warranties and covenants made in the credit agreement, including certain financial covenants. The financial covenants that the Company must meet during the term of the credit agreement include quarterly minimum liquidity ratios, minimum quick ratios and EBITDA targets and an annual net income target. Borrowings under the Credit Facility bear interest, payable monthly, at either (i) the bank's prime rate or (ii) LIBOR plus 2.25%, at the Company's option subject to certain limitations. Further, the Company incurs an unused commitment fee, payable quarterly, equal to 0.25% per annum of the average daily unused amount of the Revolving Line of Credit.

The Equipment Term Loan was available to finance 80% of eligible equipment purchases made between April 1, 2011 and April 30, 2012. During this period, the Company borrowed $5.0 million under the Equipment Term Loan.

As a result of the restatement of prior period financial statements reflected in this annual report on Form 10-K, as such financial information was previously submitted to the bank and has since proven to be materially incorrect, the Company was in default with respect to the terms of the credit agreement beginning in the fourth quarter of 2011. In addition, as a result of the restatement of these prior period financial statements, the Company was not in compliance with the financial covenant pertaining to the annual minimum net income target for the fiscal year ended December 31, 2011. These violations represent events of default under the terms of the Credit Facility. As a result of this noncompliance, the bank's obligation to extend any further credit has ceased and terminated.

In June 2013, the Company entered into a forbearance agreement with the bank (“the Forbearance Agreement”). Pursuant to the terms of the Forbearance Agreement, the bank agreed to forbear from further exercise of its rights and remedies under the credit agreement to call the Company's outstanding debt obligation in connection with the events of default for a period terminating on the earlier of September 30, 2013 or the occurrence of any additional events of default. In connection with the execution of the Forbearance Agreement, in June 2013, the Company posted a cash deposit of $1.8 million with the bank and granted the bank a security interest therein, which will remain restricted until the bank may determine to waive the existing events of defaults discussed above, or the loan is satisfied.

As borrowings outstanding under the Credit Facility were immediately callable by the bank for each of the quarterly and annual periods since and including the fourth quarter of 2011, borrowings outstanding under the Credit Facility have been classified as a current obligation in the each of the accompanying consolidated balance sheets.

As of December 31, 2012, $3.9 million was outstanding under the Equipment Term Loan and the applicable interest rate was LIBOR plus 2.25% (2.5% as of December 31, 2012). If the bank does not exercise its right to accelerate repayment, under the original terms of the Credit Facility, principal and interest under the Equipment Term Loan are payable in 36 equal monthly installments such that the Equipment Term Loan is fully repaid by the maturity date of April 30, 2015, but may be prepaid in whole or in part at any time. As of December 31, 2012, no amounts were outstanding under the Revolving Line of Credit.

Further, as of December 31, 2012, the Company was not eligible to borrow any additional amounts under the Credit Facility, as a result of the events of default discussed above.

Short-term borrowings

Maxwell's Swiss subsidiary, Maxwell SA, has a 3.0 million Swiss Franc-denominated (approximately $3.3 million as of December 31, 2012) short-term loan agreement with a Swiss bank, which renews semi-annually and bears interest at 2.20%. Borrowings under the short-term loan agreement are unsecured and as of December 31, 2012 and 2011, the full amount of the loan was drawn.

Maxwell SA has a 2.0 million Swiss Franc-denominated (approximately $2.2 million as of December 31, 2012) credit agreement with a Swiss bank, which renews annually and bears interest at 2.35%. Borrowings under the credit agreement are unsecured and as of December 31, 2012 and 2011, the full amount available under the credit line was drawn.

Maxwell SA also has a 1.0 million Swiss Franc-denominated (approximately $1.1 million as of December 31, 2012) credit agreement with another Swiss bank, and the available balance of the line can be withdrawn or reduced by the bank at any time. As of December 31, 2012 and 2011, no amounts were drawn under the credit line. Interest rates applicable to any draws on the line will be determined at the time of draw.

Other long-term borrowings

Maxwell SA has various financing agreements for vehicles. These agreements are for up to an original three-year repayment period with interest rates ranging from 3.9% to 5.1%. At December 31, 2012 and 2011, $159,000 and $164,000, respectively, was outstanding under these agreements.

The following table summarizes debt outstanding (in thousands):

	December 31, 2012	December 31, 2011
Equipment Term Loan	$ 3,913	$ —
Maxwell SA short-term loan	3,278	3,201
Maxwell SA credit agreement	2,185	2,134
Maxwell SA auto leases	159	164
Total debt	9,535	5,499
Less current portion	(9,452)	(5,431)
Total debt, excluding current portion	$ 83	$ 68

Contractually scheduled payments due on borrowings subsequent to December 31, 2012 are as follows (in thousands):

2013 [(1)]	$ 9,452
2014	83
Total debt	$ 9,535

(1) Contractually scheduled payments related to the Equipment Term Loan of $3.9 million were callable by the bank.

Note 8—Foreign Currency Derivative Instruments

Maxwell uses forward contracts to hedge certain monetary assets and liabilities, primarily receivables and payables, denominated in a foreign currency. The change in fair value of these instruments represents a natural hedge as gains and losses offset the changes in the fair value of the underlying monetary assets and liabilities due to movements in currency exchange rates. These contracts generally expire in one month. These contracts are considered economic hedges but are not designated as hedges under the *Derivatives and Hedging Topic* of the FASB ASC, therefore, the change in the fair value of the instruments is recognized currently in the consolidated statement of operations.

The net gains and losses on foreign currency forward contracts included in "cost of revenue" and "selling, general and administrative" expense in the consolidated statements of operations are as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Cost of revenue	$ (2)	$ (220)	$ 213
Selling, general and administrative	395	(453)	1,625
Total gain (loss)	$ 393	$ (673)	$ 1,838

The net gains and losses on foreign currency derivative contracts were partially offset by net gains and losses on the underlying monetary assets and liabilities. Foreign currency gains and losses on those underlying monetary assets and liabilities included in "cost of revenue" and "selling, general and administrative" expense in the consolidated statements of operations are as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Cost of revenue	$ 13	$ 108	$ 717
Selling, general and administrative	(997)	(315)	(1,471)
Total loss	$ (984)	$ (207)	$ (754)

As of December 31, 2012, the total notional amount of foreign currency forward contracts not designated as hedges was $32.1 million. The fair value of these derivatives was a $329,000 asset at December 31, 2012. All of the forward contracts outstanding at December 31, 2012 mature on January 3, 2013. For additional information, refer to Note 6, *Fair Value Measurements* .

Note 9—Stock Plans

Equity Incentive Plans

The Company has two active share-based compensation plans as of December 31, 2012: the 2004 Employee Stock Purchase Plan (“ESPP”) and the 2005 Omnibus Equity Incentive Plan, as amended (the “Incentive Plan”). Under the Incentive Plan, incentive stock options, non-qualified stock options, restricted stock and restricted stock units have been granted to employees and non-employee directors. Generally, these awards vest over periods of one to four years. In addition, equity awards are issued to senior management where vesting of the award is tied to Company performance conditions. The Company’s policy is to issue new shares of its common stock upon the exercise of stock options or granting of stock awards to employees.

The Company’s Incentive Plan currently provides for an equity incentive pool of 2,750,000 shares. Shares reserved for issuance are replenished by forfeited shares. Additionally, equity awards forfeited under the Company’s 1995 stock option plan are added to the total shares available for issuance under the Incentive Plan. The Incentive Plan provides for accelerated vesting if there is a change of control.

For the year ended December 31, 2012, the tax benefit associated with stock option exercises, restricted stock grants, and disqualifying dispositions of both incentive stock options and stock issued under the Company’s ESPP, was approximately $2.6 million. No tax benefit was recognized in 2012, 2011 or 2010, because excess tax benefits were not realized by the Company.

Stock Options

In the first quarter of 2011, the Company ceased granting stock options to its employees as part of its annual equity incentive award program, and began granting restricted stock awards to employees. The last year in which the Company made any stock option grants was 2010. The Company may determine to grant stock options in the future under the Incentive Plan.

