POWER ONE INC
Form 10-K
March 16, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 2, 2011

or

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 No. 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 No.)
740 Calle Plano **Camarillo, California** (Address of principal executive offices)	**93012** (Zip code)

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

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

Common Stock, $0.001 par value	**The NASDAQ Stock Market LLC**
(Title of each class)	(Name of each exchange on which registered)

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 o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. o

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 "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of 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 Act). Yes o No ý

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on July 2, 2010, as reported by NASDAQ Global Market on that date was approximately $587,108,940

As of March 4, 2011, 104,143,546 shares of the registrant's $0.001 par value common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended January 2, 2011 are incorporated by reference into Parts II and III of this Annual Report on Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Unless the context indicates otherwise, all references herein to "Power-One," "the Company," "we," "us," and "our" refer collectively to Power-One, Inc. and its subsidiaries.

This Annual Report on Form 10-K, including documents incorporated by reference, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that can be identified by the use of forward-looking terminology such as "may,""might," "will," "would," "can," "could," "believe," "expect," "anticipate," "estimate," "plan," "intend," "project," "predict," or "continue" or the negative or other variations of such terms or comparable terminology. Forward-looking statements contained or incorporated by reference in this document, including those set forth in the sections of this Annual Report on Form 10-K in Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in Item 1 entitled "Business" include but are not limited to statements regarding our plans, objectives, goals, strategies, future events, future sales or performance, projections of revenues, income or loss, capital expenditures, plans for future operations, products and services, legal matters, financing risks, needs and expectations, and other information that is not historical information, as well as assumptions relating to the foregoing. All forward-looking statements are based on our current expectations, projections and assumptions. We undertake no obligation to modify or revise any forward-looking statements to reflect events or circumstances occurring after the date that the forward looking statement was made. Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, those described in Item 1A entitled "Risk Factors."

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PART I

ITEM 1 BUSINESS

Overview

Power-One is a leader in high efficiency and high density power supply products for a variety of industries. Our products convert process and manage both alternating current (AC) and direct current (DC) to meet the high levels of quality, reliability and precision required by our customers.

In 2010, we established two Strategic Business Units (SBU), the Renewable Energy Solutions SBU and the Power Solutions SBU, to address the two different market segments we serve. (See Part IV. Item 15. Note 15).

The Renewable Energy Solutions SBU sells a broad product line of high-efficiency inverters that provide our customers with better power harvesting, longer uptime, a wide range of service offerings and ease-of-installation. We are the world's second largest designer and manufacturer of photovoltaic inverters, selling string inverters to residential and commercial users, and central inverters for large commercial users and utility applications. Our renewable energy products are among the best in the industry to enable the highest yielding conversion of power from both solar arrays and wind farms, providing customers with a better return on investment and a lower total cost of ownership. And through a recent acquisition, we offer our customers software with data-driven life-cycle management solutions that include portfolio and asset management, event management and analytics.

Our Power Solutions SBU provides AC/DC converters, DC/DC converters and network power systems for data center applications, including routers, data storage, servers, wireless communications, and optical networking. We also target industrial applications such as transportation and semiconductor test equipment. With hundreds of different standard products and the ability to create custom and semi-custom products, we have one of the most comprehensive product lines in the power conversion and power management industry.

We design, manufacture, sell and service our products globally and have significant resources in Europe, North America and the Asia-Pacific region. For our Renewable Energy Solutions SBU, we strive to maintain a flexible manufacturing footprint and operate manufacturing and supply facilities in each major region in which we operate. For our Power Solutions SBU, we maintain manufacturing centers in Asia and Europe to efficiently supply the higher volumes demanded in these markets. We have established five research and design centers in North America, Europe and Asia with over two hundred design engineers to support product development.

No customer accounted for more than 10% of our sales during the years ended January 2, 2011 ("Fiscal 2010"), January 3, 2010 ("Fiscal 2009"), or December 28, 2008 ("Fiscal 2008"). However, see "Risk Factors We rely on a few major customers for a material portion of our business and the loss of any of those customers, or a change in our product mix, could reduce our net income and operating results."

We were originally incorporated in 1973 as a California corporation and re-incorporated in the State of Delaware on January 1, 1996. On June 14, 2010, we consummated a reorganization pursuant to which we merged with and into a newly-formed corporation incorporated in the state of Delaware. The surviving corporation was immediately renamed "Power-One Inc."

Industry Background

The renewable energy, power conversion, and power management industries are comprised of a few large vendors as well as a number of smaller companies that focus on specialized products. The renewable energy market is one of the fastest growing markets in the power industry, with industry analysts estimating that the market will grow at a compound annual growth rate (CAGR) of over 20%

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through 2014. The power conversion market, which includes the Networking and Telecom Equipment (NTE), Computer and Office Equipment (COE) and Industrial sectors, among others, is expected to grow at a 5-7% CAGR from 2011 through 2014 according to IMS Research. In 2009, the power conversion and power management products were negatively influenced by the global economic recession, as industry sales decreased approximately 15-20%, according to market studies.

Longer term, we believe the following key trends will continue to drive demand for renewable energy inverters and power conversion and power management products:

Increasing Demand for Renewable Energy. With global power needs expected to double by 2025, according to the U.S. Department of Energy, suppliers and users of electricity are seeking renewable sources of energy, with both public and private global investment driving the emerging market for renewable energy. Concern about the supply of traditional energy sources, including oil and natural gas, global warming and the need to minimize the carbon footprint of the power generation industry have prompted wide-spread legislation throughout the globe based on broad goals outlined in the Kyoto Protocol, an international agreement calling for the reduction of greenhouse gases. The outcome of this treaty has created a large number of country and local-level mandates and subsidies aimed at encouraging the emerging market for renewable forms of energy for electricity production. For example, certain European countries, such as Germany, Italy, France and the United Kingdom, have adopted Feed in Tariffs (FIT) whereby the government will pay approximately $0.30 to $0.40/ kWh over a 20-year time period for energy fed back into the utility grid. These incentives are intended to bring the production cost of electricity from renewable sources to parity with power generated from fossil and other fuels, thereby encouraging creation of energy from clean, renewable sources. See "Risk Factors Much of our business is subject to risks associated with operations in foreign countries."

This convergence of energy needs and environmental concerns has resulted in significant growth in the markets for solar (or photovoltaic [PV]) energy and for wind energy. These renewable energy technologies have the further advantages of low carbon footprint and distributed architectures, which allow for both small and scalable investments by residences, businesses and utilities. As solar and wind energy have gained scale, they have become more economically viable and are attracting worldwide investment in R&D and manufacturing.

While renewable energy sources still meet only a small percentage of total global energy demand, solar and wind capacity are growing rapidly. Industry sources estimate that in 2010, approximately 17.5 GW of solar capacity came on line, an increase of approximately 119% over 2009. According to the Global Wind Energy Council (GWEC) and Jefferies & Co., 36 GW of wind generation were installed in 2010, versus 37 GW in 2009 and 27GW in 2008. Growth has been particularly strong in Europe, where the European Union's ("EU") goal to increase the share of renewable energy as a percent of total energy delivery to 20% in 2020 is driving the market. Despite continued dependence on government subsidies and the current credit-constrained environment, solar and wind energy are expected to continue to experience strong growth based on commitments by governments to support renewable energy sources and the continued decline of production costs for solar and wind systems, making them increasingly competitive with traditional energy sources.

Currently, legislation in multiple countries supports grid-tie rooftop systems installed by commercial and residential users and centralized PV generation by independent power providers and utilities. Roof-top systems generate all or some of the energy needed by the user and sell back excess power to the grid, particularly during peak generating times. Because solar energy still costs more per watt than grid-supplied electricity, the industry is reliant on various subsidies. PV technology is expected to reach grid parity, that is the cost of power from PV will equal the price of conventional power delivered to the user, in major regions within the next three to five years, having already reached grid parity in certain areas that do not have access to traditional energy sources and have high solar irradiance. It is expected that if prices decline enough to make solar energy competitive with traditional

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energy sources, the market size would increase further, as solar would become more widely adopted by utilities. Wind energy has already reached grid parity in certain locations. IMS Research predicts that renewable energy on average will reach grid parity by 2014.

Solar and wind energy generation systems require inverters to convert electricity to feed it back to the grid. In 2010, we estimate that the market for solar inverters was over $5.0 billion, and wind inverters were over $2.0 billion. Inverters represent approximately 5-7% of the cost to install a solar system and approximately 3-5% of the cost to install a wind system. They are sold through multiple channels, including directly to the end user, or through distributors, systems integrators and OEMS. In 2009, we estimate the market for solar and wind inverters was approximately $4.0 billion, comprised of $1.8 billion for solar inverters and $2.2 billion for wind inverters. In 2008, we estimate the market for solar and wind inverters was at $2.8 billion, comprised of $1.3 billion for solar inverters and $1.5 billion for wind inverters. The primary geographic market for PV installations has traditionally been in Europe, while Asia and North America are also beginning to see significant PV investment. Wind turbine installations also initially gained strength primarily in Europe, but have seen rapid adoption in North America, Asia and other regions in recent years.

PV inverters are generally classed as either string inverters, which are typically used in rooftop applications for residences or small commercial use, or central inverters, which are predominately used for ground-mounted solar installations for larger commercial and utility applications. Power-One's string and central inverters utilize technologies that are optimized for either crystalline or thin-film solar panels.

Increasing Amounts of Power Required by the Communications Infrastructure Industry. With the development and proliferation of data centers and their related infrastructures, as well as the Internet, wireless communications, broadband applications, server and storage farms and other new technologies, recent years have witnessed unprecedented growth in the volume of information transmitted globally. We believe that the volume of broadband communication and data center usage will continue to drive a higher demand for infrastructure power and will further increase the demand for power conversion and power management products.

Increasing Demand for High Conversion Efficiencies, High-Density Power and Digital Power Management. Recent efforts in the European Union, the United States and China to reduce energy consumption are increasing the demand for high conversion efficiencies and digital power control. In addition, groups such as the Climate Savers Computing Initiative, consisting of a consortium of companies including Google and Intel and other eco-conscious businesses and conservation organizations, are promoting the development, deployment and adoption of smart technologies that can both improve the efficiency of a computer's power delivery and reduce the energy consumed when the computer is in an inactive state. Because a large portion of electrical energy waste occurs during the power conversion process, power supply companies have an opportunity to improve conversion efficiency and meet this market demand. Our AC/DC Front-end power supplies have met the target efficiency set forth by the Climate Savers as the Platinum standard within the single-output category, requiring a 94% minimum efficiency rating at 50% of rated output. Our digital power technologies allow us to achieve levels of power conversion efficiency and control that are not possible with analog designs. Higher conversion efficiencies help reduce overall power usage, and therefore cut greenhouse gas emissions and total cost of infrastructure ownership.

In addition, the digital power management market has grown as a result of the need for high-density power. Circuit boards continue to shrink despite becoming more complex, creating the need for high-density and more intelligent AC/DC and DC/DC power supplies. As the number of elements increases on circuit boards to provide more functionality, the available space for power supplies is increasingly limited. The use of digital power and digital control techniques can contribute to improved conversion efficiencies of AC/DC and board mounted DC/DC power supplies across a

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wide range of conditions. Digital power technologies enable the OEM to utilize increased points-of-load in their products, increasing the end products' computing capabilities and performance. Digital power management reduces the footprint of DC-DC converters while increasing the product efficiency. We believe this market will be one of the fastest growing markets in power management.

Increasing Demand for High Reliability Power from Network Power Systems. Power demands from the proliferated use of internet-enabled devices, such as routers or mobile phones, is significantly different from the power provided by the electric utility grid. The electric utility grid supplies acceptable power quality, or power that is free from surges, spikes, or sags, 99.9% of the time, resulting in the equivalent of nine hours per year of interrupted, or unavailable, power. These nine hours of downtime often occur in many isolated interruptions of very short duration. In traditional industries, a brief interruption of power only interrupts operations for the time that the power is actually unavailable. For a modern communications network, however, a minor power disturbance or brief interruption could cause equipment to crash and significantly shorten the life-span of electrical components. A network crash could result in several hours of downtime, including the time necessary for complex microprocessor-based equipment to reboot and regain power. This downtime could lead to significant lost revenue and customer dissatisfaction. As a result, communications network operators demand significantly more reliable power than that provided by the electric utility grid. We believe this demand will increase as wireless communications, broadband applications and other new technologies become more pervasive in society and as society becomes more dependent on their reliability.

