POWER ONE INC
Form 10-Q
August 13, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended July 4, 2010

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

For the transition period from to
Commission File Number 0-29454

POWER-ONE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0420182**
(State or other jurisdiction of incorporation or Organization)	(I.R.S. Employer Identification Number)
740 Calle Plano, Camarillo, California	**93012**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(805) 987-8741**

Not Applicable
(Former name or former address, if changed since last report)

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 a 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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 o No o

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

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

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

As of August 11, 2010, 106,295,633 shares of the Registrant's $0.001 par value common stock were outstanding.

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PART I FINANCIAL INFORMATION

Item 1 Consolidated Condensed Financial Statements

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data, unaudited)

	Three Months Ended July 4, 2010	Three Months Ended June 28, 2009	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
NET SALES	$ 214,549	$ 91,169	$ 366,926	$ 189,009
COST OF GOODS SOLD	135,142	73,028	241,791	157,003
GROSS PROFIT	79,407	18,141	125,135	32,006
EXPENSES:				
Selling, general and administrative	18,225	13,653	33,199	26,839
Research and development	8,568	7,234	16,946	14,742
Amortization of intangible assets	356	372	733	774
Restructuring costs	2,514	3,882	3,443	5,013
Asset impairment	409		409	
Goodwill impairment				56,999
Total expenses	30,072	25,141	54,730	104,367
INCOME (LOSS) FROM OPERATIONS	49,335	(7,000)	70,405	(72,361)
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	26	17	26	222
Interest expense	(2,016)	(2,211)	(4,035)	(4,336)
Gain (loss) on extinguishment of debt		5,348	(5,658)	8,448
Other income (expense), net	722	(2,166)	1,522	(152)
Total interest and other income (expense), net	(1,268)	988	(8,145)	4,182
INCOME (LOSS) BEFORE INCOME TAXES	48,067	(6,012)	62,260	(68,179)
PROVISION (BENEFIT) FOR INCOME TAXES	23,258	446	32,958	(406)
INCOME (LOSS) BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	24,809	(6,458)	29,302	(67,773)
EQUITY IN EARNINGS OF JOINT VENTURE	353	134	461	275
NET INCOME (LOSS)	$ 25,162	$ (6,324)	$ 29,763	$ (67,498)
PREFERRED STOCK DIVIDEND AND ACCRETION	855	506	1,706	506
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 24,307	$ (6,830)	$ 28,057	$ (68,004)
BASIC EARNINGS (LOSS) PER SHARE	$ 0.23	$ (0.08)	$ 0.28	$ (0.77)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.17	$ (0.08)	$ 0.21	$ (0.77)
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	88,453	88,005	88,377	87,934

DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	142,278	88,005	140,955	87,934

See notes to unaudited consolidated condensed financial statements.

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POWER-ONE, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	July 4, 2010	January 3, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 145,215	$ 89,553
Accounts receivable:		
Trade, less allowance for doubtful accounts: $3,907 at July 4, 2010; $3,946 at January 3, 2010	133,931	119,783
Other	4,018	2,763
Inventories	96,214	73,173
Prepaid expenses and other current assets	12,660	10,612
Total current assets	392,038	295,884
PROPERTY AND EQUIPMENT, net of depreciation and amortization: $81,266 at July 4, 2010; $88,218 at January 3, 2010	47,290	48,906
OTHER INTANGIBLE ASSETS, net	17,093	18,602
OTHER ASSETS	8,268	7,943
TOTAL	$ 464,689	$ 371,335
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank credit facilities and notes payable	$	$ 504
Accounts payable	146,504	89,074
Restructuring reserve	1,099	6,866
Long-term debt, current portion	1,172	1,269
Other accrued expenses	60,283	38,080
Total current liabilities	209,058	135,793
LONG-TERM DEBT, net of current portion	72,636	78,146
OTHER LIABILITIES	22,258	16,281
Total liabilities	303,952	230,220
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE CONVERTIBLE PREFERRED STOCK par value $0.001; 23.625 series A redeemable convertible preferred stock issued and outstanding at July 4, 2010 and January 3, 2010; liquidation preference $1,000 per share plus accumulated dividends.	19,058	18,533
STOCKHOLDERS' EQUITY		
Common stock, par value $0.001; 300,000 shares authorized; 88,589 and 88,239 shares issued and outstanding at July 4, 2010 and January 3, 2010, respectively	89	88
Additional paid-in capital	621,351	620,261
Accumulated other comprehensive income	27,510	39,267
Accumulated deficit	(507,271)	(537,034)
Total stockholders' equity	141,679	122,582
TOTAL	$ 464,689	$ 371,335

See notes to unaudited consolidated condensed financial statements.