The fair value of stock options was estimated on the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

	Year Ended December 31, 2010
Expected dividends	—
Expected volatility range	69.5%
Risk-free interest rate range	2.4%
Expected term/life (in years)	4.8

The expected dividend yield is zero because the Company has never paid cash dividends and has no present intention to pay cash dividends. In addition, over the remaining term of the Credit Facility, which is scheduled to expire in April 2015, the Company is not permitted to declare or pay dividends. The expected term is based on the Company's historical experience from previous stock option grants. Expected volatility is based on the historical volatility of the Company's stock measured over a period commensurate with the expected option term. The Company does not consider implied volatility due to the low volume of publicly traded options in the Company's stock. The risk-free interest rate is derived from the zero coupon rate on U.S. Treasury instruments with a term comparable to the option's expected term.

The following table summarizes total aggregate stock option activity for the period December 31, 2011 through December 31, 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance at December 31, 2011	1,183,659	$ 11.45		
Exercised	(145,703)	7.85		
Canceled	(114,200)	14.34		
Balance at December 31, 2012	923,756	$ 11.67	4.62	$ 261,981
Vested or expected to vest at December 31, 2012	915,451	$ 11.64	4.60	$ 261,049
Exercisable at December 31, 2012	807,146	$ 11.53	4.31	$ 221,133

The number of shares exercisable at December 31, 2012, 2011 and 2010 was 807,146, 884,959 and 928,380, respectively, with weighted average exercise prices of $11.53, $11.14 and $10.44, respectively.

The weighted-average grant date fair value of stock options granted during the year ended December 31, 2010 was $9.27. No stock options were granted during the years ended December 31, 2012 and 2011. The total intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 was $1.5 million, $2.4 million and $2.3 million, respectively. Cash proceeds from option exercises for the year ended December 31, 2012 was $1.1 million.

As of December 31, 2012, there was $774,000, or $551,000 adjusted for estimated forfeitures, of total unrecognized compensation cost related to nonvested stock options. The cost is expected to be recognized over a weighted average period of 0.8 year.

Restricted Stock Awards

In the first quarter of 2011, the Company began granting restricted stock awards to its employees as part of its annual equity incentive award program, in replacement of stock options which had historically been broadly granted to employees. Generally, vesting of restricted stock awards is contingent upon a period of service, typically four years. In addition, the Company grants restricted stock awards to executive management with vesting contingent upon specified Company performance conditions. Historically, non-employee directors of the Company were compensated with restricted stock awards as part of their annual retainer; in 2011, non-employee directors began receiving restricted stock units instead (see below).

The following table summarizes restricted stock award activity for the period December 31, 2011 through December 31, 2012 (in thousands, except for per share amounts):

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2011	262	$ 17.17
Granted	255	20.60
Vested	(58)	15.04
Forfeited	(62)	16.61
Nonvested at December 31, 2012	397	$ 19.78

The weighted average grant date fair value of restricted stock awards granted during the years ended December 31, 2012, 2011 and 2010 was $20.60, $15.90 and $15.71, respectively. For the year ended December 31, 2012, the total grant date fair value of service-based restricted stock awards granted was $4.4 million and the total grant date fair value of performance-based restricted stock awards granted was $817,000.

Share awards released during the years ended December 31, 2012, 2011 and 2010 were 77,000, 56,000 and 170,000 respectively. Service-based share awards vested in 2012, 2011 and 2010 had a vest date fair value of $1.1 million, $1.0 million and $434,000, respectively. No performance-based share awards vested in 2012 or 2011. Performance-based share awards vested in 2010 had a vest date fair value of $2.2 million. As of December 31, 2012, there was $6.9 million of unrecognized compensation cost, or $3.7 million net of estimated forfeitures, related to nonvested restricted stock awards. The cost is expected to be recognized over a weighted average period of 2.5 years.

Restricted Stock Units

In 2011, the Company began granting non-employee directors of the Company restricted stock unit (“RSU”) awards as partial consideration for their annual retainer compensation. In the first quarter of each fiscal year, each non-employee director of the Company receives an RSU award for a number of shares determined by dividing the value to be delivered under the RSU award by the closing price of the Company’s common stock on the date of grant. These awards vest in full one year from the date of grant. In addition, in 2010 and prior years, non-employee directors were paid a quarterly retainer in RSU awards. This quarterly retainer was replaced by an annual compensation plan in 2011.

The total grant date fair value of service-based restricted stock unit awards granted during the year ended December 31, 2012 was $420,000. The weighted average grant date fair value of restricted stock unit awards granted during the years ended December 31, 2012, 2011 and 2010 was $20.65, $19.06 and $13.65, respectively. As of December 31, 2012, there was $44,760 of unrecognized compensation cost related to nonvested restricted stock unit awards. The Company estimates that none of these outstanding RSU awards will be forfeited. The cost is expected to be recognized over a weighted average period of 0.1 year.

Employee Stock Purchase Plan

In 2004, the Company established the 2004 Employee Stock Purchase Plan (“ESPP”). Pursuant to the ESPP, the aggregate number of shares of common stock which may be purchased shall not exceed five hundred thousand (500,000) shares of common stock of the Company. As of December 31, 2012, the Company has issued a total of 403,200 shares of common stock from the current ESPP. For the years ended December 31, 2012 and 2011, the Company issued 108,990 and 44,542 shares, respectively, under the ESPP.

The ESPP permits substantially all employees to purchase common stock through payroll deductions, at 85% of the lower of the trading price of the stock at the beginning or at the end of each six-month offering period commencing on January 1 and July 1. The number of shares purchased is based on participants’ contributions made during the offering period.

The fair value of the “look back” option for ESPP shares issued during the offering period is estimated using the Black-Scholes valuation model for a call and a put option. The share price used for the model is a 15% discount on the stock price on the first day of the offering period; the number of shares to be purchased is calculated based on employee contributions, and by using the following weighted-average assumptions:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Expected dividends	$ —	$ —	$ —
Stock price on valuation date	11.96	17.54	14.03
Expected volatility	71%	41%	54%
Risk-free interest rate	0.10%	0.15%	0.21%
Expected life (in years)	0.5	0.5	0.5
Fair value per share	$ 4.16	$ 4.73	$ 4.78

The intrinsic value of shares of the Company's stock purchased pursuant to the ESPP for offering periods within the years ended December 31, 2012, 2011 and 2010 was $191,000, $109,000 and $251,000, respectively.

Stock-based Compensation Expense

Compensation cost for stock options, restricted stock, restricted stock units and the ESPP is as follows (in thousands):

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Stock options	$ 978	$ 1,317	$ 1,496
Restricted stock	1,427	1,014	752
Restricted stock units	421	57	188
ESPP	262	194	191
Total stock-based compensation expense	$ 3,088	$ 2,582	$ 2,627

Stock-based compensation cost included in cost of revenue; selling, general and administrative expense; and research and development expense is as follows (in thousands):

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Cost of revenue	$ 701	$ 355	$ 304
Selling, general and administrative	1,835	1,769	2,096
Research and development	552	458	227
Total stock-based compensation expense	$ 3,088	$ 2,582	$ 2,627

Share Reservations

The following table summarizes the reservation of shares under the Company's stock-based compensation plans as of December 31, 2012:

2005 Omnibus Equity Incentive Plan	1,686,687
2004 Employee Stock Purchase Plan	96,800
1999 Director Stock Option Plan	3,000
1995 Stock Option Plan	158,756
Total	1,945,243

Note 10—Stock Offering

In April 2011, the Company filed a shelf registration statement on Form S-3 with the SEC to, from time to time, sell up to an aggregate of $125 million of its common stock, warrants or debt securities. During the quarter ended March 31, 2012, the Company sold a total of 572,510 shares of its common stock for net proceeds of $10.3 million pursuant an At-the-Market Equity Offering Sales Agreement ("Sales Agreement") with Citadel Securities LLC ("Citadel") dated February 2012. No shares have been sold subsequent to the quarter ended March 31, 2012.

As a result of the restatement of our previously issued financial statements contained within this report, the Company is no longer in compliance with the ongoing eligibility requirements of this shelf registration statement on Form S-3, the shelf registration statement is therefore no longer effective.