Our Strategy: Powering the Renewable Energy, Data Center and Communications Markets

Our primary objective is to continue to be a worldwide leader in energy-efficient power conversion and power management equipment for the global renewable energy, data center, communications equipment, industrial and telecommunications network power markets. To achieve this objective, we plan to do the following:

Continue to Invest in Renewable Energy. In 2007, we entered the commercial solar market with a series of inverter products that today range in power from 2 kW to 500 kW. Our products allow for the harvest of high levels of solar energy using single and multiple PV arrays, multiple channel and high-speed maximum power point tracking (MPPT). They operate across a wide range of voltages for longer periods of energy harvesting and high reliability.

During 2008, we began to develop wind inverter products for use in residential, commercial medium power applications, and mega turbine farms. These inverters range in power from 5kW in residential applications to 2.5MW used in large turbine farms, and are expected to improve efficiency while reducing capital cost. During the first quarter of 2010, we launched a 2.5MW wind inverter for a major offshore development. We are investing in expanding our worldwide sales and service infrastructure, focused primarily in Europe, but also in the United States and Asia, where we believe there is substantial opportunity.

Expand Product Lines in Renewable Energy. We are developing leading-edge products for future solar and wind technologies. We continue to expand our renewable energy product line to match global requirements for indoor and outdoor (NEMA3R) applications and we are investing in design and test capabilities to increase efficiency, provide higher power density products and guarantee the long-term reliability of our products.

Continue to Expand into Adjacent Markets on a Global Basis. Over the years, we expanded both the breadth of our product technologies and geographic reach of our business. While a majority of the renewable energy products were shipped to Europe, the world's largest market for PV installations, we expanded our product line to meet the needs of customers in North America and Asia. In addition, we established design, manufacturing and service operations in these new locations in order to more

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rapidly respond to customer needs. We believe the North American and Asian markets provide substantial opportunities for growth in the next 12-18 months and beyond.

Target Data Center and Communications Markets. We continue to invest in our power solutions in order to target the growing market for higher efficiency and higher density power supplies. This market is being driven primarily by the building of large data centers necessary to support the proliferation of wireless and internet-enabled communication devices around the globe. The high power demands of the data centers put them at the forefront of greenhouse gas reduction initiatives and efforts to reduce operational costs due to the global economic downturn. We believe our high efficiency, high density and digital power management technologies are creating significant opportunity for growth in these markets over the next several years.

Continue to Support Industrial Markets. We continue to support and invest in our robust line of standard products that allow us to compete successfully across many different industrial end-market applications. The high margins in these less cost-sensitive applications help improve our margin profile. While this market has not been as sensitive to energy efficiency pressures as the computing market, we believe it will be increasingly affected as efficiency gains are harder to achieve in other markets.

License our digital power management technology. We began licensing our digital power management technology, for which we have over 32 patents and over 800 claims, to semiconductor and modular power companies in 2008. The typical terms of these non-exclusive licenses include an upfront fee plus royalties paid through a termination date that is based on the last-to-expire of the licensed patents. Currently, we have field of use licensing agreements with Linear Technology Corporation, Infineon Technologies AG, CUI Inc., Powervation Ltd., Texas Instruments, Ericsson Modules, Maxim Integrated Circuits, Lineage Power Corporation and Emerson. We expect additional companies to license our digital power technology patents during 2011.

Our Products

We design, develop, manufacture and market our products, which are designed to convert, regulate, purify, store, manage or distribute electrical power for electronic equipment. Renewable energy inverters harvest either solar or wind energy converting the DC power from solar panels or variable AC from wind turbines into conditioned AC energy for transportation on the grid. Power conversion products generally convert one voltage into another voltage (AC-to-DC) or modify the voltage being delivered (DC-to-DC), while power management products generally manage multiple voltages and provide other functionality.

Depending on our customer's needs, including the balancing of cost and time-to-market of new products, we offer standard, modified-standard and custom-designed products. Standard products refer to products that are standard to a particular manufacturer, while modified-standard products refer to standard products of a manufacturer that can be easily modified to meet a customer's particular application. Because they have already been designed and manufactured, standard and modified-standard products allow our customers to reduce their time-to-market and minimize costs for new product introductions. Custom products are usually designed to meet the specifications of a unique customer application and may require significant tool and die costs and four-to twelve-month lead-times from conception through production.

Our products can be classified into the following main groups: renewable energy inverters and associated products, AC/DC power supplies, DC/DC converters, DC power systems and a category of other products, including smart motor controls. Our silicon board power management products fall into the DC/DC converter category. These categories can be distinguished based on their location within a system, and on their size and function.

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Renewable Energy (RE) Inverters:

- convert solar (photovoltaic or "PV") or wind energy into useable grid connected power;
- power a range of 2 kW to 2.5 MW;
- provide software technologies to enhance control and product yield;
- offer conversion efficiencies up to 98% for use in residential, commercial, and utility-grade solar panels and wind turbine farms; and
- provide monitoring of the renewable energy systems and enterprise by providing software-as-a-system (SaaS) platform.

AC/DC power supplies:

- convert AC from a primary power source, such as a wall outlet, into a precisely controlled DC voltage;
- are typically embedded within the equipment that they are powering;
- may be standard, modified-standard or custom-designed;
- are used primarily in networking systems, network servers and storage, and industrial equipment; and
- include increasing product efficiency (>90%) and power densities (>20w/cu3).

DC/DC Converters ("Bricks") and POL Converters (including Digital Power Management):

- modify an existing DC voltage level to a different DC voltage level to meet the power needs of various subsystems and components within electronic equipment;
- include high-density and low-density "brick" converters that are embedded within the equipment that they are powering and are generally mounted directly on a printed circuit board within the equipment;
- include Point-of-Load ("POL") converters that power devices within an Intermediate Bus Architecture as well as in other applications. Our digital power management products fall into the DC/DC converter category and are the cornerstone of DPA and IBA technology; and
- are used by our customers primarily to power communications infrastructure equipment, although their usage is expanding to other markets including server and storage.

DC Power Systems:

convert AC voltage into DC voltage and, together with a generator or an array of batteries, provide several hours of additional power capacity in the event of an AC input disturbance or power outage;

can be either stand-alone units that are external to the equipment or sub-systems (commonly called "racks") that are integrated into a system; and

are used primarily to power communications networks and cellular communications systems.

Smart Motor Control and Other Products:

are used primarily in sophisticated appliances, such as high-end clothes washers and dryers, and air conditioners, where energy efficiency is very important; and

are generally board-level products or modules that are incorporated by the manufacturer in their system.

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Restructuring

During 2009, we announced and implemented a plan to restructure our global organization in response to ongoing demand uncertainty and to exit our factory in the Dominican Republic. As a result, we reduced our global headcount by approximately 1,300, or 29% of our workforce, and incurred restructuring charges of approximately $11.4 million during the two years ended January 2, 2011. The plan was completed during the second quarter of 2010. Through implementation of these actions, we were able to (i) realign global manufacturing and sourcing; (ii) improve operational performance; (iii) increase efficiencies in the supply chain and manufacturing process and (iv) improve our ability to respond to customer requirements in a cost effective manner. During the two years ended January 2, 2011, we recorded severance benefits of approximately $7.1 million, and facilities closure charges of approximately $4.3 million related to exiting our factory in the Dominican Republic, all of which were settled in cash.

Reorganizaion

During 2010, we adopted a plan of reorganization (the "Reorganization") intended to better protect our substantial net operating loss carryforwards ("NOLs") by engaging in a two step merger, following which the Company was merged with and into New Power-One, Inc. ("New Power-One"), a newly formed company subsequently renamed "Power-One, Inc." The Reorganization was approved at the annual shareholders meeting on May 24, 2010 and consummated on June 14, 2010. The NOLs can benefit us by offsetting our U.S. federal taxable income dollar-for-dollar by the amount of the NOLs, thereby reducing or eliminating our U.S. federal corporate income tax (other than the U.S. federal alternative minimum tax) on such income. However, if there is an ownership change of the Company for tax purposes, significant limitations will be imposed on our use of the NOLs. Pursuant to the Reorganization, our charter contains restrictions on transfers of our capital stock that will reduce the risk of an ownership change for tax purposes. The purpose of the transfer restrictions is to help preserve the long-term value to us of our accumulated NOLs. At the same time, we terminated our Shareholder Rights Plan.

Sales and Marketing

We market our products through a global sales force. We have direct sales offices in Europe, North America, China, Singapore, Middle East, Australia, and are expanding into India. Our direct sales force works closely with existing and potential customers to determine their long-term technology requirements for power conversion products. This close collaboration allows us to design products that best fit our customers' expected applications. Our direct sales force is augmented by an extensive network of manufacturers' representatives and distributors.

Service

During 2010, we established a geographically-focused service program in order to provide service support to our renewable energy customers. Our renewable energy customers are purchasing a full solution to solve their business needs beginning with the base product and carried through the installation, service and maintenance of the system. Services include repair, technical support, on line support, monitoring and system integration. The services will vary based on customer geographic location, customer type, sales channel, product range, operating capability, and commercial requirements. Our service program includes both internal resources as well as 3rd party companies. In addition to service offices, we also have strategically located repair depots across Europe, China, Australia and North America in order to provide customers with pre-sale and post-sale support services.

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Research and Development

We have spent and expect to continue spending significant capital on research and development efforts related to power conversion and power management technology. We spent approximately $23.2 million on research and development ("R&D") in 2010, approximately $15.6 million in 2009, and approximately $23.7 million in 2008. We have established engineering and design centers in areas that are strategically located for servicing our customers and where we have strong access to technical talent. Our engineering and design center in the United States is located in Carlsbad, California. We also operate engineering and design centers in Uster, Switzerland; Dubnica and Vahom, Slovakia; Valdarno, Italy; and GuangMing, China. During the first quarter of 2009, we closed our engineering and design center in Santo Domingo, Dominican Republic. Additionally, we have engineering staff at each of our manufacturing facilities as well as engineering teams at each of our power plant system integration facilities to enable more efficient customization of our system configurations for our customers.

At the beginning of the fourth quarter of fiscal 2010, we strengthened our renewable energy solutions R&D resources through the acquisition of the assets of a software firm. This acquisition included software that provides critical insight into revenue-generating renewable energy assets and provides a remote monitoring and asset management solution, increasing the value to our customers of our inverters, and added experienced software engineers to our renewable energy segment. The solution identifies and addresses problematic assets, allowing energy producers to increase energy harvest and performance ratios, cut the costs of operations & maintenance, reduce operational and financial risk, and improve return on investment.

Manufacturing Process and Quality Control

Production of many of our products typically entails subassembly of sophisticated printed circuit boards that are in turn combined with hardware components to produce a final product. In response to demand for increased quality and reliability, design complexity, and sophisticated technology, we continue to invest in state-of-the-art processes. We have also standardized many of our manufacturing processes and much of our equipment worldwide to increase efficiency and optimize flexibility between facilities.

Our manufacturing processes are designed to rapidly produce a wide variety of quality products at low cost. The use of surface mount technology, or SMT, permits us to reduce board size by eliminating the need for holes in the printed circuit boards and by allowing us to use smaller components. Our investment in SMT has significantly improved our product development processes and increased production capacity and it has also improved our product quality. We also have outsourcing arrangements with contract manufacturers in Asia.

Product quality and responsiveness to our customers' needs are critical to our ability to compete successfully and we emphasize quality and reliability in both the design and manufacturing of our products. In addition to testing throughout the design and manufacturing process, we test and /or burn-in our products using automated equipment and customer-approved processes. We also perform out-of-box tests and pre-ship audits on randomly selected units before delivery. We insist on the same levels of quality from our contract manufacturers. As a result, we have incurred and may continue to incur additional costs related to quality assurance.

As our customers' operations expand internationally, they increasingly require that their power products meet or exceed established international safety and quality standards. We therefore design and manufacture our power conversion and power management products in accordance with the certification requirements of many international agencies, including the Underwriters Laboratories in the U.S., the CSA International in Canada, and TUV Product Service for the European market. Our renewable energy products are designed to meet local safety requirements in each respective country in

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which products are sold. In addition, various products may be tested to Network Equipment-Building System requirements for the U.S. telecommunications market and to European Telecom Standard Institute requirements for the European Union telecommunications market.