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POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 29,763	$ (67,498)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,799	8,093
Undistributed earnings of joint venture	(461)	(275)
Goodwill impairment		56,999
Asset impairment	409	
Change in fair value of derivative liability	(478)	
Stock compensation	1,893	1,033
Foreign exchange gain	(1,075)	(5,190)
Deferred income taxes	1,570	(799)
Net (gain) loss on debt extinguishment	5,658	(8,448)
Net (gain) loss on disposal of property and equipment	(5)	19
Changes in operating assets and liabilities:		
Accounts receivable, net	(25,140)	47,628
Inventories	(26,898)	20,348
Prepaid expenses and other current assets	(2,901)	197
Accounts payable	63,318	(35,380)
Other accrued expenses	27,451	73
Restructuring reserve	(5,767)	1,922
Other liabilities	3,862	(1,468)
Net cash provided by operating activities	79,998	17,254
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property & equipment	(8,320)	(1,514)
Proceeds from sale of property and equipment	348	6
Other assets	(603)	(107)
Net cash used in investing activities	(8,575)	(1,615)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) borrowings on bank credit facilities, net	(447)	(9,220)
Proceeds from issuance of long-term debt, net of debt issue costs		33,889
Repayments of borrowings on long-term debt	(10,537)	(19,389)
Issuance of preferred stock, net of issue costs		22,286
Issuance of common stock, net of tax withholding obligations	904	(94)
Dividends paid	(1,773)	
Net cash provided by (used in) financing activities	(11,853)	27,472
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3,908)	4,156

INCREASE IN CASH AND CASH EQUIVALENTS		55,662		47,267
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		89,553		28,414
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	145,215	$	75,681
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	$	2,667	$	3,434
Income taxes	$	8,886	$	1,518

See notes to unaudited consolidated condensed financial statements.

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SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the six months ended July 4, 2010 and June 28, 2009, the Company recorded approximately $0.5 million and $0.3 million, respectively, in "Equity in earnings of joint venture" in the consolidated condensed statements of operations related to the Company's share in the earnings from the joint venture for which it holds a minority interest.

During the six months ended July 4, 2010, the company paid $10.0 million plus accrued interest to repurchase and extinguish $4.5 million of its 8% Senior Secured Convertible Notes, and recorded a net loss of $5.7 million related to the extinguishment of debt in its consolidated condensed statements of operations. During the six months ended June 28, 2009, the company paid $18.7 million plus accrued interest to repurchase and extinguish $28.8 million of its 8% Senior Secured Convertible Notes, and recorded a net gain of $8.4 million related to the extinguishment of debt in its consolidated condensed statements of operations.

During the six months ended July 4, 2010 and June 28, 2009, an additional $2.4 million and $0.3 million, respectively, of property and equipment had been purchased but not yet paid for.

See notes to unaudited consolidated condensed financial statements.

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POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, unaudited)

	Three Months Ended		Six Months Ended	
	July 4, 2010	**June 28, 2009**	**July 4, 2010**	**June 28, 2009**
NET INCOME (LOSS)	$ 25,162	$ (6,324)	$ 29,763	$ (67,498)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment	(6,637)	5,877	(11,757)	(1,485)
COMPREHENSIVE INCOME (LOSS)	$ 18,525	$ (447)	$ 18,006	$ (68,983)

See notes to unaudited consolidated condensed financial statements.

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POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

These statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended January 3, 2010. The operating results for the three-month and six-month periods ended July 4, 2010 and cash flows for the six-month period ended July 4, 2010, are not necessarily indicative of the results that will be achieved for the full fiscal year ending January 2, 2011 or for future periods.

The accompanying consolidated condensed financial statements have been prepared without audit and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of financial position and the results of operations for the interim periods. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory valuation, restructuring costs, goodwill and intangible asset valuation, impairment costs, depreciation and amortization, sales returns and discounts, warranty costs, derivative valuation, uncertain tax positions and the recoverability of deferred tax assets, stock compensation, contingencies and the fair value of assets and liabilities disclosed. Actual results and outcomes may differ from management's estimates and assumptions. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such SEC rules and regulations.

The balance sheet at January 3, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Power-One, Inc.'s ("the Company") Form 10-K for the year ended January 3, 2010.

The Company's reporting period coincides with the 52- to 53-week period ending on the Sunday closest to December 31, and its fiscal quarters are the 13- to 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. The three-month and six month periods ended July 4, 2010 and June 28, 2009 were 13-week and 26-week periods, respectively.

NOTE 2 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES

Recent Pronouncements and Accounting Changes In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, an update that improves the requirements related to Fair Value Measurements and Disclosures Subtopic 820-10 of the FASB Accounting Standards Codification ("ASC") originally issued as FASB Statement 157. This update requires disclosures about transfers between Level 1, Level 2 and Level 3 assets and the disaggregated activity in the roll forward for level 3 Fair Value measurements. The Company adopted the measurement requirements of this guidance for the six months ended July 4, 2010 with no impact to the consolidated financial statements.