Note 11—Income Taxes

For financial reporting purposes, net income (loss) before income taxes includes the following components (in thousands):

	Years Ended December 31,		
	2012	2011 (Restated)	2010
United States	$ (5,994)	$ (9,348)	$ (12,903)
Foreign	15,517	9,766	8,478
Total	$ 9,523	$ 418	$ (4,425)

The provision (benefit) for income taxes based on income (loss) before income taxes is as follows (in thousands):

	Years Ended December 31,		
	2012	2011 (Restated)	2010
Federal:			
Current	$ (190)	$ —	$ 13
Deferred	6,873	(2,430)	(4,183)
	6,683	(2,430)	(4,170)
State:			
Current	7	6	5
Deferred	1,653	206	60
	1,660	212	65
Foreign:			
Current	2,135	3,089	1,006
Deferred	(95)	(1,216)	607
	2,040	1,873	1,613
Valuation allowance	(8,034)	2,201	4,123
Tax provision	$ 2,349	$ 1,856	$ 1,631

The provision for income taxes in the accompanying consolidated statements of operations differs from the amount calculated by applying the statutory income tax rate to income (loss) from continuing operations before income taxes. The primary components of such difference are as follows (in thousands):

	Years Ended December 31,		
	2012	2011 (Restated)	2010
Taxes at federal statutory rate	$ 3,054	$ 143	$ (1,504)
State taxes, net of federal benefit	(23)	(323)	(284)
Effect of tax rate differential for foreign subsidiary	(2,695)	(1,576)	(1,356)
Valuation allowance, including tax benefits of stock activity	(8,034)	2,201	4,123
Nondeductible interest	—	462	(313)
Foreign tax credit	—	—	(183)
Stock-based compensation	242	73	155
FCPA settlement	—	—	1,156
Return to provision adjustments	3,568	576	(1,512)
Subpart F income inclusion	5,594	—	948
Other	643	300	401
Tax provision	$ 2,349	$ 1,856	$ 1,631

The Company has established a valuation allowance against its U.S. federal and state deferred tax assets due to the uncertainty surrounding the realization of such assets as evidenced by the cumulative losses from operations through December 31, 2012. Management periodically evaluates the recoverability of the deferred tax assets. At such time as it is determined that it is more likely than not that deferred assets are realizable, the valuation allowance will be reduced accordingly and recorded as a tax benefit, with the exception of $15.5 million which will impact additional paid in capital as discussed below. The Company has recorded a valuation allowance of $59.7 million as of December 31, 2012 to reflect the estimated amount of deferred tax assets that may not be realized. The Company decreased its valuation allowance by $8.0 million for the year ended December 31, 2012.

At December 31, 2012, the Company has federal and state net operating loss carryforwards of approximately $157.1 million and $82.0 million, respectively. The federal tax loss carryforwards will begin to expire in 2020 and the state tax loss carryforwards will begin to expire in 2013. In addition, the Company has research and development and other tax credit carryforwards for federal and state income tax purposes as of December 31, 2012 of $4.7 million and $5.4 million, respectively. The federal credits will begin to expire in 2018 unless utilized and the state credits have an indefinite life. Pursuant to Internal Revenue Code Sections 382 and 383, use of the Company's federal net operating loss and credit carryforwards may be limited due to a cumulative change in ownership of more than 50% within a three-year period.

Excess tax benefits associated with stock option exercises, restricted stock grants, and disqualifying dispositions of both incentive stock options and stock issued from the Company's Employee Stock Purchase Plan in the amount of $3.5 million and $3.3 million, for 2012 and 2011, respectively, did not reduce current income taxes payable and, accordingly, are not included in the deferred tax asset relating to net operating loss carryforwards, but are included with the federal and state net operating loss carryforwards disclosed in this footnote. The tax benefits associated with stock option deductions from 1998 to 2005 in the amount of $15.5 million were not recorded in additional paid-in capital because their realization was not more likely than not to occur and, consequently, a valuation allowance was recorded against the entire benefit.

The Company has been granted a tax holiday in Switzerland, which is effective as of January 1, 2012 and is for 10 years. The tax holiday is conditional upon the Company meeting certain employment and investment thresholds. The impact of this tax holiday decreased foreign taxes by $634,000 for 2012. The benefit of the tax holiday on net income per diluted share was $0.02 for 2012.

U.S. and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. The amount of unremitted earnings from foreign subsidiaries totaled $5.0 million as of December 31, 2012. Withholding taxes of approximately $2.0 million would be payable upon remittance of all previously unremitted earnings at December 31, 2012. Determination of the amount of any unrecognized deferred income tax liability on the excess of the financial reporting basis over the tax basis of investments in foreign subsidiaries is not practicable because of the complexities of the hypothetical calculation.

Items that give rise to significant portions of the deferred tax accounts are as follows (in thousands):

	December 31,	
	2012	2011 (Restated)
Deferred tax assets:		
Tax loss carryforwards	$ 55,288	$ 59,457
Tax credit carryforwards	19	18
Uniform capitalization, contract and inventory related reserves	895	1,319
Accrued vacation	642	631
Stock-based compensation	813	763
Tax basis depreciation less book depreciation	—	984
Intangible assets	1,104	1,232
Deferred revenue	152	265
FCPA settlement	—	1,187
Other	1,185	1,849
Total	60,098	67,705
Deferred tax liabilities:		
Inventory deduction	(209)	(185)
Pension assets	(1,385)	(933)
Allowance for doubtful accounts	(433)	(245)
Tax basis depreciation less book depreciation	(224)	—
Other	—	(1)
Total	(2,251)	(1,364)
Net deferred tax assets before valuation allowance	57,847	66,341
Valuation allowance	(59,740)	(67,773)
Net deferred tax liabilities	$ (1,893)	$ (1,432)

The Company adopted the provisions of section 740-10 of the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC on January 1, 2007. Of the total unrecognized tax benefits at December 31, 2012, approximately $10.0 million was recorded as a reduction to deferred tax assets, which caused a corresponding reduction in the Company's valuation allowance of $10.0 million. To the extent unrecognized tax benefits are recognized at a time when a valuation allowance does not exist, the recognition of the tax benefit would reduce the effective tax rate. The Company does not anticipate that the amount of unrecognized tax benefits as of December 31, 2012 will significantly increase or decrease within the 12 month period following December 31, 2012.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at December 31, 2011	$ 10,433
Increase in prior period positions	510
Decrease in current period positions	(666)
Balance at December 31, 2012	$ 10,277

The Company recognizes interest and penalties as a component of income tax expense. Interest and penalties for the years ended December 31, 2012, 2011 and 2010 were immaterial.

The Company's U.S. federal income tax returns for tax years subsequent to 2007 are subject to examination by the Internal Revenue Service and its state income tax returns subsequent to 2006 are subject to examination by state tax authorities. The Company's foreign tax returns subsequent to 2002 are subject to examination by the foreign tax authorities.

Net operating losses from years for which the statute of limitations has expired (2007 and prior for federal and 2006 and prior for state) could be adjusted in the event that the taxing jurisdictions challenge the amounts of net operating loss carryforwards from such years.

Note 12—Leases

Rental expense amounted to $3.7 million, $3.1 million and $2.5 million for the years ended December 31, 2012, 2011 and 2010, respectively, and was incurred primarily for facility leases. Future annual minimum rental commitments as of December 31, 2012 are as follows (in thousands):

Fiscal Years		
2013	$	3,962
2014		4,074
2015		3,571
2016		2,809
2017		2,581
Thereafter		6,490
Total	$	23,487

Note 13—Pension and Other Postretirement Benefit Plans

Foreign Plan

The *Compensation—Retirement Benefits* Subtopic of the FASB ASC requires balance sheet recognition of the total over funded or under funded status of pension and postretirement benefit plans. Under the guidance, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized as a component of accumulated other comprehensive income within stockholders' equity, net of tax effects, until they are amortized as a component of net periodic benefit cost (income).

The Company's plan is regulated by the Swiss Government and is funded by the employees and the Company. The pension benefit is based on compensation, length of service and credited investment earnings. The plan guarantees both a minimum rate of return as well as minimum annuity purchase rates. The Company's funding policy with respect to the pension plan is to contribute the amount required by Swiss law, using the required percentage applied to the employee's compensation. In addition, participating employees are required to contribute to the pension plan. The Company made pension contributions of $732,000, $778,000 and $635,000 in 2012, 2011 and 2010, respectively; 45% of the total contributions to the plan each year are made by the employees. This plan has a measurement date of December 31. The Company does not have any rights to the assets of the plan.