We have manufacturing operations in the United States, China, Italy and Slovakia. Production of our silicon-based products is entirely outsourced to contract manufacturers. All of our manufacturing facilities are ISO certified. In addition to our own facilities, we utilize low-cost contract manufacturing in several locations around the world, although most of our contract manufacturers are located in Asia.

Suppliers

We maintain a network of suppliers for components and other materials used in the manufacture of our power conversion and power management products. We typically design products using components readily available from several sources and attempt to minimize our use of components that we can only obtain through a single source. We procure components based upon our enterprise resource planning system and use a combination of forecasts, customer purchase orders and formal purchase agreements to create our materials requirements plan.

We occasionally use components or other materials that we can only obtain from a single source. We may seek to establish long-term relationships with such suppliers and we have volume purchase agreements with certain suppliers of key items. This practice enables us to maintain a more constant source of required supplies and produces cost savings through volume purchase discounts.

Backlog

We generally sell our products pursuant to purchase orders rather than long-term contracts. The 180-day backlog consists of purchase orders on-hand having delivery dates scheduled within the next six months. Our backlog may not necessarily be a reliable indicator of future revenue because our customers are able to cancel or modify their orders up to 60 days prior to delivery without penalty. In addition, a significant portion of our revenue is derived from "turns" business (that is, revenues from orders that are booked and shipped within the same reporting period). Under a VMI program, we manufacture products for our customers based on their forecast. As a result, the booking and billing occur simultaneously upon use of the product, and therefore there is always a book-to-bill ratio of 1.0 for these programs. We may bring additional VMI programs on-line in the future, which would result in higher "turns" business, lower backlog, and higher finished goods inventory.

Competition

In the renewable energy market, we compete with a number of companies, some of which are larger than Power-One, and have broader product portfolios and well-established distribution channels. Our competitors include SMA Solar Technology (Germany), Fronius International (Austria) KACO New Energy, Inc. (Germany), and Siemens (Germany) with new entrants into the market including General Electric (United States) and Delta (Taiwan). We compete on the basis of quality, reliability, technology, service, brand recognition, and on-time delivery. We believe that technological performance is the most important characteristic in gaining brand recognition and increasing market share and is the primary reason behind the significant growth in our revenue from the renewable energy market.

The power conversion and power management industry is highly fragmented and characterized by intense competition. No single company dominates the overall market, and our competitors vary depending upon the specific type of products they manufacture or sell. We believe that the principal bases of competition in our targeted markets are breadth of product line, technological advantages, stability and reputation of the provider, and cost. Our main competition includes companies located throughout the world, including Emerson Electric (US), Delta Electronics (Taiwan), LiteOn (Taiwan), Lineage Power (US), and Eltek Valere (Norway).

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We believe that we have key advantages that have helped us to establish a leading brand for our products. Some of the factors that we believe have contributed to this leading position are:

Broad Product Line. We offer a broad range of products in both SBUs ranging in power from one watt to 2.5 megawatts. Our smaller products are no larger than a fingernail, while our larger DC power systems and renewable energy inverters can weigh over 3 tons. With millions of potential current and voltage configurations, our diverse product line offers our customers a one stop-shop opportunity, allowing them to purchase nearly all of their power conversion and power management products from a single supplier. As a result, we are one of the few companies that can power virtually every component and system of an infrastructure network. In addition, we offer a broad product line for renewable energy, with products for both wind and solar.

Leading Design and Development Capabilities. There are a limited number of highly skilled power engineers in the world, and we believe that we have assembled some of the most capable and innovative of such engineers through our hiring efforts and through strategic acquisitions. Furthermore, we have been effective at maintaining a high retention rate among our technical staff. This team of engineering talent has allowed us to consistently upgrade to new generations of power conversion and power management products, each of which has outperformed prior products with higher power density and smaller size. It has enabled us to become a market leader in the segments in which both SBUs compete.

Our design centers are equipped to deliver innovative designs for the renewable energy and power conversion and power management markets. In addition to excellent engineering resources, we equipped our laboratories with design and simulation software, advanced test equipment and product certification capabilities. Design activities are governed by marketing defined product roadmaps and custom requirements. To satisfy technological advances we collaborate with leading universities. Our main technology focus is; advanced circuit topologies, digital controls, innovative packaging and thermal management technologies, as well as cost competitive designs. Our products achieved the following performance differentiating features:

Renewable Energy

- High energy harvesting
- High power conversion efficiencies
- High-speed and multiple channel maximum power point tracking (MPPT)
- Broad range of voltage inputs
- Field-proven reliability and high availability

Power Conversion (AC/DC and DC/DC Board Mounted Power):

- High power densities
- High efficiencies
- Digital controls

Reputation for Quality and Reliability. We have been in the power conversion and power management product industry since 1973. By establishing rigorous internal quality control programs, we believe that we have been able to provide our customers with products that are highly reliable.

In the renewable energy industry, the inverter is seen as a single point of failure and the critical component in the PV array or the wind turbine. As a result, the operators cannot afford to have their system fail due to product failure. Our inverter products have established a reputation for high reliability, with longer uptimes and longer mean-time between failures than many of our competitors,

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due in part to our modular design and other engineering factors. We believe this is a major factor in our recent market share growth in the inverter industry.

In the communications infrastructure industry, we have established a strong customer base that includes many of the industry's largest manufacturers, as a result of our focus on quality. Although power conversion products typically represent only 2% to 5% of the cost of an entire network, their failure can cripple the entire system in which they are installed. Consequently, we believe most customers are not willing to risk buying from an unproven supplier in an effort to cut costs in this area.

Intellectual Property Matters

We consider our intellectual property to be very important and valuable, and we have made intellectual property protection a key element of our overall business strategy. We rely on a combination of patent, trade secret and other intellectual property laws, confidentiality agreements executed by most of our exempt employees and other measures to protect our proprietary rights. We currently maintain 116 active U.S. patents, many of which are protected by corresponding foreign patents in selected jurisdictions. Additional U.S. and foreign patent applications are pending. We hold 10 U.S. registered trademarks with additional trademark applications pending, and we claim common law trademark rights to additional marks. We consider our intellectual property in the area of digital power management and control, including trademarks and patents that we have secured and are continuing to seek in that area, to be of particular importance and strategic significance. These particular patents have all been issued since 2004 and have patent terms extending for approximately 20 years from date of grant. See "Risk Factors We face, and might in the future face, intellectual property infringement claims by competitors and actions by foreign governments that could adversely affect our intellectual property rights, which in turn could adversely affect our sales."

Employees

At January 2, 2011, we employed 3,470 employees at our facilities in the following functions:

Function	Number of Employees
Manufacturing	2,734
Research and development	395
General and administrative	173
Sales and marketing	168
Total	3,470

In certain foreign locations, our employees operate under labor unions or work counsels. We believe that our continued success depends, in part, on our ability to attract and retain qualified personnel. We consider our relations with our employees to be good.

Company Website, Corporate Governance Website and Access to Company Filings

We post all of our periodic reports on Form 10-K and 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to the Securities Exchange Act of 1934 on our website at *www.power-one.com* as soon as reasonably practicable after we file or furnish the reports with the Securities and Exchange Commission. Access to these reports is free of charge. In addition, we maintain a Corporate Governance section on our Website to provide the investor community with easy access to relevant information about our corporate governance. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, and the public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *http://www.sec.gov.*

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EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information concerning our executive officers.

Name	Age(1)	Position
Richard J. Thompson	61	President and Chief Executive Officer
Gary R. Larsen	47	Senior Vice President, Finance, and Chief Financial Officer
Alexander Levran	60	President, Renewable Energy Solutions
Neil Dial	59	Senior Vice President, Operations
Steve Hogge	53	President, Power Solutions
Tina D. McKnight	53	Secretary and General Counsel

(1) As of March 15, 2011

Richard J. Thompson. Mr. Thompson joined us as our Chief Executive Officer in February 2008. Before joining Power-One as an executive officer, Mr. Thompson served as a member of the Company's Board of Directors since August 2007. Mr. Thompson continues to serve on the Board of Directors. Mr. Thompson served as Senior Vice President, Finance and Chief Financial Officer of American Power Conversion Corporation (acquired by Schneider Electric in February 2007) from May 2005 to March 2007. Prior to joining American Power Conversion Corporation, Mr. Thompson served as Chief Financial Officer, Secretary and Treasurer of Artesyn Technologies for fifteen years. Mr. Thompson earned his BBA from Lamar University in Beaumont, Texas.

Gary R. Larsen. Mr. Larsen joined Power-One in August 2010 as our Senior Vice President, Finance and Chief Financial Officer. Before joining us, Mr. Larsen was most recently serving as the CFO of AuthenTec, Inc., a provider of security identity management and touch control solutions since December 2006. Prior to joining AuthenTec, Mr. Larsen served as the CFO of Artesyn Technologies, Inc., a global power conversion and embedded systems manufacturer from May 2005 until November 2006, and as Artesyn's Controller from May 1999 until April 2005. Mr. Larsen also has held various financial positions with W.R. Grace & Co., from April 1988 until April 1999, and was with KPMG Peat Marwick LLP prior to joining W.R. Grace. Mr. Larsen holds a BS in Finance and Accounting from State University of New York at Buffalo and an M.B.A from New York University.

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Alexander Levran. Dr. Levran, who joined Power-One, Inc. in January 2007 as Chief Technology Officer, became the President of the Renewable Energy Solutions SBU in April 2010. Dr. Levran previously served as Executive Vice President and Chief Technology Officer of Magnetek, Inc. from July 1993 to December 2006. Dr. Levran received his B.S.E.E., and M.S.E.E. from Technion-Israel Institute of Technology, Haifa, Israel. He received his Ph.D. in Electrical Engineering from Polytechnic Institute of NY. Dr. Levran is a Director of the Power Sources Manufacturers Association, and is active in other industry associations and standards bodies. Dr. Levran holds a number of U.S. and foreign patents in the field of power conversion and electronics.

Neil Dial. Neil Dial joined Power-One in October 2008 as our Senior Vice President, Operations. Prior to joining the Company, Mr. Dial served as Vice President, North American Operations, at Plexus Corporation, an electronic manufacturing service provider, from September 2002 to September 2008. Mr. Dial has also held senior management positions at Dell Computer, Adflex Solutions, Motorola, and Texas Instruments. Mr. Dial graduated from the University of Northern Iowa with a BA in Business Administration and from the University of Northern Colorado with a Masters in Management.

Steve Hogge. Mr. Hogge joined the Company in July 2010 as President of the Power Solutions SBU. Prior to joining the Company, Mr. Hogge held several senior management positions at Cooper Industries from 1998 to June 2010 including serving as Vice President and General Manager for Cooper Bussmann's Electronics and Transportation business units, as well as serving as Managing Director of Bussmann's Asia Pacific operations. Prior to Cooper, Mr. Hogge also held senior management positions at Bourns Inc. and Raychem Corporation. Mr. Hogge holds an MBA from New York University's Stern School of Business and a B.S. in Electrical Engineering from the U.S. Naval Academy, Annapolis MD.

Tina D. McKnight. Ms. McKnight joined Power-One in December 2008 as Secretary and General Counsel. Before joining Power-One, Ms. McKnight served as Senior Vice President and General Counsel of BCBG Max Azria Group, an international retailer, from December 2007 to November 2008. Prior to that she served as General Counsel and Secretary to Magnetek, Inc., a global power supplies and renewable energy business, from September 2000 to December 2006. Ms. McKnight has also held in-house legal positions with Natrol, Inc. and Great Western Financial Corporation and was an attorney in the Los Angeles office of Brobeck, Phleger and Harrison after graduating from law school. Ms. McKnight earned her J.D. from the University of Southern California's Gould School of Law and her B.A. from the University of California, Los Angeles.

Our officers serve at the discretion of the Board.

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ITEM 1A RISK FACTORS

We are a worldwide organization and leading designer and manufacturer of inverters for the renewable energy industry and make hundreds of high-quality brand name AC/DC and DC/DC power supplies, converters, and power management products for the servers, storage, networking, network power systems and industrial markets. We sell our products to original equipment manufacturers ("OEM"), distributors, engineering, procurement and construction ("EPC") firms, and service providers who value quality, reliability, technology and service. We have established a broad and global customer base.