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POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 2 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES (Continued)

In October 2009, the FASB issued ASU No. 2009-13, "Multiple- Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force," ("ASU 2009-13"). This update provides amendments to the criteria of ASC 605, "Revenue Recognition," for separating consideration in multiple- deliverable arrangements. The amendments to this update establish a selling price hierarchy for determining the selling price of a deliverable. This Accounting Standards Update will be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt this standard on a retrospective basis. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

NOTE 3 FAIR VALUE FINANCIAL INSTRUMENTS

ASC 820, "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair values into three levels as follows:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including the Company's own data.

The following table presents the fair values of the Company's financial instruments (in millions):

Description	**Level 3**
Embedded Put Options (at January 3, 2010)	$ 0.7
Change in fair value of derivative liability	(0.5)
Embedded Put Options (at July 4, 2010)	$ 0.2

The fair value of the Embedded Put Options was determined using the Binomial model, using a stock price of $6.94, volatility factor of 82%, risk-free interest rate of 1.42%, contractual term of 3.8 years and a probability factor of 8.9%. During the quarter and six months ended July 4, 2010, the Company recorded an unrealized gain of $0.3 million and $0.5 million, respectively, as other income in the consolidated statement of operations resulting from the change in fair value of the embedded put option.

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POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 3 FAIR VALUE FINANCIAL INSTRUMENTS (Continued)

The fair value of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their recorded carrying amounts because of their short-term nature.

The fair values of the Company's installment notes and 8% Senior Secured Convertible Notes due 2013 were determined using quoted market prices for similar financial instruments.

The fair value of the Senior Convertible Notes due 2019 was determined by adding the fair value of the notes' conversion feature to the present value of the notes which includes a 10% discount for lack of marketability. The fair value of the notes' conversion feature was determined using the Binomial model, using a stock price of $6.94, a volatility factor of 82%, a risk free interest rate of 1.42%, coupon rates of 6%, 8% and 10% and a contractual life of 3.8 years.

The fair value of the Redeemable Convertible Preferred Stock was determined by adding the fair value of the preferred stock conversion feature to the present value of the preferred stock which includes a 10% discount for lack of marketability. The fair value of the preferred stock conversion feature was determined using the Binomial model, using a stock price of $6.94, a volatility factor of 82%, a risk free interest rate of 1.42%, a dividend yield factor of 10% and a contractual life of 3.8 years.

The secured notes payable have variable rates of interest and reflect current market rates of interest and the fair value approximates the carrying amount.

	July 4, 2010		January 3, 2010	
Description	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
8% Senior Secured Convertible Notes, due 2013	$ 137.2	$ 34.3	$ 84.6	$ 38.8
Senior Convertible Notes, due 2019	177.4	35.8	94.5	35.7
Redeemable Convertible Preferred Stock	114.6	19.1	60.4	18.5
Credit facilities, secured note payable and installment notes	3.7	3.7	5.4	5.4

NOTE 4 INVESTMENTS

The Company has an investment in a joint venture in China which is included in other assets on the Company's consolidated condensed balance sheets and is accounted for using the equity method. The carrying value of this investment was $2.2 million and $1.7 million at July 4, 2010 and January 3, 2010, respectively. During the three and six months ended July 4, 2010, the Company recorded equity in earnings in joint venture of $0.4 million and $0.5 million, respectively, in its consolidated condensed statement of operations. During the three and six months ended June 28, 2009, the Company recorded equity in earnings in joint venture of $0.1 million and $0.3 million, respectively, in its consolidated condensed statement of operations. See Note 15.

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POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 5 INVENTORIES

Inventories consist of the following (in millions):

	July 4, 2010	January 3, 2010
Raw materials	$ 59.5	$ 45.6
Subassemblies-in-process	2.7	4.8
Finished goods	34.0	22.8
	$ 96.2	$ 73.2

The Company looks at historical and projected usage for inventory in determining what is excess and obsolete. The methodology for forecasting demand may be modified depending on specific product lifecycles and local circumstances. Any inventory in excess of this demand is written off. During the six months ended July 4, 2010 and June 28, 2009 the Company wrote off approximately $4.6 million and $7.6 million, respectively, related to excess and obsolete inventory and other inventory adjustments, and recorded the charges as costs of goods sold. During the three months ended July 4, 2010 and June 28, 2009 the Company wrote off approximately $2.4 million and $1.7 million, respectively, related to excess and obsolete inventory and recorded the charges as costs of goods sold.