The reported pension asset increased from $6.4 million to $6.9 million during the year ended December 31, 2012. The asset increase is a combination of an actuarial gain due to participant experience, employee funding received by the plan related to the transfer of assets from another employee benefit plan, an actuarial loss due to assumption changes, and a higher than expected overall asset return rate which resulted in a gain.

The accumulated benefit obligation was approximately $28.1 million and $25.2 million as of December 31, 2012 and 2011, respectively.

The following table reflects changes in the pension benefit obligation and plan assets for the years ended and as of December 31, 2012 and 2011 (in thousands):

	Pension Benefits	
	Years ended December 31,	
	2012	2011
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 26,723	$ 25,340
Service cost	671	793
Interest cost	651	717
Plan participant contributions	1,602	637
Benefits paid	(668)	(1,254)
Actuarial loss	1,659	735
Administrative expenses paid	—	(79)
Settlements	(1,417)	—
Effect of foreign currency translation	735	(166)
Projected benefit obligation at end of year	29,956	26,723
Changes in plan assets:		
Fair value of plan assets at beginning of year	33,082	30,662
Actual return on plan assets	2,670	2,581
Company contributions	732	778
Plan participant contributions	1,602	637
Benefits paid	(668)	(1,254)
Administrative expenses paid	—	(79)
Settlements	(1,417)	—
Effect of foreign currency translation	894	(243)
Fair value of plan assets at end of year	36,895	33,082
Funded status at end of year	$ 6,939	$ 6,359

Amounts recognized in the consolidated balance sheets consist of (in thousands):

	As of December 31,	
	2012	2011
Net long-term pension asset	$ 6,939	$ 6,359
Accumulated other comprehensive loss consists of the following:		
Net prior service cost	216	262
Net loss	4,770	4,851
Accumulated other comprehensive loss before taxes	$ 4,986	$ 5,113

The components of net periodic pension cost (income) and other amounts recognized in other comprehensive income (loss) before taxes are as follows (in thousands):

	Years ended December 31,		
	2012	2011	2010
Components of net periodic pension cost (income):			
Service cost	$ 671	$ 793	$ 629
Interest cost	651	717	614
Expected return on plan assets	(1,403)	(1,616)	(1,491)
Prior service cost amortization	44	46	39
Deferred loss amortization	216	309	—
Settlement cost	258	—	—
Net periodic pension cost (income)	$ 437	$ 249	$ (209)
Other amounts recognized in other comprehensive income (loss) before income taxes are as follows:			
Prior service cost amortization	$ (44)	$ (46)	$ (39)
Loss (gain) on value of plan assets	(1,268)	(965)	1,592
Actuarial loss on benefit obligation	1,659	735	2,068
Settlement	(258)	—	—
Deferred loss amortization	(216)	(309)	—
Total recognized in other comprehensive income (loss), before taxes	$ (127)	$ (585)	$ 3,621
Total recognized in net periodic pension cost (income) and other comprehensive income (loss), before taxes	$ 310	$ (336)	$ 3,412

Assumptions used to determine the benefit obligation and net periodic pension cost (income) are as follows:

	Pension Benefits	
	Years ended December 31,	
	2012	2011
Weighted-average assumptions used to determine benefit obligation:		
Discount rate	1.75%	2.50%
Rate of compensation increase	2.50%	2.50%
Measurement date	12/31/2012	12/31/2011
Weighted-average assumptions used to determine net periodic pension cost (income):		
Discount rate	2.50%	2.75%
Expected long-term return on plan assets	4.25%	5.00%
Rate of compensation increase	2.50%	2.50%
Percentage of the fair value of total plan assets held in each major category of plan assets:		
Equity securities	35%	82%
Debt securities	21%	4%
Real estate	39%	12%
Other	5%	2%
Total	100%	100%

The pension plan's overall strategy and investment policy is managed by the board of the plan. The overall long-term rate is based on the target asset allocation of 15% Swiss bonds, 13% non-Swiss hedged bonds, 10% Swiss equities, 15% global equities, 36% real estate, 6% emerging market equities, 3% alternative investments and 2% cash and other short-term investments.

The 2013 expected future long-term rate of return is estimated to be 4.25%, which is based on historical asset rates of returns for each asset allocation classification at a 0.4% rate for Swiss bonds, 1.0% for hedged foreign bonds, 4.8% for real estate, 5.6% for Swiss equities, 6.5% for unhedged global equities, 7.4% unhedged emerging markets, 2.80% for alternative investments and 1.4% for cash. The 2012 expected long-term rate of return was 4.25% and was based on the historical asset rates of return of 1.8% for Swiss bonds, 2.0% for unhedged foreign bonds, 1.5% for hedged foreign bonds, 4.3% for real property, 5.6% for Swiss equities and 6.9% for unhedged global equities, 4.6% for alternative investments and 1.3% for cash.

Expected amortization during the year ending December 31, 2013 is as follows (in thousands):

Amortization of net prior service costs	$	45
Amortization of deferred loss		182

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2013	$	1,643
2014		1,969
2015		1,772
2016		1,869
2017		1,547
Years 2018 through 2022		8,116
Total	$	16,916

The Company expects to contribute approximately $677,000 to the pension plan in 2013.

Investment objectives:

The primary investment goal of the pension plan is to achieve a total annualized return of 4.25% over the long-term. The investments are evaluated, compared and benchmarked to plans with similar investment strategies. The plan also attempts to minimize risk by not having any single security or class of securities with a disproportionate impact on the plan. As a guideline, assets are diversified by asset classes (equity, fixed income, real estate, and alternative investments).

The fair values of the plans assets at December 31, 2012, by asset category, are as follows (in thousands):

		Fair Value Measurements at December 31, 2012		
	Total	Active Market Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Cash:				
Held in Swiss Franc, Euro and USD	$ 848	$ 848	$ —	$ —
Equity securities:		—	—	—
Investment funds	19,867	19,867	—	—
Real estate investment fund	10,733	—	—	10,733
Fixed income / Bond Securities				
Fixed income / Bond securities:	1,263	1,263	—	—
Real estate investments:				
Real estate investment in specific properties 100% owned by the plan	4,098	—	—	4,098
Other assets (accounts receivable, assets at real estate management company)	86	—	86	—
Net assets of pension plan	$ 36,895	$ 21,978	$ 86	$ 14,831

Fair Value of Assets

Level 1: Observable inputs such as quoted prices in active markets for identical assets.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 : Unobservable inputs that reflect the reporting entity's own assumptions. These investments can include; real estate owned by the Pension Plan stated at appraised value obtained from an independent source to the Plan and the Company; real estate investment that has potential long term investment liquidation processes; hedge funds that might have monthly, quarterly or annual restraints on redemptions or may require advance notice for a redemption

For those financial instruments with significant Level 3 inputs, the following table summarizes the activity for the year by investment type:

Description	Real estate investments
Beginning balance, December 31, 2011	$ 13,856
Total unrealized gains included in net gain [1]	665
Foreign currency translation adjustments	310
Ending balance, December 31, 2012	$ 14,831

(1) Total unrealized gains are reported as a component of the pension adjustment in accumulated other comprehensive income in the consolidated statement of stockholders' equity.

U.S. Plan

The Company has postretirement benefit plans covering its employees in the United States. Substantially all U.S. employees are eligible to elect coverage under a contributory employee savings plan which provides for Company matching contributions based on one-half of employee contributions up to certain plan limits. The Company's matching contributions under this plan totaled $486,000, $415,000 and $379,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

Note 14—Legal Proceedings

Although the Company incurs significant legal costs in connection with legal proceedings, the Company is unable to estimate the amount of future legal costs, therefore, such costs are expensed in the period the legal services are performed.