Our future results of operations are subject to risks and uncertainties over which we have limited control and which could cause our actual results to differ materially from our expectations. We are subject to all of the business risks facing manufacturing companies, including business cycles and trends in the general economy, financial market conditions, demand variations and volatility, potential loss of key personnel, supply chain disruptions, government legislation and regulation, and natural causes. The following list of risk factors is not all-inclusive. Other factors and unanticipated events could adversely affect our financial position or results of operations. We believe that the most significant potential risk factors that could adversely impact us are the following:

Changes in demand or downturns in the renewable energy, communications infrastructure, server/storage or industrial markets could affect our business and profitability.

A majority of our sales in the past year have been to companies in the renewable energy industry. We expect our sales to renewable energy companies to continue to be significant in the future, and we are also pursuing customers in other industries, including the server/storage, network power systems , communications, medical, defense and transportation industries, among others. All of these industries are highly cyclical and may experience downturns. These industries also experience volatility, and future volatility as well as downturns in any of these industries, or any failure of these industries to recover from downturns, could materially harm our business and profitability. Likewise, if we have difficulty managing growth in this business, it could materially and adversely affect us. In addition, our business and financial position may be adversely affected by current and future economic conditions that cause a decline in business and consumer spending in the markets served by our or our customer's products.

Feed-in tariff and subsidy reductions could impact revenue and results of operations in the renewable energy markets.

Feed-in tariffs have been a significant driver in the growth of the solar industry, with countries throughout the world providing incentives to spur adoption of renewable energy. While many countries, including the United Kingdom, certain regions in the United States and Canada, India and China, are beginning to adopt feed-in tariffs and varying subsidies, others are re-evaluating the level of incentive they wish to provide. A number of countries, including Germany, Italy and the Czech Republic, have proposed reductions to their feed-in tariffs. As we do significant business in these regions, the proposed reductions could negatively affect the results of our operations. Such a reduction in the feed-in tariff, including any potential further reductions, could result in a significant decline in demand and price levels for renewable energy products, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to anticipate trends in the mix of renewable energy and power conversion products that our customers will demand may adversely affect our business.

During 2007 and 2008, we entered the solar and wind markets which are fast growing markets in their infancy, and the trends within the industry have not yet been well established. Failure to forecast trends within the industry, may negatively impact us if we are not able to fulfill our customers' needs.

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While we are investing in expanding our worldwide sales and service, in Europe, North America and Asia, in order to focus on our customer's needs and better align our strategy to meet those needs, there can be no assurance that such investments will result in increased revenue or allow us to better address trends within the industry. Because we have many customers in the communications infrastructure industry, the factors and economic trends that affect these companies also affect our business. The communications infrastructure industry has experienced rapid change in recent years. To respond to the needs of our customers in the communications infrastructure industry, we must continuously develop new and more advanced products at lower prices. We have made and will continue to make significant investments in next generation technologies, but there can be no assurance that the resulting products will be successful or that we will recoup our research and developments costs through increased sales.

We may fail to capture customers in the new markets that we are pursuing.

We are pursuing customers in new markets, most notably for our digital power management products, renewable energy, and in the server/storage industry. While we have secured design wins and order commitments from significant customers in these industries in the past, there can be no assurance that these design wins and order commitments will turn into revenue in the quantity or timeframe projected. We have made investments in our infrastructure, increased our operating costs and have forgone other business opportunities in order to service these new potentially significant customers. Failure of these design wins to translate into revenue in the quantities or timeline projected could have a materially adverse impact on our revenue, operating results and financial stability.

Cancellations, reductions or delays in purchases could cause our quarterly results to fluctuate.

We do not obtain long-term purchase orders or commitments from our customers, and therefore customers may generally cancel, reduce or postpone orders without penalty, outside of a 60 day delivery window. Cancellations, reductions and delays in orders could reduce our net sales and profitability. Our expense levels are based, in part, on expected future revenues and are relatively fixed once set. Our expectations for net sales beyond 90 days are based partially on our own estimate of future demand and partially on customer orders. However, we are limited in our ability to reduce expenses quickly if, for any reason, net sales do not meet our expectations in a particular period. Therefore, fluctuations in net sales, particularly if customers cancel, postpone or delay orders, may adversely impact our operating results.

Fluctuations in customer needs may also affect our mix of products sold and our volume of products orders, which in turn would affect our gross margin and operating results. In addition, high-volume orders, if cancelled, may increase the risk of inventory obsolescence and asset write-offs due to excess capacity.

We are subject to credit risks.

Some of our customers have experienced and may continue to experience financial difficulties and/or have failed to meet their financial obligations to us. As a result, we have incurred charges for bad debt provisions related to some trade receivables. In certain cases where our end-customers utilize contract manufacturers or distributors, our accounts receivable risk may lie with the contract manufacturer or distributor and may not be guaranteed by the end-customer. In addition, in connection with the growth of the renewable energy market, we are gaining a substantial number of new customers, some of which have relatively short histories of operations or are newly formed companies. As a result, it is difficult to ascertain financial information in order to appropriately extend credit to these customers. If more customers fail to meet their financial obligations to us, or if the assumptions underlying our recorded bad debt provisions with respect to receivables obligations do not accurately reflect our customers' financial conditions and payment levels, we could incur additional write-offs of

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receivables in excess of our provisions, which could have a material adverse effect on our cash flow and operating results.

Vendor managed inventory programs give rise to variability in our revenue and operating results.

Certain significant customers purchase products from us through vendor managed inventory, or VMI, programs. For VMI programs, we build product to the customer's forecasts and the inventory is physically located at a site controlled by the customer, but the sale of product does not occur until the customer uses the inventory. We therefore cannot predict when the sale may occur, and this in turn may result in variability in our net sales and operating results and higher inventory balances.

We rely on a few major customers for a material portion of our business and the loss of any of those customers, or a change in our product mix, could reduce our net income and operating results.

Historically, a few customers accounted for a material portion of our net sales each year. For 2010, 2009 and 2008, our top five customers accounted for approximately 20%, 24% and 25% of our net sales, respectively. If we lose any of these key customers, if any of them reduces or cancels a significant order, if any of them experiences significant financial or other failure, or if our product mix changes significantly in favor of products that have lower gross margins, our net sales and operating results could decrease significantly.

We may experience manufacturing and supply chain problems that can cause an inability to deliver product on time.

We have experienced difficulties in aligning demand forecast with factory loading, materials procurement, and manpower utilization, such that certain delivery commitments have been missed, delayed, or rescheduled. Also, we may fail to adequately respond to unplanned increases in customer demand due to capacity constraints and material shortages on longer lead-time components. As demand on semiconductor companies has increased during 2009 and 2010, we have experienced difficulties in obtaining key components at the historical lead-times. While we have initiated actions that we believe will limit our exposure to these problems, the dynamic business conditions in many of our markets may challenge these solutions and these or similar issues may recur in the future.

We manufacture products at various facilities around the world. Any disruption of operations at those facilities, including through natural disaster, terrorist attack, labor strike or work stoppage, or other events that may be outside of our control, could seriously impact our business and profitability.

In addition, some of our products are manufactured, assembled and tested by third party subcontractors and contract manufacturers located in Asia. While we have had relationships with many of these third parties in the past, we cannot predict how or whether these relationships will continue in the future. In addition, changes in management, financial viability, manufacturing demand or capacity, or other factors at these third parties could hurt our ability to have our products manufactured.

We also transfer the production of certain products between our internal factories as well as between our contract manufacturers. These product transfers may cause delays in the production and shipment of certain products. Furthermore, due to the amount of time often required to qualify manufacturers, assemblers and testers, both on our part and by some of our customers, we could experience delays in the shipment of our products to customers and distributors if we are forced to find alternative third parties to manufacture, assemble or test products. These delays could adversely affect our business and profitability.

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We face intense industry competition, price erosion and product obsolescence, which, in turn, could reduce our profitability.

We operate in an industry that is generally characterized by intense competition and rapid technological change. We believe that the principal bases of competition in our markets are breadth of product line, quality of products, stability, reliability and reputation of the provider, along with cost. Quantity discounts, price erosion, and rapid product obsolescence due to technological improvements are therefore common in our industry as competitors strive to retain or expand market share. Product obsolescence can lead to increases in unsellable inventory that may need to be written off and therefore could reduce our profitability. Similarly, price erosion can reduce our profitability by decreasing our revenues and our gross margins. In fact, we have seen price erosion over the last several years on most of the products we sell, and we have factored additional price erosion into our forecasts.

Our long-term operating results depend substantially upon our ability to continually develop, introduce, and market new and innovative products, to modify existing products, to respond to technological change, and to customize certain products to meet customer requirements. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands, which could result in a decrease in our net sales and a loss of market share to our competitors. Historically, we have had write-offs of excess and obsolete inventory which negatively impacted our results of operations. In the future, excess or obsolete inventory may need to be written-off, and this in turn could reduce our profitability.

Our inventory levels may be too high or too low.

During periods of growth and high demand for our products, we may not have adequate supplies of inventory on hand to satisfy our customers' needs. Furthermore, during these periods of growth, our suppliers may also experience high demand and therefore may not have adequate levels of the components and other materials that we require to build products so that we can meet our customers' needs. As a result, it may take us longer to procure sufficient components for building products than our customers are willing to accept, and we therefore may lose sales. This could negatively affect our profitability.

In addition, we may transfer production between our facilities or our contract manufacturers. During the periods in which production is being transferred, we may be required to maintain inventory at both locations to ensure a seamless transition between factories.

We may choose to mitigate these risks by purchasing and maintaining higher inventory levels in order to better meet our customers' needs during these periods of growth, high demand, and production transfers. However, increased inventory levels could lead to increases in excess and obsolete inventory if these periods of high demand do not materialize or if there are unexpected changes to our product mix or our forecasts are otherwise inaccurate.

Much of our business is subject to risks associated with operations in foreign countries.

We generate a significant percentage of our revenue internationally through sales offices located throughout Europe and Asia, and many of our operations are located outside of the United States. For example, manufacturing is performed in our own facilities in, China, Italy and Slovakia, and at contract manufacturers in Asia and Canada. We expect to continue to build, acquire or move operations to lower cost locations, and there are inherent risks from operating overseas that may impact our business. For example, we face risks that the countries in which we conduct business or in which we have customers, suppliers, or contract manufacturers could:

Experience financial, economic or political instability;

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Have an undeveloped rule of law or judicial system making the enforcement of our contractual or other legal rights and remedies difficult or uncertain;

Provide inadequate intellectual property protection for our technology;

Impose restrictions on the export or import of technology that would affect our ability to obtain supplies from, or sell products into, such countries;

Impose tariffs, quotas, taxes, other market barriers; or

Impose other laws, regulations or policies adversely affecting trade, investment or taxes, including those relating to the repatriation of funds and to withholding taxes.

In addition, because of our international operations, we face additional risks such as:

Currency risk, since we increasingly receive payments and purchase components in foreign currencies, and we have historically not engaged in foreign currency hedging activities;

Compliance with laws and regulations in various regions in which we operate;

Reliance on overseas contract manufacturers that may not be able to manufacture and deliver products in the quantity, quality and timeline required;

Greater difficulty and longer delays in collecting accounts receivable from international customers; and

Increased challenges to management associated with overseeing operations that are geographically dispersed across Europe and Asia, particularly in countries where we have not historically done business and where we therefore may not be familiar with laws, regulations and business practices.

Increased risk of shipping disruptions particularly in foreign countries experiencing political instability.

Environmental, health and safety laws may restrict our operations.

We are subject to local laws and regulations in various regions in which we operate, including for example the United States, the European Union ("EU") and China. We face risks in complying with, or seeking to conduct our business in connection with various local laws and regulations, including directives like Restriction of Certain Hazardous Substances Directive ("RoHS"), Waste Electrical and Electronic Equipment Directive ("WEEE"), and Regulation Nº 1907/2006 on the Registration, Evaluation, Authorization of Chemicals ("REACH") that were issued by the EU, and Management Measures on Electronic Information Product Pollution Control issued by China. We believe we are in compliance with the existing directives; however the authorities have the ability to review and challenge our compliance which could result in additional costs. We also face risks that our products may not be compliant with future directives, which may result in reduced sales and also in additional excess and obsolete inventory risk related to non-compliant inventory. Costs of compliance with environmental, health and safety laws may also have a material adverse impact on our net sales and operating results.