NOTE 6 INTANGIBLE ASSETS

Intangible assets consist of the following (in millions):

	July 4, 2010			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In Years)
Non-amortizable intangibles				
Trade name	$ 11.4	$	$ 11.4	
Amortizable intangibles				
Product technology	5.4	3.8	1.6	13
Customer relationships	5.1	2.7	2.4	7
Other	6.3	4.6	1.7	17
Subtotal	16.8	11.1	5.7	13
Total	$ 28.2	$ 11.1	$ 17.1	

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POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 6 INTANGIBLE ASSETS (Continued)

	January 3, 2010			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In Years)
Non-amortizable intangibles				
Trade name	$ 11.4	$	$ 11.4	
Amortizable intangibles				
Product technology	5.8	3.7	2.1	13
Customer relationships	5.9	2.7	3.2	7
Other	6.5	4.6	1.9	17
Subtotal	18.2	11.0	7.2	12
Total	$ 29.6	$ 11.0	$ 18.6	

In accordance with ASC 350, "Intangibles Goodwill and Other," the Company reviews goodwill and intangible assets for impairment annually at the end of each fiscal August, or more often if events or circumstances indicate that impairment may have occurred. In addition to the testing above, which is done on an annual basis, management considers whether certain impairment indicators are present in assessing whether the carrying value of goodwill and other intangible assets may be impaired. As a result of the continued decrease in its market capitalization during the first quarter of fiscal 2009, the Company tested its goodwill for impairment in accordance with ASC 350-20 and determined that goodwill was impaired. The Company's testing approach utilized a discounted cash flow analysis and comparative market multiples to determine the entity's (single reporting unit) fair value for comparison to its carrying value. As the Company's carrying value exceeded its estimated fair value as of March 29, 2009, the Company applied the approach prescribed in ASC 350-20 for determining the impairment amount. As a result of the Company's interim test, a goodwill impairment charge of $57.0 million was recorded in the Company's consolidated condensed statements of operations during the six months ended June 28, 2009.

Total amortization expense for each of the six months ended July 4, 2010 and June 28, 2009 was $0.9 million. Of the $0.9 million of expense recorded during the six months ended July 4, 2010, $0.7 million was recorded as amortization of intangibles and $0.2 million recorded as cost of goods sold. Of the $0.9 million of expense recorded during the six months ended June 28, 2009, $0.8 million was recorded as amortization of intangibles and $0.1 million recorded as cost of goods sold. For the three months ended July 4, 2010 and June 28, 2009, amortization expense was $0.5 million. Of the $0.5 million of expense recorded during each of the three months ended July 4, 2010 and June 28, 2009, $0.4 million was recorded as amortization of intangibles and $0.1 million recorded as cost of goods sold.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 6 INTANGIBLE ASSETS (Continued)

Estimated amortization expense related to amortizable intangibles for 2010 through 2014 is as follows (in millions):

Year Ending December 31,	Amortization Expense
2010 (remaining six months)	$ 0.8
2011	1.4
2012	1.2
2013	1.1
2014	0.5
Total	$ 5.0

NOTE 7 CREDIT FACILITIES AND NOTES PAYABLE

The Company maintains credit facilities with various banks in Europe and Asia. The aggregate limit on all credit facilities was approximately $20.3 million at July 4, 2010. The credit facilities bear interest on amounts outstanding at various intervals based on published market rates. At July 4, 2010, no amounts were outstanding on the credit facilities, and $1.2 million was committed to guarantee letters of credit. After consideration of these commitments, $19.1 million of additional borrowing capacity was available to the Company as of July 4, 2010. The revolving credit agreements do not contain financial covenants, but require the Company's subsidiary to provide certain financial reports to the lenders.

NOTE 8 OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following (in millions):

	July 4, 2010	January 3, 2010
Income taxes payable	$ 30.4	$ 12.0
Accrued payroll and related expenses	8.1	7.6
Accrued bonuses	7.4	2.9
Accrued warranties	4.9	4.1
Other accrued expenses	9.5	11.5
	$ 60.3	$ 38.1

NOTE 9 WARRANTIES

The Company offers its customers warranties on products sold based on product type and application. Management reviews and adjusts the warranty accrual based on warranty repair costs and the rate of return. Actual repair costs are charged against the reserve. A tabular presentation of the

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POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 9 WARRANTIES (Continued)

activity within the warranty accrual account for the six months ended July 4, 2010 and June 28, 2009 is presented below, (in millions):

	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
Balance, beginning of period	$ 4.1	$ 4.0
Charges and costs accrued	2.3	1.6
Less repair costs incurred	(1.4)	(1.1)
Changes due to foreign currency	(0.1)	
Balance, end of period	$ 4.9	$ 4.5

NOTE 10 RESTRUCTURING COSTS and ASSET IMPAIRMENT CHARGES

A summary of the charges related to the restructuring activity during the three and six months ended July 4, 2010 and June 28, 2009 is as follows (in millions):

	Three Months Ended July 4, 2010	Three Months Ended June 28, 2009	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
Workforce reduction	$			