FCPA Matter

As a result of being a publicly traded company in the U.S., we are subject to the U.S. Foreign Corrupt Practices Act ("FCPA"), which prohibits companies from making improper payments to foreign officials for the purpose of obtaining or retaining business. Beginning in 2009, we conducted an internal review into payments made to our former independent sales agent in China with respect to sales of our high voltage capacitor products produced by our Swiss subsidiary. In January 2011, we reached settlements with the SEC and the U.S. Department of Justice ("DOJ") with respect to charges asserted by the SEC and DOJ relating to the anti-bribery, books and records, internal controls, and disclosure provisions of the FCPA and other securities laws violations. We settled civil charges with the SEC, agreeing to an injunction against further violations of the FCPA. Under the terms of the settlement with the SEC, we agreed to pay a total of approximately $6.4 million in profit disgorgement and prejudgment interest, in two installments, with almost $3.2 million paid in each of the first quarters of 2011 and 2012. Under the terms of the settlement with the DOJ, we agreed to pay a total of $8.0 million in penalties in three installments, with $3.5 million paid in the first quarter of 2011 and $2.3 million paid in each of the first quarters of 2012 and 2013. As part of the settlement, we entered into a three-year deferred prosecution agreement ("DPA") with the DOJ. If we remain in compliance with the terms of the DPA, at the conclusion of the term, the charges against us asserted by the DOJ will be dismissed with prejudice. Further, under the terms of each agreement, we will periodically report to the SEC and DOJ on our internal compliance program concerning anti-bribery. As of December 31, 2012, $2.3 million was included in "accounts payable and accrued liabilities" on the accompanying consolidated balance sheet and this final payment was paid in full as of January 25, 2013.

Customer Bankruptcy Matter

In January 2011, we attended a bankruptcy proceeding for a previous customer in order to bid on certain intellectual property and physical assets that were being auctioned. During this proceeding, an offer for sale was presented for any and all potential claims held by the previous customer against us. While the nature of these potential claims was not specified, the offer was construed as including potential claims related to payments made to us by the customer prior to the previous customer filing bankruptcy, as well as a potential intellectual property dispute between us and the previous customer. At the January 2011 bankruptcy proceeding, we bid $250,000 to purchase from the bankruptcy estate the right to any and all claims against us stemming from rights held by the previous customer. The bankruptcy estate later declined that offer and in the interest of a more expedient resolution, we had recently increased our settlement offer to $750,000. In December 2012, the parties reached a final agreement for total consideration of $525,000 due from us to the bankruptcy estate for full and final release from any claims related only to the potential preference payment claim. The settlement amount was paid in full in February 2013. Concerning the potential intellectual property dispute, we believe this claim is meritless and that the chance of a significant loss with respect to this potential claim is remote. As of the quarter ended September 30, 2012, we had accrued a liability of

$750,000 for the anticipated settlement of these potential claims. After consideration of the settlement of the preference claim matter in the amount of $525,000, the remaining balance of the accrual of $225,000 was reversed and credited to the statement of operations during the fourth quarter of 2012.

Securities Matter

In early 2013, we voluntarily provided information to the United States Attorney's Office for the Southern District of California and the U.S. Securities and Exchange Commission related to our announcement that we intend to file restated financial statements for fiscal years 2011 and 2012. We are cooperating with these investigations. At this preliminary stage, we cannot predict the ultimate outcome of this action, nor can we estimate the range of potential loss, and we therefore have not accrued an amount for any potential costs associated with this action, but an adverse result could have a material adverse impact on our financial condition and results of operation.

Securities Class Action Matter

From March 13, 2013 through April 19, 2013, four purported shareholder class actions were filed in the United States District Court for the Southern District of California against us and three of our current and former officers. These actions are entitled *Foster v. Maxwell Technologies, Inc., et al.* , Case No. 13-cv-0580 (S.D. Cal. filed March 13, 2013), *Weinstein v. Maxwell Technologies, Inc., et al.* , No. 13-cv-0686 (S.D. Cal. filed March 21, 2013), *Abanades v. Maxwell Technologies, Inc., et al.* , No. 13-cv-0867 (S.D. Cal. filed April 11, 2013), and *Mebarak v. Maxwell Technologies, Inc., et al.* , No. 13-cv-0942 (S.D. Cal. filed April 19, 2013). The complaints allege that the defendants made false and misleading statements regarding our financial performance and business prospects and overstated our reported revenue. The complaints purport to assert claims for violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 on behalf of all persons who purchased our common stock between April 28, 2011 and March 7, 2013, inclusive. The complaints seek unspecified monetary damages and attorneys' fees and costs. On May 13, 2013, four prospective lead plaintiffs filed motions to consolidate the four actions and to be appointed lead plaintiff. On June 11, 2013, the Court vacated the hearing on those motions and indicated that it would issue a written order in the near future. At this preliminary stage, we cannot determine whether there is a reasonable possibility that a loss has been incurred nor can we estimate the range of potential loss. Accordingly, we have not accrued an amount for any potential loss associated with this action, but an adverse result could have a material adverse impact on our financial condition and results of operation.

State Shareholder Derivative Matter

On April 11, 2013 and April 18, 2013, two shareholder derivative actions were filed in California Superior Court for the County of San Diego, entitled *Warsh v. Schramm, et al.* , Case No. 37-2013-00043884 (San Diego Sup. Ct. filed April 11, 2013) and *Neville v. Cortes, et al.* , Case No. 37-2013-00044911-CU-BT-CTL (San Diego Sup. Ct. filed April 18, 2013). The complaints name as defendants certain of our current and former officers and directors as well as our former auditor McGladrey LLP. We are named as a nominal defendant. The complaints allege that the individual defendants made or caused us to make false and/or misleading statements regarding our financial condition, and failed to disclose material adverse facts about our business, operations and prospects. The complaints assert causes of action for breaches of fiduciary duty for disseminating false and misleading information, failing to maintain internal controls, and failing to properly oversee and manage the company, as well as for unjust enrichment, abuse of control, gross mismanagement, professional negligence and accounting malpractice, and aiding and abetting breaches of fiduciary duty. The lawsuits seek unspecified damages, an order directing us to take all necessary actions to reform and improve its corporate governance and internal procedures, restitution and disgorgement of profits, benefits and other compensation, attorneys' and experts' fees, and costs and expenses. On May 7, 2013, the Court consolidated the two actions. We filed a motion to stay the consolidated action on July 2, 2013. Because this action is derivative in nature, it does not seek monetary damages from us. However, we may be required throughout the term of the action to advance the legal fees and costs incurred by the individual defendants and to incur other financial obligations. At this preliminary stage, we cannot predict the ultimate outcome of this action, nor can we estimate the range of potential loss, and we therefore have not accrued an amount for any potential costs associated with this action, but an adverse result could have a material adverse impact on our financial condition and results of operation.

Federal Shareholder Derivative Matter

On April 23, 2013 and May 7, 2013, two shareholder derivative actions were filed in the United States District Court for the Southern District of California, entitled *Kienzle v. Schramm, et al.* , Case No. 13-cv-0966 (S.D. Cal. filed April 23, 2013) and *Agrawal v. Cortes, et al.* , Case No. 13-cv-1084 (S.D. Cal. filed May 7, 2013). The complaints name as defendants certain of our current and former officers and directors and name us as a nominal defendant. The complaints allege that the individual defendants caused or allowed us to issue false and misleading statements about our financial condition, operations, management, and internal controls and falsely represented that we maintained adequate controls. The complaints assert causes

of action for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The lawsuits seek unspecified damages, an order directing us to take all necessary actions to reform and improve its corporate governance and internal procedures, restitution and disgorgement of profits, benefits, and other compensation, attorneys' and experts' fees, and costs and expenses. On June 10, 2013, the parties filed a joint motion to consolidate the two actions. The Court has not yet ruled on that motion. Because this action is derivative in nature, it does not seek monetary damages from us. However, we may be required throughout the term of the action to advance the legal fees and costs incurred by the individual defendants and to incur other financial obligations. At this preliminary stage, we cannot predict the ultimate outcome of this action, nor can we estimate the range of potential loss, and we therefore have not accrued an amount for any potential costs associated with this action, but an adverse result could have a material adverse impact on our financial condition and results of operation.

Shareholder Demand Letter Matter

On April 9, 2013, Stephen Neville, a purported shareholder of the Company, sent a demand letter to us to inspect our books and records pursuant to California Corporations Code Section 1601. The demand sought inspection of documents related to our March 7, 2013 announcement that we would be restating our previously-issued financial statements for 2011 and 2012, board minutes and committee materials, and other documents related to our board or management discussions regarding revenue recognition from January 1, 2011 to the present. We responded by letter dated April 19, 2013, explaining why we believed that the demand did not appear to be proper. Following receipt of a second letter from Mr. Neville dated April 23, 2013, we explained by letter dated April 29, 2013 why we continue to believe that the inspection demand appears improper. We have not received a further response from Mr. Neville regarding the inspection demand. At this preliminary stage, we cannot predict the ultimate outcome of this action, nor can we estimate the range of potential loss, and we therefore have not accrued an amount for any potential costs associated with this action, but an adverse result could have a material adverse impact on our financial condition and results of operation.