Our success depends on our ability to retain our senior management and to attract and retain key personnel.

Turnover in key management positions could temporarily harm our financial performance and results of operations. In addition, if we lose certain members of our senior management, our operations may be disrupted and our operating results could be adversely affected. In addition, our capacity to develop and implement new technologies depends on our ability to employ personnel with highly technical skills. Competition for such qualified technical personnel in our industry is intense due to the

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relatively limited number of power supply engineers worldwide, and we believe that this supply will remain constrained because of the limited number of engineering students concentrating on power conversion. If we cannot attract and retain key technical personnel, our technical expertise may suffer, and our operating results could be adversely affected. In addition, it could be difficult, time consuming and expensive to replace any key management member or other critical personnel and we cannot assure you that we will be able to recruit suitable replacements or assimilate new key management personnel into our organization to achieve our operating objectives.

Failure of our information technology infrastructure to operate effectively could adversely affect our business.

We depend heavily on information technology infrastructure to achieve our business objectives. If a problem occurs that impairs this infrastructure, the resulting disruption could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on business in the normal course. Any such events could cause us to lose customers or revenue and could require us to incur significant expense to remediate.

A prolonged economic slowdown or a lengthy or severe recession could hurt our operations, particularly if it results in a decline in profitability in the communications infrastructure and server/storage industries.

The risks associated with our business are more acute during economic slowdown or recession. These periods may be accompanied by decreased demand for our customers' products and weakness in our customers' businesses that result in decreased demand for, or additional downward pricing pressure on, our products. Accordingly, any prolonged economic slowdown or a lengthy or severe recession could have a material adverse effect on our results of operations, financial condition and business prospects.

Capital and credit markets continue to experience volatility and the availability of funds remains limited, and more recently is adversely affecting the European markets. Over half of our revenues are derived from European customers. Their ability to access the capital and credit markets may be limited by these or other factors at a time when they would like, or need to do so, which could have an impact on our ability to maintain or increase our current revenue levels.

Tax positions taken or failure to accumulate and consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the combined impact of tax laws between those jurisdictions, as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our operating results and financial position. In addition, we have accumulated significant net operating loss carry-forwards (NOLs) in the U.S. which are subject to section 382 of the Internal Revenue Code. Limitation of our NOLs under section 382 could have a material adverse impact on our future operating results.

Market fluctuations or volatility could cause the trading price of our common stock to decline and limit our ability to raise capital.

The stock market in general and the market for stocks of power conversion and power management companies in particular have experienced price and volume fluctuations, often unrelated to the operating performance of the affected companies. We believe that such volatility contributes to the decline in the trading price of common stock and that such volatility may negatively impact our

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stock price. Trading volumes of our common stock can increase dramatically, resulting in a volatile trading price for our common stock. In addition, the trading price of our common stock could decline significantly as a result of sales of substantial number of shares of our common stock, or the perception that significant sales could occur.

We are subject to risks associated with future company and technology acquisitions, divestitures, joint ventures and strategic investments.

We may continue to pursue acquisitions and disposals of businesses, products and technologies, or enter into joint ventures and equity investment arrangements, that could complement or otherwise enhance our business. The negotiation of potential acquisitions, divestitures, joint ventures or investments as well as the integration of an acquired business, product or technology could require us to incur significant costs and divert management's time and resources. Further, if a transaction doesn't occur, those economic and opportunity costs cannot be recouped. Future transactions by us could result in the following consequences:

dilutive issuances of equity securities;

incurrence of debt and contingent liabilities;

impairment of tangible and intangible assets;

research and development write-offs; and

other acquisition-related expenses.

We may also encounter difficulties in integrating acquired assets with our operations. Furthermore, we may not realize the benefits we anticipated when entering into these transactions. In addition, after we complete an acquisition, our management must be able to assume greater responsibilities, and this in turn may divert their attention from our existing operations. Any of the foregoing could have a material adverse effect on our financial position and results of operations.

We face, and might in the future face, intellectual property infringement claims by competitors and actions by foreign governments that could adversely affect our intellectual property rights, which in turn could adversely affect our results.

We rely upon a combination of patents, trademarks, contractual provisions and trade secret laws to protect our proprietary rights in certain of our products. We have from time to time received, and may in the future receive, communications from third parties asserting patent or other intellectual property rights that are alleged to cover our products, some of which in the past have resulted in litigation. See "Item 3. Legal Proceedings". We have in the past initiated lawsuits against companies whom we believe are violating our intellectual property and we may bring such lawsuits in the future, further increasing our costs. If we do not prevail in any such litigation, our business may be adversely affected.

In addition, our industry is characterized by uncertain and conflicting intellectual property claims and vigorous protection and pursuit of intellectual property rights or positions, which have on occasion resulted in significant and often protracted and expensive litigation. See "Item 3. Legal Proceedings". We cannot assure that intellectual property claims will not be made against us in the future or that we will not be prohibited from using our technologies subject to any such claims or that we will not be required to obtain licenses and make corresponding royalty payments. In addition, the necessary management attention diverted to litigation, along with the associated legal costs, could have a significant adverse effect on operating results. In addition, competitors (either individually, or via alliance-type arrangements) may release infringing product(s) prior to or after any court ruling or other judicial action which upholds or supports our intellectual property rights, with the goal of securing market share with competing product. Significant costs associated with litigation, slower-than-expected

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adoption rates of our new products, and competitor introductions of competing products could individually or in combination have a material adverse impact on our operating results.

Protecting our global intellectual property rights and contending with unlicensed copying and use of our products and other intellectual property is difficult. While piracy adversely affects U.S. revenue, the impact on revenue from outside the U.S. is more significant, particularly in countries where laws are less protective of intellectual property rights. As a result, our revenue in these markets will grow more slowly than the underlying power conversion and power management markets. Similarly, the absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. We currently own patents and continue to apply for additional patents, but the applicable governing patent office may reject some or all of our patent applications. The patents that we ultimately receive may not provide us with a competitive advantage or create a sufficiently broad claim to protect the technology that we develop.

Pending or future litigation could have a material adverse effect on our operating results and financial condition.

We are involved, from time to time, in litigation incidental to our business, including, but not limited to litigation related to product liability, patent infringement, contracts, employment and labor issues. Such litigation could result in substantial costs and could divert management's attention and resources which could harm our business. See "Item 3. Legal Proceedings". Risks associated with legal liability are often difficult to assess or quantify, and their existence and magnitude can remain unknown for significant periods of time. In cases where we record a liability, the amount of our estimates could be wrong. As a result, there can be no assurance that the actual outcome of pending or future litigation will not have a material adverse effect on our results of operations or financial condition.

We are subject to internal control evaluations and attestation requirements of Section 404 of the Sarbanes-Oxley Act.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we must include in our Annual Report on Form 10-K management's report on internal control over financial reporting and an attestation by our independent registered public accounting firm on our internal control over financial reporting. Ongoing compliance with these requirements is complex, costly and time-consuming. We may be subject to regulatory sanctions and our reputation may decline if we fail to maintain effective internal control over financial reporting, if our management does not timely assess the adequacy of such internal control, or if our independent registered public accounting firm does not timely attest to the evaluation.

Certain provisions in our charter documents and Delaware law may hinder or prevent a change in control of our company.

Certain provisions of our Certificate of Incorporation and Bylaws could make it difficult for a third party to obtain control of the Company. For example, stockholders must timely inform our corporate secretary before a stockholders' meeting of any business they wish to discuss and any directors they wish to nominate. In addition, only our directors have the ability to call a special meeting of our stockholders, and our Certificate of Incorporation requires approval of the holders of at least 75% of our voting stock, together with the approval of the holders of the majority of our voting stock (exclusive of stock held by holder of 5% or more of our stock), to amend certain provisions. Subject to the rules of the NASDAQ Stock Market, our Board of Directors may also be able to issue preferred stock without stockholder approval. Stockholder rights could be adversely affected by the rights of holders of preferred stock that we issue in the future. Finally, following consummation of the Reorganization, our Certificate of Incorporation contains certain provisions which restrict any person from buying our stock if the transfer would result in a stockholder, or "group" of stockholders under

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federal tax law, owning 5% or more of our outstanding stock. Any one of the provisions discussed above could discourage third parties from obtaining control of us. Such provisions may also impede a transaction in which our stockholders could receive a premium over then-current market prices and our stockholders' ability to approve transactions that they consider in their best interests.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

The table below lists our principal facilities currently in operation.

Location	Approximate Size (square feet)	Employees	Primary Activity
Camarillo, California	98,000	123	Administration, Warehousing, Marketing and Sales
Phoenix, Arizona	100,000	12	Administration and Manufacturing
Dubnica Nad Vahom, Slovakia	245,000	797	Administration, Manufacturing and Systems Integration, Warehousing, R&D
Valdarno, Italy	170,000	510	Administration, Manufacturing and Assembly, Warehousing, R&D, Marketing and Sales
Guangming, China	227,000	1,809	Administration, Manufacturing and Assembly, Warehousing, Marketing and Sales

We believe that the facilities we now use are adequate for our current and anticipated operating needs. We own facilities in Italy, Slovakia and Switzerland. We lease the remainder of our facilities pursuant to lease agreements with expiration dates through 2014 in Asia, 2015 in North America and 2016 in Europe. We believe that we will be able to renew these leases with similar terms upon expiration. If we cannot renew, we believe that we could find other suitable premises without any material adverse impact on our operations. We exited our factory in the Dominican Republic at the end of the first half of 2010.

ITEM 3 LEGAL PROCEEDINGS

SynQor, Inc. v Power-One, Inc, et. al. United States District Court, Eastern District of Texas, Civil Action No. 2:07cv497 TJW/CE. This action was initiated by SynQor, Inc. against the Company and eight other power supply manufacturers on November 13, 2007. The complaint alleges that certain products of the Company infringe certain patents held by SynQor in relation to unregulated bus converters and/or point of load (POL) converters used in intermediate bus architecture power supply systems. The Company filed its answer to the complaint denying infringement of the patents alleged, denying all claims of SynQor for entitlement to damages or other relief, and asserting various affirmative defenses, including invalidity and unenforceability of the applicable patents. Two new patents were subsequently issued to SynQor and SynQor filed motions for leave to amend its complaint to add claims for infringement of the two new patents. SynQor's motions were opposed by the Company and its codefendants, but on September 18, 2009 the Court granted SynQor's motions and deemed the amended complaints filed as of the dates SynQor's motions were filed (July 7, 2009 for the second amended complaint (adding the '083 patent) and July 21, 2009 for the third amended complaint (adding the '702 patent)). On October 2, 2009 Power-One filed its response to the third amended

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complaint. The claim construction hearing took place in Marshall, Texas on July 13, 2010 and the court issued its Markman ruling on July 26, 2010, substantially adopting Power-One's construction of certain key terms. The parties participated in mediation in September 2010 but were unsuccessful in resolving the dispute. The case went to trial in December 2010 and the jury returned a verdict in favor of SynQor on December 21, 2010, finding that all of the defendants directly or indirectly infringed all of the claims in the five patents-in-suit and finding Power-One liable for damages in the amount of approximately $25.6 million. The patents-in-suit are United States patents and the decision covers only the sales of infringing products in the United States.

On January 24, 2011, the Judge entered a permanent injunction, enjoining all of the defendants from manufacturing, using, selling and offering for sale in the United States, and/or importing into the United States, certain families of unregulated and semi-regulated bus converters. Although the Company did not believe that the verdict or the injunction would materially impact its Power Solutions business, it joined with the other defendants in filing an emergency motion to stay the injunction and on January 25, 2011 the Judge entered a temporary stay of the injunction until January 28, 2011. On January 31, 2011, Power-One and its co-defendants filed an emergency motion with the United States Court of Appeals for the Federal Circuit, requesting a partial stay of the injunction to permit certain identified customers to continue purchasing the enjoined products for a limited transition period. That day, the Federal Circuit entered a temporary stay order and directed SynQor to file a response by February 4, 2011. On March 2, 2011 the parties were notified that the Appeal had been selected for the Federal Circuit's mandatory Appellate Mediation Program and that an initial mediation session had been scheduled for March 30, 2011.