Note 15—Unaudited Quarterly Financial Information

	Quarter Ended			
	March 31 (Restated)	June 30 (Restated)	September 30 (Restated)	December 31
	(in thousands except per share data)			
Year Ended December 31, 2012				
Operating:				
Total revenue	$ 35,804	$ 36,238	$ 42,713	$ 44,503
Gross profit	15,157	14,524	18,142	17,229
Net income (loss)	(952) (a)	31 (b)	5,228 (c)	2,867 (d)
Basic and diluted net income per share	$ (0.03)	$ —	$ 0.18	$ 0.10

	Quarter Ended			
	March 31 (Restated)	June 30 (Restated)	September 30 (Restated)	December 31 (Restated)
	(in thousands except per share data)			
Year Ended December 31, 2011				
Operating:				
Total revenue	$ 29,224	$ 38,546	$ 42,030	$ 37,376
Gross profit	11,329	13,901	16,830	15,010
Net income (loss)	(2,322) (e)	(200) (f)	569 (g)	515 (h)
Basic and diluted net income (loss) per share	$ (0.09)	$ (0.01)	$ 0.02	$ 0.02

(a) Includes a non-cash expense for stock-based compensation of $1.3 million.
(b) Includes a non-cash expense for stock-based compensation of $770,000.
(c) Includes a non-cash expense for stock-based compensation of $505,000.
(d) Includes a non-cash expense for stock-based compensation of $527,000.

(e) Includes a gain on embedded derivatives of $1.1 million and a non-cash expense for stock-based compensation of $917,000.

(f) Includes a non-cash expense for stock-based compensation of $789,000 and a $2.6 million charge for the accrual for anticipated settlement of a legal matter.

(g) Includes a non-cash expense for stock-based compensation of $734,000.

(h) Includes a non-cash expense for stock-based compensation of $142,000.

The restated quarterly consolidated balance sheets as of the end of the first three quarters of fiscal year 2012 and 2011, respectively, are presented below:

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	September 30, 2012			
	As previously reported	Restatement Adjustments	Debt Classification Adjustments	Restated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 20,073	$ —	$ —	$ 20,073
Trade and other accounts receivable, net of allowance for doubtful accounts of $341 at September 31, 2012	52,988	(14,172)	—	38,816
Inventories	31,930	11,872	—	43,802
Prepaid expenses and other current assets	2,829	105	41	2,975
Total current assets	107,820	(2,195)	41	105,666
Property and equipment, net	35,806	—	—	35,806
Intangible assets, net	758	—	—	758
Goodwill	24,826	—	—	24,826
Pension asset	6,945	—	—	6,945
Other non-current assets	79	—	(41)	38
Total assets	$ 176,234	$ (2,195)	$ —	$ 174,039
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 32,025	$ (36)	$ —	$ 31,989
Accrued warranty	244	—	—	244
Accrued employee compensation	5,025	—	—	5,025
Deferred revenue	764	4,385	—	5,149
Short-term borrowings and current portion of long-term debt	6,909	—	2,935	9,844
Deferred tax liability	499	—	—	499
Total current liabilities	45,466	4,349	2,935	52,750
Deferred tax liability, long-term	962	—	—	962
Long-term debt, excluding current portion	2,960	—	(2,935)	25
Other long-term liabilities	699	—	—	699
Total liabilities	50,087	4,349	—	54,436
Commitments and contingencies				
Stockholders' equity:				
Common stock, $0.10 par value per share, 40,000 shares authorized; 29,183 shares issued and outstanding at September 31, 2012	2,915	—	—	2,915
Additional paid-in capital	267,069	—	—	267,069
Accumulated deficit	(154,456)	(6,544)	—	(161,000)
Accumulated other comprehensive income	10,619	—	—	10,619
Total stockholders' equity	126,147	(6,544)	—	119,603
Total liabilities and stockholders' equity	$ 176,234	$ (2,195)	$ —	$ 174,039

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	June 30, 2012			
	As previously reported	Restatement Adjustments	Debt Classification Adjustments	Restated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 22,310	$ —	$ —	$ 22,310
Trade and other accounts receivable, net of allowance for doubtful accounts of $216 at June 30, 2012	48,514	(14,180)	—	34,334
Inventories	30,217	10,822	—	41,039
Prepaid expenses and other current assets	3,299	103	56	3,458
Total current assets	104,340	(3,255)	56	101,141
Property and equipment, net	33,275	—	—	33,275
Intangible assets, net	854	—	—	854
Goodwill	24,621	—	—	24,621
Pension asset	6,685	—	—	6,685
Other non-current assets	94	—	(56)	38
Total assets	$ 169,869	$ (3,255)	$ —	$ 166,614
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 31,205	$ 40	$ —	$ 31,245
Accrued warranty	265	—	—	265
Accrued employee compensation	5,721	—	—	5,721
Deferred revenue	1,096	3,074	—	4,170
Short-term borrowings and current portion of long-term debt	6,870	—	3,354	10,224
Deferred tax liability	499	—	—	499
Total current liabilities	45,656	3,114	3,354	52,124
Deferred tax liability, long-term	952	—	—	952
Long-term debt, excluding current portion	3,389	—	(3,354)	35
Other long-term liabilities	750	—	—	750
Total liabilities	50,747	3,114	—	53,861
Commitments and contingencies				
Stockholders' equity:				
Common stock, $0.10 par value per share, 40,000 shares authorized; 29,136 shares issued and outstanding at June 30, 2012	2,911	—	—	2,911
Additional paid-in capital	266,225	—	—	266,225
Accumulated deficit	(159,860)	(6,369)	—	(166,229)
Accumulated other comprehensive income	9,846	—	—	9,846
Total stockholders' equity	119,122	(6,369)	—	112,753
Total liabilities and stockholders' equity	$ 169,869	$ (3,255)	$ —	$ 166,614

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	March 31, 2012			
	As previously reported	Restatement Adjustments	Debt Classification Adjustments	Restated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 30,628	$ —	$ —	$ 30,628
Trade and other accounts receivable, net of allowance for doubtful accounts of $281 at March 31, 2012	43,147	(10,624)	—	32,523
Inventories	30,606	8,574	—	39,180
Prepaid expenses and other current assets	3,158	78	59	3,295
Total current assets	107,539	(1,972)	59	105,626
Property and equipment, net	31,922	—	—	31,922
Intangible assets, net	985	—	—	985
Goodwill	25,730	—	—	25,730
Pension asset	6,815	—	—	6,815
Other non-current assets	59	—	(59)	—
Total assets	$ 173,050	$ (1,972)	$ —	$ 171,078
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 34,239	$ 15	$ —	$ 34,254
Accrued warranty	287	—	—	287
Accrued employee compensation	5,850	—	—	5,850
Deferred revenue	812	1,756	—	2,568
Short-term borrowings and current portion of long-term debt	7,155	—	3,494	10,649
Deferred tax liability	499	—	—	499
Total current liabilities	48,842	1,771	3,494	54,107
Deferred tax liability, long-term	944	—	—	944
Long-term debt, excluding current portion	3,541	—	(3,494)	47
Other long-term liabilities	778	—	—	778
Total liabilities	54,105	1,771	—	55,876
Commitments and contingencies				
Stockholders' equity:				
Common stock, $0.10 par value per share, 40,000 shares authorized; 29,127 shares issued and outstanding at March 31, 2012	2,910	—	—	2,910
Additional paid-in capital	265,414	—	—	265,414
Accumulated deficit	(162,517)	(3,743)	—	(166,260)
Accumulated other comprehensive income	13,138	—	—	13,138
Total stockholders' equity	118,945	(3,743)	—	115,202
Total liabilities and stockholders' equity	$ 173,050	$ (1,972)	$ —	$ 171,078

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	September 30, 2011		
	As previously reported	Restatement Adjustments	Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 30,988	$ —	$ 30,988
Trade and other accounts receivable, net of allowance for doubtful accounts of $451 at September 30, 2011	31,838	(1,831)	30,007
Inventories	27,965	1,697	29,662
Prepaid expenses and other current assets	3,191	13	3,204
Total current assets	93,982	(121)	93,861
Property and equipment, net	26,985	—	26,985
Intangible assets, net	1,259	—	1,259
Goodwill	25,592	—	25,592
Pension asset	6,125	—	6,125
Other non-current assets	246	—	246
Total assets	$ 154,189	$ (121)	$ 154,068
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 29,862	$ 1,109	$ 30,971
Accrued warranty	261	—	261
Accrued employee compensation	7,037	—	7,037
Deferred revenue	2,478	—	2,478
Short-term borrowings and current portion of long-term debt	3,409	—	3,409
Deferred tax liability	1,373	—	1,373
Total current liabilities	44,420	1,109	45,529
Deferred tax liability, long-term	1,166	—	1,166
Long-term debt, excluding current portion	2,292	—	2,292
Other long-term liabilities	3,028	—	3,028
Total liabilities	50,906	1,109	52,015
Commitments and contingencies			
Stockholders' equity:			
Common stock, $0.10 par value per share, 40,000 shares authorized; 28,123 shares issued and outstanding at September 30, 2011	2,797	—	2,797
Additional paid-in capital	252,525	—	252,525
Accumulated deficit	(164,593)	(1,230)	(165,823)
Accumulated other comprehensive income	12,554	—	12,554
Total stockholders' equity	103,283	(1,230)	102,053
Total liabilities and stockholders' equity	$ 154,189	$ (121)	$ 154,068

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	June 30, 2011		
	As previously reported	Restatement Adjustments	Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 29,791	$ —	$ 29,791
Trade and other accounts receivable, net of allowance for doubtful accounts of $353 at June 30, 2011	35,791	(3,590)	32,201
Inventories	26,911	2,119	29,030
Prepaid expenses and other current assets	2,939	16	2,955
Total current assets	95,432	(1,455)	93,977
Property and equipment, net	24,952	—	24,952
Intangible assets, net	1,438		1,438
Goodwill	27,423	—	27,423
Pension asset	6,387	—	6,387
Other non-current assets	382	—	382
Total assets	$ 156,014	$ (1,455)	$ 154,559
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 30,582	$ 46	$ 30,628
Accrued warranty	304	—	304
Accrued employee compensation	6,931	—	6,931
Deferred revenue	1,176	—	1,176
Short-term borrowings and current portion of long-term debt	3,685	—	3,685
Deferred tax liability	1,373	—	1,373
Total current liabilities	44,051	46	44,097
Deferred tax liability, long-term	1,166	—	1,166
Long-term debt, excluding current portion	2,504	—	2,504
Other long-term liabilities	3,070	—	3,070
Total liabilities	50,791	46	50,837
Commitments and contingencies			
Stockholders' equity:			
Common stock, $0.10 par value per share, 40,000 shares authorized; 27,955 shares issued and outstanding at June 30, 2011	2,780	—	2,780
Additional paid-in capital	250,341	—	250,341
Accumulated deficit	(164,891)	(1,501)	(166,392)
Accumulated other comprehensive income	16,993	—	16,993
Total stockholders' equity	105,223	(1,501)	103,722
Total liabilities and stockholders' equity	$ 156,014	$ (1,455)	$ 154,559

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	March 31, 2011		
	As previously reported	Restatement Adjustments	Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 33,063	$ —	$ 33,063
Trade and other accounts receivable, net of allowance for doubtful accounts of $209 at March 31, 2011	32,301	(6,087)	26,214
Inventories	22,913	3,552	26,465
Prepaid expenses and other current assets	2,657	26	2,683
Total current assets	90,934	(2,509)	88,425
Property and equipment, net	22,257	—	22,257
Intangible assets, net	1,526	—	1,526
Goodwill	25,338	—	25,338
Pension asset	5,642	—	5,642
Other non-current assets	471	—	471
Total assets	$ 146,168	$ (2,509)	$ 143,659
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 28,842	$ 9	$ 28,851
Accrued warranty	367	—	367
Accrued employee compensation	4,942	—	4,942
Deferred revenue	419	—	419
Short-term borrowings and current portion of long-term debt	3,470	—	3,470
Deferred tax liability	1,373	—	1,373
Total current liabilities	39,413	9	39,422
Deferred tax liability, long-term	1,166	—	1,166
Long-term debt, excluding current portion	2,282	—	2,282
Other long-term liabilities	3,049	—	3,049
Total liabilities	45,910	9	45,919
Commitments and contingencies			
Stockholders' equity:			
Common stock, $0.10 par value per share, 40,000 shares authorized; 27,950 shares issued and outstanding at March 31, 2011	2,779	—	2,779
Additional paid-in capital	249,558	—	249,558
Accumulated deficit	(163,674)	(2,518)	(166,192)
Accumulated other comprehensive income	11,595	—	11,595
Total stockholders' equity	100,258	(2,518)	97,740
Total liabilities and stockholders' equity	$ 146,168	$ (2,509)	$ 143,659

The restated quarterly consolidated statements of operations for the first three quarters of fiscal year 2012 and all the quarters of fiscal year 2011 are presented below:

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30, 2012		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 43,907	$ (1,194)	$ 42,713
Cost of revenue	25,534	(963)	24,571
Gross profit	18,373	(231)	18,142
Operating expenses:			
Selling, general and administrative	7,344	(2)	7,342
Research and development	5,084	—	5,084
Total operating expenses	12,428	(2)	12,426
Income (loss) from operations	5,945	(229)	5,716
Interest expense, net	(56)	—	(56)
Amortization of debt discount and prepaid debt costs	(16)	—	(16)
Gain on embedded derivatives and warrants	—	—	—
Income (loss) from operations before income taxes	5,873	(229)	5,644
Income tax provision	470	(54)	416
Net income (loss)	$ 5,403	$ (175)	$ 5,228
Net income (loss) per share:			
Basic	$ 0.19	$ (0.01)	$ 0.18
Diluted	$ 0.19	$ (0.01)	$ 0.18
Weighted average common shares outstanding:			
Basic	28,736	—	28,736
Diluted	28,748	—	28,748

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended June 30, 2012		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 40,856	$ (4,618)	$ 36,238
Cost of revenue	23,876	(2,162)	21,714
Gross profit	16,980	(2,456)	14,524
Operating expenses:			
Selling, general and administrative	8,238	171	8,409
Research and development	5,294	—	5,294
Total operating expenses	13,532	171	13,703
Income (loss) from operations	3,448	(2,627)	821
Interest expense, net	(56)	—	(56)
Amortization of debt discount and prepaid debt costs	(15)	—	(15)
Gain on embedded derivatives and warrants	—	—	—
Income (loss) from operations before income taxes	3,377	(2,627)	750
Income tax provision	719	—	719
Net income (loss)	$ 2,658	$ (2,627)	$ 31
Net income (loss) per share:			
Basic	$ 0.09	$ (0.09)	$ —
Diluted	$ 0.09	$ (0.09)	$ —
Weighted average common shares outstanding:			
Basic	28,672	—	28,672
Diluted	28,780	—	28,780

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended March 31, 2012		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 39,230	$ (3,426)	$ 35,804
Cost of revenue	23,093	(2,446)	20,647
Gross profit	16,137	(980)	15,157
Operating expenses:			
Selling, general and administrative	9,286	502	9,788
Research and development	5,596	(26)	5,570
Total operating expenses	14,882	476	15,358
Income (loss) from operations	1,255	(1,456)	(201)
Interest expense, net	(26)	—	(26)
Amortization of debt discount and prepaid debt costs	(11)	—	(11)
Gain on embedded derivatives and warrants	—	—	—
Income (loss) from operations before income taxes	1,218	(1,456)	(238)
Income tax provision	714	—	714
Net income (loss)	$ 504	$ (1,456)	$ (952)
Net income (loss) per share:			
Basic	$ 0.02	$ (0.05)	$ (0.03)
Diluted	$ 0.02	$ (0.05)	$ (0.03)
Weighted average common shares outstanding:			
Basic	28,122	—	28,122
Diluted	28,559	—	28,122