A final judgment has not yet been entered in the case; however the Company believes that errors were made during the trial and that there is a strong basis for an appeal. The Patents and Trademarks Office is also re-examining four of the five SynQor patents and has issued office actions that preliminarily reject the claims in two of the four patents. Including interest and other items, the Company believes that its maximum exposure related to this matter is $29.2 million. The Company has accrued $22.1 million representing what it believes to be probable and reasonably estimable based on its discussion with and analysis by counsel of the basis for its appeal.

The Company is involved in certain claims and legal proceedings which have arisen in the normal course of business. Management does not believe that the outcome of any currently pending claims or legal proceedings in which the Company is involved will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flow.

ITEM 4 REMOVED AND RESERVED

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PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is listed on the NASDAQ Global Market and is traded under the symbol "PWER." The following table sets forth, for the quarterly periods indicated, the range of high and low closing sale prices for our common stock.

	Year Ended			
	January 2, 2011		January 3, 2010	
	High	Low	High	Low
First Quarter	4.51	3.10	1.35	0.35
Second Quarter	8.80	4.08	1.63	0.86
Third Quarter	12.78	7.61	1.91	1.20
Fourth Quarter	11.14	8.65	4.60	1.88

As of March 7, 2011, there were 40,859 holders of record of our common stock.

We have not paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Existing and future debt, credit and similar agreements may limit or restrict the Company's ability to pay dividends or repurchase its common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item will be contained in our definitive Proxy Statement related to our 2011 Annual Meeting of Stockholders and is incorporated herein by reference.

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Performance Graph

The following performance graph compares the yearly percentage change in the Company's cumulative total shareholder return to the cumulative total return of the NASDAQ Composite, the Russell 2000 Index, the Russell 3000 Index, and the Research Data Group Inc. ("RDG") Technology Composite Index for each period from December 31, 2005 through December 31, 2010. The comparison is based on the investment of $100 in each stock or index on December 31, 2005 and includes the reinvestment of dividends. The total return on the common stock is measured by dividing the difference between the common stock or index price at the end and the beginning of the measurement period by the common stock or index price at the beginning of the measurement period.

The Company believes that the peer-group of indices selected for inclusion in the graph is representative for comparison purposes. The Russell 3000 Index is a major index that is used by third party corporate governance raters for evaluating the Company's corporate governance performance. The RDG Index contains companies that are closely aligned with the product markets and industries most comparable to the Company's products and target markets.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

$100 invested on 12/31/05 in stock or index-including reinvestment of dividends.

Fiscal year ended December 31,

Year Ended December 31,	2005	2006	2007	2008	2009	2010
Power-One, Inc.	100.00	120.93	66.28	19.77	72.26	169.44
NASDAQ Composite	100.00	109.52	120.27	71.51	102.89	120.29
Russell 2000	100.00	118.37	116.51	77.15	98.11	124.46
Russell 3000	100.00	115.71	121.66	76.27	97.89	114.46
RDG Technology Composite	100.00	109.07	125.31	71.12	114.36	129.26

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ITEM 6 SELECTED FINANCIAL DATA

In the table below, we provide selected consolidated historical financial and operating data. We prepared this information using audited financial statements for the fiscal years ended January 2, 2011, January 3, 2010, December 28, 2008, December 30, 2007 and December 31, 2006. When reading this selected historical consolidated financial and operating data, it is important to read it along with "Item 7 Management's Discussion and Analysis of Financial Condition and Operating Results" included in this Form 10-K. Historical results are not necessarily indicative of future results.

	Fiscal Year Ended				
	January 2, 2011(5)	January 3, 2010(4)	December 28, 2008(3)	December 30, 2007(2)	December 31, 2006(1)
	(In millions, except per share amounts and percentages)				
STATEMENT OF OPERATIONS DATA:					
Net sales	$ 1,047.1	$ 431.6	$ 537.5	$ 511.6	$ 338.0
Cost of goods sold	644.0	335.3	426.9	406.5	245.4
Gross profit	403.1	96.3	110.6	105.1	92.6
Selling, general and administrative	74.6	57.7	75.1	76.0	63.9
Engineering and quality assurance	36.4	30.3	45.5	48.9	38.6
Amortization of intangible assets	1.5	1.6	2.4	4.4	4.0
Restructuring and asset impairment costs	3.9	8.0		4.3	0.4
Goodwill impairment		57.0			
Litigation	22.1				
Total expenses	138.5	154.6	123.0	133.6	106.9
Income (loss) from operations	264.6	(58.3)	(12.4)	(28.5)	(14.3)
Interest income	0.3	0.2	0.7	1.2	2.1
Interest expense	(6.7)	(8.7)	(10.0)	(7.9)	(1.4)
Gain (loss) on extinguishment of debt	(5.7)	8.6	3.9		
Other income (expense), net	(2.3)	1.2	(2.6)	1.2	(1.7)
Income (loss) before provision (benefit) for income taxes	250.2	(57.0)	(20.4)	(34.0)	(15.3)
Provision (benefit) for income taxes	103.6	6.9	(0.2)	2.4	(0.7)
Income (loss) before equity in earnings of joint venture	146.6	(63.9)	(20.2)	(36.4)	(14.6)
Equity in earnings of joint venture, net of tax	1.2	0.6	2.7		
Net income (loss)	$ 147.8	$ (63.3)	$ (17.5)	$ (36.4)	$ (14.6)
Preferred stock dividend and accretion	3.4	2.2			
Net income (loss) attributable to common stockholders	$ 144.4	$ (65.5)	$ (17.5)	$ (36.4)	$ (14.6)
Basic income (loss) per common share	$ 1.30	$ (0.74)	$ (0.20)	$ (0.42)	$ (0.17)
Diluted income (loss) per common share	$ 0.96	$ (0.74)	$ (0.20)	$ (0.42)	$ (0.17)
Basic weighted average shares outstanding	95.7	88.1	87.6	87.1	86.1
	141.9	88.1	87.6	87.1	86.1

Diluted weighted average shares outstanding					
SELECTED OPERATING DATA:					
Gross profit margin	38.5%	22.3%	20.6%	20.5%	27.4%
Depreciation and amortization	$ 15.4	$ 17.1	$ 18.9	$ 20.6	$ 15.0
Capital expenditures	27.6	6.7	8.8	8.4	5.6
Cash flows provided by (used in):					
Operating activities	$ 209.9	$ 55.0	$ (22.3)	$ 2.6	$ (25.9)
Investing activities	(29.9)	(6.6)	(1.2)	(1.7)	(33.6)
Financing activities	(42.9)	10.6	22.8	(8.4)	53.8
BALANCE SHEET DATA:					
Working capital	$ 287.6	$ 160.1	$ 128.6	$ 121.8	$ 144.2
Total assets	761.8	371.3	429.0	431.6	449.3
Total long-term debt(6)	36.0	79.4	70.9	52.9	54.3
Total debt(7)	36.0	79.9	97.8	74.7	80.6
Total stockholders' equity	282.0	122.6	184.2	199.4	223.2

(1) On October 23, 2006, we acquired the Power Electronics Group of Magnetek Inc. The purchase price was approximately $69.4 million, of which $50.0 million was borrowed, and $19.4 million was paid in cash including $3.3 million of direct acquisition costs, plus the assumption of approximately $27.8 million in debt.

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(2)

During the year ended December 30, 2007, we recorded pre-tax restructuring charges of $3.1 million. We recorded approximately $1.6 million related to severance payments for a reduction in headcount of approximately 100 employees, $1.2 million as contract termination costs related to facility closures and downsizing, and $0.3 million related to consolidation of excess facilities and other contract termination costs. As a result of the restructuring, we recorded asset impairment charges of $1.2 million for the year ended December 30, 2007. These charges were primarily incurred by our North American facilities and were related to leasehold improvements, computer software and manufacturing equipment at facilities whose operations are being closed or downsized.

(3)

During the year ended December 28, 2008, we recorded a cash dividend of $1.2 million from the joint venture located in China, representing a return on investment. The cash dividend and approximately $1.5 million related to our share in the earnings of the joint venture were recorded in "Equity in earnings of joint venture" in the consolidated statements of operations. We also realized a net gain of $3.9 million from the repurchase and retirement of $10 million of outstanding convertible debt for $5.5 million.

(4)

During the year ended January 3, 2010, we recorded pre-tax restructuring charges of $8.0 million in accordance with Accounting Standards Codification ("ASC") 420 "Exit or Disposal Cost Obligations" and ASC 712 "Compensation Nonretirement Postemployment Benefits," as applicable, as a result of our plan to restructure our global organization in response to ongoing demand uncertainty and to exit our factory in the Dominican Republic. We recorded approximately $7.1 million of severance benefits and approximately $0.9 million of facility closure costs related to continuing lease obligations and other facility closure costs.

In accordance with ASC 350 "Intangibles Goodwill and Other," and as a result of the continued decrease in our market capitalization during the first fiscal quarter of 2009, we tested our goodwill for impairment and determined that goodwill was impaired. As a result of the impairment test, a goodwill impairment charge of $57.0 million was recorded in our consolidated statement of operations for the year ended January 3, 2010.

During the year ended January 3, 2010, we realized a net gain of $8.6 million from the repurchase $31.3 million of outstanding 8% senior secured convertible notes for approximately $20.9 million.

(5)

As a result of the 2009 plan to restructure our global organization, we recorded approximately $3.4 million for facility closure costs related to continuing lease obligations and other costs to close and vacate the facility during the year ended January 2, 2011. In addition, we recorded $0.4 million of asset impairment charges in connection with the restructuring related to the consolidation of facilities.

During the year ended January 2, 2011, we realized a net loss of $5.7 million from the repurchase $4.5 million of outstanding 8% senior secured convertible notes for approximately $10 million.

During fiscal 2010, we recorded a litigation charge of $22.1 million related to a judgment assessed by the court in connection with the patent infringement lawsuit initiated by SynQor, Inc.

(6)

Includes current and long-term portions of long-term debt and capital leases.

(7)

Includes items in footnote (6) above and short-term debt.

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ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Forward-looking statements reflect our current views with respect to future events. They reflect our expectations, beliefs, projections and assumptions, are made in good faith and we believe there is a reasonable basis for them; however, there can be no assurance that our financial condition or results of operations will meet the expectations set forth in the forward-looking statements set forth below. Forward-looking statements are inherently subject to risks and uncertainties that in many cases are beyond our control and cannot be predicted or quantified. As a result, future events and actual results could differ materially from those set forth in, contemplated by, or underlying forward-looking statements. Such risks and uncertainties include, but are not limited to economic conditions in general, sensitivity to industry conditions, competitive factors such as technology and pricing pressures, business conditions in our particular markets, currency exchange rates, the risk that current economic conditions will negatively impact our ability to satisfy the covenants of our lending agreements, international sales operations, our level of dependence on major customers, increased material costs, risks and costs associated with integrating our acquired businesses, litigation and the risks and that the risks and costs of doing business will exceed our present estimates. A discussion of these and other specific risks is included in Item 1A under the heading "Risk Factors". Forward looking statements contained in this Annual Report on Form 10-K speak only as of the date of this report or in the case of any document incorporated by reference, the date of that document. Except for our ongoing obligation to disclose material information as required by federal securities laws, we are not obligated to update or revise any forward- looking statement contained or incorporated by reference in this document to reflect events, circumstances or changed assumptions or operating results occurring after the date of this report. The following discussion should be read in conjunction with the Risk Factors as well as our financial statements and the related notes.

Introduction

We are a worldwide organization and leading designer and manufacturer of inverters for the renewable energy industry and hundreds of high-quality brand name AC/DC and DC/DC power supplies, converters, and power management products for the servers, storage, networking, network power systems and industrial markets. We sell our products to original equipment manufacturers ("OEM"), distributors, engineering, procurement and construction ("EPC") firms, and service providers who value quality, reliability, technology and service. We have established a broad and global customer base.

We are organized into two SBUs, Renewable Energy Solutions and Power Solutions. The SBUs were created during fiscal 2010 to focus on both the products and services we provide and the customers and end markets that we serve. Due to the structure of our internal organization and the manner in which expenses were tracked and managed and as a result of the design of our internal systems during fiscal 2009, we are unable to recast our financial statements by operating segment for fiscal 2009 and prior. As such, segment information, other than revenue, for the years ended January 3, 2010 and December 28, 2008, is not reported as it is impracticable to do so.