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended December 31, 2011		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 42,493	$ (5,117)	$ 37,376
Cost of revenue	26,345	(3,979)	22,366
Gross profit	16,148	(1,138)	15,010
Operating expenses:			
Selling, general and administrative	8,566	(107)	8,459
Research and development	5,354	26	5,380
Total operating expenses	13,920	(81)	13,839
Income (loss) from operations	2,228	(1,057)	1,171
Interest expense, net	(21)	—	(21)
Amortization of debt discount and prepaid debt costs	—	—	—
Gain on embedded derivatives and warrants	—	—	—
Income (loss) from operations before income taxes	2,207	(1,057)	1,150
Income tax provision	635	—	635
Net income (loss)	$ 1,572	$ (1,057)	$ 515
Net income (loss) per share:			
Basic	$ 0.06	$ (0.04)	$ 0.02
Diluted	$ 0.06	$ (0.04)	$ 0.02
Weighted average common shares outstanding:			
Basic	27,851	—	27,851
Diluted	28,285	—	28,285

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30, 2011		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 41,096	$ 934	$ 42,030
Cost of revenue	24,547	653	25,200
Gross profit	16,549	281	16,830
Operating expenses:			
Selling, general and administrative	9,595	10	9,605
Research and development	5,707	—	5,707
Total operating expenses	15,302	10	15,312
Income from operations	1,247	271	1,518
Interest expense, net	(27)	—	(27)
Amortization of debt discount and prepaid debt costs	—	—	—
Gain on embedded derivatives and warrants	—	—	—
Income from operations before income taxes	1,220	271	1,491
Income tax provision	922	—	922
Net income	$ 298	$ 271	$ 569
Net income per share:			
Basic	$ 0.01	$ 0.01	$ 0.02
Diluted	$ 0.01	$ 0.01	$ 0.02
Weighted average common shares outstanding:			
Basic	27,733	—	27,733
Diluted	28,161	—	28,161

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended June 30, 2011		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 38,463	$ 83	$ 38,546
Cost of revenue	22,987	1,658	24,645
Gross profit	15,476	(1,575)	13,901
Operating expenses:			
Selling, general and administrative	11,798	(2,600)	9,198
Research and development	5,297	8	5,305
Total operating expenses	17,095	(2,592)	14,503
Income (loss) from operations	(1,619)	1,017	(602)
Interest expense, net	(25)	—	(25)
Amortization of debt discount and prepaid debt costs	—	—	—
Gain on embedded derivatives and warrants	—	—	—
Income (loss) from operations before income taxes	(1,644)	1,017	(627)
Income tax provision	(427)	—	(427)
Net income (loss)	$ (1,217)	$ 1,017	$ (200)
Net income (loss) per share:			
Basic	$ (0.04)	$ 0.03	$ (0.01)
Diluted	$ (0.04)	$ 0.03	$ (0.01)
Weighted average common shares outstanding:			
Basic	27,669	—	27,669
Diluted	27,669	—	27,669

MAXWELL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended March 31, 2011		
	As previously reported	Restatement Adjustments	Restated
Revenue	$ 35,259	$ (6,035)	$ 29,224
Cost of revenue	21,375	(3,480)	17,895
Gross profit	13,884	(2,555)	11,329
Operating expenses:			
Selling, general and administrative	7,985	(29)	7,956
Research and development	5,972	(8)	5,964
Total operating expenses	13,957	(37)	13,920
Loss from operations	(73)	(2,518)	(2,591)
Interest expense, net	(36)	—	(36)
Amortization of debt discount and prepaid debt costs	(55)	—	(55)
Gain on embedded derivatives and warrants	1,086	—	1,086
Income (loss) from operations before income taxes	922	(2,518)	(1,596)
Income tax provision	726	—	726
Net income (loss)	$ 196	$ (2,518)	$ (2,322)
Net income (loss) per share:			
Basic	$ 0.01	$ (0.10)	$ (0.09)
Diluted	$ 0.01	$ (0.10)	$ (0.09)
Weighted average common shares outstanding:			
Basic	27,285	—	27,285
Diluted	28,112	—	27,285

Schedule II
Valuation and Qualifying Accounts (in thousands)

	Balance at the Beginning of the Year ($)	Charged to Expense ($)	Acquisitions/ Transfers and Other ($)	Write-offs Net of Recoveries ($)	Balance at the End of the Year ($)
Allowance for Doubtful Accounts:					
December 31, 2010	386	(159)	13	(89)	151
December 31, 2011 (Restated)	151	300	(1)	—	450
December 31, 2012	450	193	2	(488)	157

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report.

1. *Financial Statements* . The consolidated financial statements required by this item are submitted in a separate section beginning on page 2 of this Annual Report on Form 10-K.

2. *Financial Statement Schedules* . The financial statement schedule entitled “Valuation and Qualifying Accounts” required by this item is submitted in a separate section beginning on page 54 of this Annual Report on Form 10-K.

3. *Exhibits.* See the exhibit index to this Annual Report on Form 10-K, which is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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, on this 10th day of October 2013.

MAXWELL TECHNOLOGIES, INC.

By: /S/ DAVID J. SCHRAMM

David J. Schramm
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
23.2	Consent of Independent Registered Public Accounting Firm. *
31.3	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) (Section 302 Certification) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.4	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) (Section 302 Certification) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.4	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following financial statements and footnotes from the Maxwell Technologies, Inc. Annual Report on Form 10-K for the year ended December 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements. **

* Filed herewith.

** Previously furnished with Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on August 1, 2013 (SEC File No. 001-15477).

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Nos. 333-07831, 333-07835, 333-28455, 333-28457, 333-28459, 333-63813, 333-63815, 333-41632, 333-41634, 333-41670, 033-88634, 333-53278, 333-86686, 333-86688, 333-126062, 333-144060 and 333-168613) on Form S-8 of Maxwell Technologies, Inc. of our reports dated August 1, 2013, relating to the consolidated financial statements, the effectiveness of Maxwell Technology, Inc.'s internal control over financial reporting, and schedules appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012.

/s/ BDO USA LLP
San Diego, California
October 10, 2013

EXHIBIT 31.3

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Schramm, certify that:

1. I have reviewed this annual report on Form 10-K of Maxwell Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

October 10, 2013

/s/ David J. Schramm

David J. Schramm
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.4

CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin S. Royal, certify that:

1. I have reviewed this annual report on Form 10-K of Maxwell Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

October 10, 2013

/S/ KEVIN S. ROYAL

Kevin S. Royal
Senior Vice President, Chief Financial Officer,
Treasurer and Secretary
(Principal Financial Officer)

EXHIBIT 32.3

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the accompanying Annual Report on Form 10-K of Maxwell Technologies, Inc. for the year ended December 31, 2012, I, David J. Schramm, Chief Executive Officer of Maxwell Technologies, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) such Annual Report on Form 10-K of Maxwell Technologies, Inc. for the year ended December 31, 2012, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in such Annual Report on Form 10-K/A of Maxwell Technologies, Inc. for the year ended December 31, 2012, fairly presents, in all material respects, the financial condition and results of operations of Maxwell Technologies, Inc. at the dates indicated.

This certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

October 10, 2013

/ S / D AVID J. S CHRAMM

David J. Schramm
President and Chief Executive Officer
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to Maxwell Technologies, Inc. and will be retained by Maxwell Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.4

CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the accompanying Annual Report on Form 10-K of Maxwell Technologies, Inc. for the year ended December 31, 2012, I, Kevin S. Royal, Chief Financial Officer of Maxwell Technologies, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) such Annual Report on Form 10-K of Maxwell Technologies, Inc. for the year ended December 31, 2012, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in such Annual Report on Form 10-K/A of Maxwell Technologies, Inc. for the year ended December 31, 2012, fairly presents, in all material respects, the financial condition and results of operations of Maxwell Technologies, Inc. at the dates indicated.

This certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

October 10, 2013

/ S / K EVIN S. R OYAL

Kevin S. Royal
Senior Vice President, Chief Financial Officer,
Treasurer and Secretary
(Principal Financial Officer)

A signed copy of this written statement required by Section 906 has been provided to Maxwell Technologies, Inc. and will be retained by Maxwell Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.