Renewable Energy Solutions: We offer inverters, management systems, accessories and services for the renewable energy market place that includes both photovoltaic/solar and wind applications. In the renewable energy market, we sell a broad product line of inverters and service offerings that provide our customers with industry-leading efficiency, harvesting power, uptime, reliability, monitoring through software and ease-of-installation. We sell our renewable energy products to distributors/installers, EPCs and OEMs. We are engaged in the design and production of inverters for renewable energy products that convert photovoltaic/solar or wind energy into useable AC power. Our string

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inverters are used in residential and small commercial applications, while our central inverters are designed for large commercial and utility installations for both the solar and wind markets. These products scale in size from 2 kW up to 2.5 MW. The recent acquisition of the assets of a software firm expanded our product offering by providing our customers with greater control and monitoring of their renewable energy assets using this software-as-a-service (SaaS) platform.

Power Solutions: Our power conversion and power management solutions are used in computer servers, data storage, networking, telecommunications and industrial applications. We sell our power conversion products to OEMs, distributors, and service providers. We are engaged in the design and production of the following power conversion products:

AC/DC power supplies that convert AC from a primary power source, such as a wall outlet, into a precisely controlled DC voltage. Virtually every electronic device that plugs into an AC wall outlet requires some type of AC/DC power supply, and we provide a broad range of supplies that power a wide variety of OEM equipment;

DC power systems that are used by communications and Internet service providers to power their equipment, and are used as backup power for large communications infrastructure equipment;

DC/DC converters that modify an existing DC voltage level to a different DC voltage level to meet the power needs of various subsystems and components within electronic equipment. Our DC/DC converters include high-density and low-density "brick" converters that are generally used to control power on communications printed circuit boards and also include Point-of-Load ("POL") converters that power devices within an Intermediate Bus Architecture as well as in other applications; and

Additional products that include digital control products for motors and a variety of other application-specific specialty power products.

We are focused on improving our operational and financial performance and have implemented detailed plans to improve our performance, drive long-term growth and profitability, improve on-time delivery, and reduce manufacturing inefficiencies. The operating framework in which we manage our business and guide our strategies is based on the disciplined management of three business levers: targeted growth, operational efficiency and capital strategy.

Our top strategic objective is to grow our market share in both the renewable energy and power conversion markets, while expanding profitability. We plan to grow revenue through geographic expansion and introducing new product offerings. To support our objectives, we have launched new product introductions and will continue to invest in our go-to-market strategy by expanding both the sales and service teams and our research and development ("R&D") resources, as well as investing in new market-leading technologies.

At the beginning of the fourth quarter of fiscal 2010, we strengthened our R&D team by hiring additional engineers in connection with the acquisition of the assets of a software firm. This acquisition included software that provides critical insight into revenue-generating renewable energy assets and provides a remote monitoring and asset management solution, increasing the value to our customers of our inverters, and adding experienced software engineers to our renewable energy SBU. The solutions identify and address problematic assets, allowing energy producers to increase energy harvest and performance ratios, cut the costs of operations & maintenance, reduce operational and financial risk, and improve return on investment. In addition, we are investing in our supply chain and manufacturing capacity. We have expanded our capacity in our European plants and are adding production capacity in the United States, China and Canada to meet the increased demand of the renewable energy market.

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As part of our initiative to increase profitability, we improved gross margin in 2010 by driving manufacturing and design efficiencies and focusing our supply chain on targeting cost reductions. While our supply chain organization actively manages component costs, it also manages component shortages that we are currently addressing in both the renewable energy and power solutions businesses in order to mitigate any negative impacts that these shortages may have on material costs and on meeting our customers' demands.

Lastly, we are continuing our initiatives to strengthen our balance sheet and improve our working capital performance. In an effort to reduce dilution, we repurchased $4.5 million in face value of the 8% senior secured convertible notes due 2013 during the first quarter of fiscal 2010, which resulted in a net loss of $5.7 million. In addition, we repurchased 3 million shares of our outstanding common stock in open market transactions for approximately $28.4 million during fiscal 2010.

Critical Accounting Policies

Application of our accounting policies requires management to make judgments and estimates about the amounts reflected in the financial statements. Management uses historical experience and all available information to make these estimates and judgments, although differing amounts may be reported if there are changes in the assumptions and estimates. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory valuation, restructuring costs, goodwill impairment, impairment costs, depreciation and amortization, sales returns and discounts, warranty costs, uncertain tax positions and the recoverability of deferred tax assets, stock compensation, business combinations and contingencies. Management has identified the following accounting policies as critical to an understanding of our financial statements and as areas most dependent on management's judgment and estimates.

Revenue Recognition we recognize revenue when persuasive evidence of an arrangement exists, title transfer has occurred, the price is fixed or readily determinable, and collectability is reasonably assured. We recognize revenue in accordance with ASC 605, "Revenue Recognition." Sales are recorded net of sales returns and discounts, which are estimated at the time of shipment based upon historical data.

We generally recognize revenue at the time of shipment (or at the time of inventory consumption for customers on Vendor Managed Inventory ("VMI") programs) because this is the point at which revenue is earned and realizable and the earnings process is complete. For most shipments, title to shipped goods transfers at the shipping point, so the risks and rewards of ownership transfer once the product leaves our warehouse. For shipments in which title transfers at a later date, revenue recognition is delayed. Revenue is only recognized when collectability is reasonably assured. Shipping and handling costs are included in cost of goods sold. We may charge shipping and handling costs to customers, which are included in revenue.

We offer our distributors a standard agreement which includes payment terms, description of rights to return or exchange product, and price discounts. Under our standard agreement, payment is due within 30 days of shipment of the product to the distributors. The distributor has a right to return only if we discontinue a product that the distributor has on hand. The distributor has a right to exchange up to 5% of the dollar value of products purchased within the prior six-month period, so long as the distributor is currently purchasing at least the equivalent dollar value in new product. Estimated product exchanges or returns are accrued for at the time of the sale based on historical information in accordance with ASC 605-15 "Revenue Recognition-Products." Finally, we may give price discounts to a distributor at the time a purchase order is received from the distributor for product that they will sell to a specific customer. The price discount is available for one year following issuance of the purchase order for items listed on the purchase order. We accrue for the estimated price discount at the time revenue is recognized.

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We have a joint venture in Asia which, along with certain of our contract manufacturers, may purchase raw components and other goods from Power-One, and sell finished goods back to Power-One as well as to other third parties. We record revenue on sales to the joint venture and contract manufacturers only when the components and goods are for sales to third parties. When the joint venture or contract manufacturers purchase components that will be assembled and sold back to us, no revenue is recorded because the earnings process has not been completed.

Impairment of Long-Lived Assets and Goodwill we review the recoverability of the carrying value of long-lived assets using the methodology prescribed in ASC 360 "Property, Plant, and Equipment." We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Upon such an occurrence, recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows to which the assets relate, to the carrying amount. If the asset is determined to be unable to recover its carrying value, it is written down to fair value. Fair value is determined based on discounted cash flows, appraised values or other information available in the market, depending on the nature of the assets. Methodologies for determining fair value are inherently based on estimates that may change, such as the useful lives of assets and our cash flow forecasts associated with certain assets. A change in these estimates may result in impairment charges, which would impact our operating results.

We review the carrying value of goodwill and non-amortizable intangible assets using the methodology prescribed in ASC 350 "Intangibles Goodwill and Other." ASC 350 requires that we not amortize goodwill, but instead subject it to impairment tests on at least an annual basis and whenever circumstances suggest that they may be impaired. These impairment tests are also dependent on management's forecasts, which frequently change. A change in our forecasts may result in impairment charges. ASC 350 requires the Company to perform a two-step impairment test. Under the first step of the goodwill impairment test, we are required to compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired and we do not perform the second step. If the results of the first step impairment test indicate that the fair value of a reporting unit does not exceed its carrying amount, then the second step of the goodwill impairment test is required. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The impairment loss is measured by the excess of the carrying amount of the reporting unit goodwill over the implied fair value of that goodwill.

We test goodwill for impairment on an annual basis at the end of each August fiscal month. As a result of the continued decrease in our market capitalization during the first fiscal quarter of 2009, we tested our goodwill for impairment and determined that goodwill was impaired. As our carrying value exceeded our estimated fair value as of March 29, 2009, we applied the approach prescribed in ASC 350-20 for determining the impairment amount. As a result of the interim test, a goodwill impairment charge of $57.0 million was recorded in our consolidated statements of operations for the year ended January 3, 2010.

Restructuring Charges we record restructuring charges in accordance with ASC 420 "Exit or Disposal Cost Obligations" and ASC 712 "Compensation Nonretirement Postemployment Benefits," as applicable. ASC 420 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, in contrast to the date of an entity's commitment to an exit plan. In accordance with the guidance provided under ASC 712, we accrue for severance expenses prior to notification for termination benefits that are contractual or required by regional labor laws or are pursuant to a substantive plan where the costs are deemed probable and reasonably estimable. Restructuring costs were related to the downsizing of operations and primarily consisted of specific charges that had been incurred or were to be incurred with no future economic benefit. These charges included costs related to personnel severance, continuing lease obligations for vacant facilities, and certain contract termination penalties and other shutdown costs. Calculation of the restructuring

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reserves includes management's judgment regarding closed facilities, which include assumptions about the length of time it will take for facilities to be subleased as well as the likely sublease income amount. Changes in these estimates may impact our operating results.

Income Taxes we record a deferred income tax asset in jurisdictions where the Company generates a loss. We also record a valuation allowance against these deferred income tax assets in accordance with ASC 740, "Income Taxes," when, in management's judgment, it is more likely than not that the deferred income tax assets will not be realized in the foreseeable future. We record uncertain tax positions under the provisions of ASC 740. We recognize in the consolidated financial statements only those tax positions determined to be more likely than not of being sustained upon examination, based on the technical merits of the positions. Under these provisions, we must assume that the taxing authority will examine the income tax position and will have full knowledge of all relevant information. For each income tax position that meets the more likely than not recognition threshold, we then assess the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority. Unrecognized tax positions, if ever recognized in the financial statements, are recorded in the statement of operations as part of the income tax provision.

Inventories Inventories are stated at the lower of cost (first-in, first-out method) or market. Slow moving and obsolete inventory are written down quarterly based on a comparison of on-hand quantities to historical and projected usages. Additionally, reserves for non-cancelable open purchase orders for components we are obligated to purchase in excess of projected usage, or for open purchase orders where the market price is lower than the purchase order price, are recorded as other accrued expenses on the balance sheet. Calculation of inventory write-downs is based on management's assumptions regarding projected usage of each component, which are subject to changes in market demand.

Accounts Receivable and Allowance for Doubtful Accounts we establish the allowance for doubtful accounts using the specific identification method and also provide a reserve in the aggregate. Our estimates for calculating the aggregate reserve are based on historical information. Any changes to our assumptions or estimates may impact our operating results.

Business Combinations we account for our acquisitions utilizing the purchase method of accounting. Under the purchase method of accounting, the total consideration paid is allocated to the underlying assets and liabilities, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of certain acquired assets and liabilities, identifiable intangible assets in particular, is subjective in nature and often involves the use of significant estimates and assumptions including, but not limited to: estimates of revenue growth rates; estimates of rates of return; royalty rates; and determination of appropriate discount rates. These assumptions are generally made based on available historical information. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

Recent Pronouncements and Accounting Changes See Note 2 *"Recent Pronouncements and Accounting Changes"* of Notes to our Consolidated Financial Statements.

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Results of Operations

The year ended January 3, 2010 represents a 53-week year. The years ended January 2, 2011 and December 28, 2008 represent 52-week years. The following table represents our consolidated statements of operations as a percentage of net sales for the periods presented:

	Fiscal Year Ended		
	January 2, 2011	January 3, 2010	December 28, 2008
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	61.5	77.7	79.4
Gross profit	38.5	22.3	20.6
Selling, general and administrative	7.1	13.4	13.9
Engineering and quality assurance	3.5	7.0	8.5
Amortization of intangibles	0.1	0.4	0.5
Restructuring and asset impairment costs	0.4	1.9	
Goodwill impairment		13.2	
Litigation	2.1		
Income (loss) from operations	25.3	(13.6)	(2.3)
Interest income		0.1	0.1
Interest expense	(0.6)	(2.0)	(1.9)
Other income (expense), net	(0.8)	2.3	0.3
Income (loss) before provision for income taxes	23.9	(13.2)	(3.8)
Provision for income taxes	9.9	1.6	
Income (loss) before equity in earnings of joint venture	14.0	(14.8)	(3.8)
Equity in earnings of joint venture, net of tax	0.1	0.1	0.5
Net Income (loss)	14.1	(14.7)	(3.3)
Preferred stock dividend and accretion	0.3	0.5	
Net Income (loss) attributable to common stockholders	13.8%	(15.2)%	(3.3)%

Comparison of Fiscal Year Ended January 2, 2011 with Fiscal Year Ended January 3, 2010

During fiscal 2010, demand increased from the reduced levels in fiscal 2009, which were the result of the global economic recession, both in the power conversion and the renewable energy markets. The revenue growth in the renewable energy market was driven primarily by higher demand in the overall solar market, as well as by our continued focus on geographic expansion further into Europe and Asia. In addition to increased revenue and order bookings, we have also increased our market share and outpaced the overall market growth in the renewable energy sector.

Net Sales. Net sales increased $615.5 million, or 143%, to $1,047.1 million for the year ended January 2, 2011 from $431.6 million for the year ended January 3, 2010. The increase in sales primarily related to the increased demand in the renewable energy market as sales continued to increase in Europe and as sales of our inverters expanded into Asia and Australia. The increase in sales of renewable energy products in the European market was due to the expansion of the renewable energy market promoted by favorable feed-in-tariffs, most notably in Germany and Italy.

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Net sales by business segment were as follows, in millions:

	Year Ended January 2, 2011		Year Ended January 3, 2010	
Renewable Energy Solutions	$ 715.4	68%	$ 128.6	30%
Power Solutions	331.7	32%	303.0	70%
Total	$ 1,047.1	100%	$ 431.6	100%

Net sales by customer category were as follows, in millions:

	Year Ended January 2, 2011		Year Ended January 3, 2010	
Distributors	$ 495.9	47%	$ 124.7	29%
OEMs	307.8	29%	243.1	56%
EPCs	236.1	23%	55.6	13%
Service providers	7.3	1%	8.2	2%
Total	$ 1,047.1	100%	$ 431.6	100%

No customer accounted for more than 10% of our sales during either of the years ended January 2, 2011 or January 3, 2010.

We have defined our end-markets based on the customers we serve, and have reclassified certain customers. Net sales for the fiscal years 2010 and 2009 by end-markets were as follows:

	Year Ended January 2, 2011	January 3, 2010
Renewable Energy	68%	30%
Network Telecom Equipment	13%	28%
Computer and Office Equipment	9%	18%
Industrial Equipment	7%	17%
Other	3%	7%
Total	100%	100%

Gross Profit.

	Year Ended January 2, 2011	January 3, 2010
Gross profit, in millions	$ 403.1	$ 96.3
Gross margin	38.5%	22.3%

Gross profit for the year ended January 2, 2011 was $403.1 million compared with $96.3 million for the year ended January 3, 2010. Our gross margin increased to 38.5% for fiscal 2010 from 22.3% for fiscal 2009. The increase in gross profit during fiscal 2010 primarily related to the increased sales volume of products into the renewable energy market as net sales into the renewable energy market increased by 456% during 2010 as compared with 2009. Gross margin also improved during 2010 as compared with fiscal 2009 as sales of renewable energy products, which tend to have higher gross margins, increased significantly relative to sales of power products during the year.

Selling, General and Administrative. Selling, general and administrative expense increased $16.9 million, or 29%, to $74.6 million for fiscal 2010 from $57.7 million for fiscal 2009. As a

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percentage of net sales, selling, general and administrative expense decreased to 7% for fiscal 2010 from 13% for fiscal 2009.

Selling expense increased $8.6 million, or 35%, to $33.1 million for 2010 from $24.5 million for fiscal 2009. Selling expense increased primarily due to increases in sales bonuses, commissions, travel associated with the higher revenue levels achieved during 2010 and increased headcount costs to support our market growth . In addition, selling expense increased as a result of our investment in the expansion of the sales and service teams to support our initiative to grow market share and revenue in renewable energy.

Administrative expense increased $8.3 million, or 25% to $41.5 million for fiscal 2010 from $33.2 million for fiscal 2009. The increase in general and administrative expense is primarily a result of an increase in infrastructure to support the revenue growth.

Engineering and quality assurance. Engineering and quality assurance expense increased $6.1 million, or 20% to $36.4 million for fiscal 2010 from $30.3 million for fiscal 2009. As a percentage of net sales, engineering and quality assurance expense decreased to 4% for 2010 from 7% for 2009. The increase in research and development spending was primarily due to our investment in new product introductions and expansion of research and development efforts during 2010 as compared with 2009.

Amortization of Intangibles. Amortization of intangible assets decreased by $0.1 million to $1.5 million for fiscal 2010 compared to $1.6 million for fiscal 2009.

Restructuring Costs and Asset impairment. During fiscal 2010, we recorded pre-tax restructuring and asset impairment charges of $3.9 million, in accordance with ASC 420 "Exit or Disposal Cost Obligations" and ASC 712 "Compensation Nonretirement Postemployment Benefits," as applicable.

During fiscal 2009, we announced and implemented a plan to restructure our global organization in response to ongoing demand uncertainty and to exit our factory in the Dominican Republic. The plan was completed during the second quarter of fiscal 2010. Through implementation of this action, we have (i) realigned global manufacturing and sourcing; (ii) improved operational performance; (iii) increased efficiencies in the supply chain and manufacturing process and (iv) improved our ability to respond to customer requirements in a cost effective manner.

During fiscal 2010, we recorded approximately $3.4 million for facility closure costs related to continuing lease obligations and other costs to close and vacate the facility. In addition, we recorded $0.4 million of asset impairment charges in connection with the restructuring related to the consolidation of facilities. In connection with the facility closure, we also recorded $2.7 million of inventory charges and $0.8 million of accelerated depreciation to cost of goods sold in the consolidated statement of operations for fiscal 2010.

During fiscal 2009, we recorded employee severance benefits of approximately $7.1 million. We also recorded approximately $0.9 million of facility closure costs related to continuing lease obligations during 2009. In connection with the facility closure, we also recorded $1.7 million of inventory charges and $1.8 million of accelerated depreciation to cost of goods sold in the consolidated statement of operations for fiscal 2009.

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Goodwill Impairment. In accordance with ASC 350 "Intangibles Goodwill and Other," we review goodwill and intangible assets for impairment annually at the end of each fiscal August. As a result of the continued decrease in our market capitalization during the first fiscal quarter of 2009, we tested our goodwill for impairment and determined that goodwill was impaired. Our testing approach utilized a discounted cash flow analysis and comparative market multiples to determine our (single reporting unit) fair value for comparison to our carrying value. As our carrying value exceeded our estimated fair value as of March 29, 2009, we applied the approach prescribed in ASC 350-20 for determining the impairment amount. As a result of the interim test, a goodwill impairment charge of $57.0 million was recorded in our consolidated statement of operations for fiscal 2009.

Litigation Charges. During fiscal 2010, we recorded $22.1 million related to a judgment assessed by the court in connection with the patent infringement lawsuit initiated by SynQor, Inc. On December 22, 2010, the jury found that certain products of Power-One directly or indirectly infringe on SynQor patents and awarded damages plus interest against the Company. In accordance with ASC 450-20, "Accounting for Contingencies: Loss Contingencies", we accrued the portion of the contingency that was deemed to be probable and reasonably estimable.

Income (Loss) from Operations. As a result of the items above, income from operations increased $322.9 million to income of $264.6 million for fiscal 2010 from an operating loss of $58.3 million for fiscal 2009.

Interest Income (Expense), Net. Net interest expense decreased $2.2 million to $6.3 million for fiscal 2010 compared to net interest expense of $8.5 million for fiscal 2009 due to lower debt outstanding during 2010 as a result of the conversion of the 8% senior secured convertible notes into 17.1 million shares of our common stock during the third quarter of fiscal 2010.

Gain (Loss) on Extinguishment of Debt. Loss on extinguishment of debt was $5.7 million during fiscal 2010 compared to a gain on extinguishment of debt of $8.6 million for fiscal 2009. We repurchased $4.5 million in face value of outstanding 8% senior secured convertible notes due 2013 for approximately $10 million during fiscal 2010. We repurchased $31.3 million of outstanding 8% senior secured convertible notes for $20.9 million during fiscal 2009.

Other Income (Expense), Net. Net other expense was $2.3 million for fiscal 2010, compared with net other income of $1.2 million for fiscal 2009. Net other expense during fiscal 2010 was primarily related to foreign currency transaction losses, offset in part by $0.7 million of gain due to changes in the market value of the embedded derivatives related to the securities issued to Silver Lake Sumeru during the second quarter of fiscal 2009. Our primary foreign currencies are the Euro, the Swiss Franc, the British Pound, and the Chinese RMB. Net other income during fiscal 2009 included $1.1 million of gain due to changes in the market value of the embedded derivatives related to the securities issued to Silver Lake Sumeru. Net other income during fiscal 2009 also included approximately $0.1 million related to foreign currency transaction losses.

Provision (Benefit) for Income Taxes. The provision for income taxes was $103.6 million for fiscal 2010 compared to a provision for income taxes of $6.9 million for fiscal 2009. The provision for income taxes recorded during both fiscal years 2009 and 2010 primarily related to taxes recorded at certain of our profitable European locations. Partially offsetting the provision for income taxes recorded during 2009 was approximately $1.4 million related to the reversal of certain reserves for uncertain tax positions due to a closed tax audit.

Although we record deferred income tax assets in jurisdictions where we generate a loss for income tax purposes, we also record a valuation allowance against these deferred income tax assets when, in management's judgment, it is not more likely than not that the deferred tax assets will be realized. As a result, we may record no tax benefit in jurisdictions where we incur a loss, but record tax

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expense in jurisdictions where we record taxable income and have no net operating loss (NOL) carryforward.

Equity in Earnings of Joint Venture. During fiscal 2010 and fiscal 2009 we recorded approximately $1.2 million and $0.6 million, respectively, related to our equity share in the earnings of a joint venture.

Preferred Stock Dividend and Accretion. On the $23.6 million of redeemable convertible preferred stock issued to Silver Lake Sumeru, we recorded $2.4 million related to the 10% preferred stock dividend and $1.1 million related to the periodic accretions under the interest method during fiscal 2010, and $1.5 million related to the 10% preferred stock dividend and $0.7 million related to the periodic accretions under the interest method during fiscal 2009.

Renewable Energy Solutions

Results for the Renewable Energy Solutions business segment for the years ended January 2, 2011 and January 3, 2010 were as follows, in millions:

	Year Ended	
	January 2, 2011	**January 3, 2010**
Revenue	$ 715.4	$ 128.6
Operating Income	309.4	

During fiscal 2010, demand in the renewable energy market continued to increase at a rapid rate over levels achieved during fiscal 2009. The revenue growth in the renewable energy market was driven by increased demand in the overall solar market, as well as by our expansion further into Europe along with Asia and Australia. Revenue for fiscal 2010 increased by approximately 456% as compared with fiscal 2009. Operating income for fiscal 2009 is not disclosed as it is impracticable to do so.

Power Solutions

Results for the Power Solutions business segment for the years ended January 2, 2011 and January 3, 2010 were as follows, in millions:

	Year Ended	
	January 2, 2011	**January 3, 2010**
Revenue	$ 331.7	$ 303.0
Operating Income	3.0	

During fiscal 2010, revenue increased by $28.7 million, or 9%, as compared with fiscal 2009. Improved economic conditions in fiscal 2010 had a favorable impact on Power Solutions revenues. Operating income for fiscal year 2009 is not disclosed as it is impracticable to do so.

Comparison of Fiscal Year Ended January 3, 2010 with Fiscal Year Ended December 28, 2008

The Company's results for the year ended January 3, 2010 were impacted by the global economic recession. Demand across most of our product lines during the year decreased as many of our customers pushed orders out to future quarters and delayed new projects in response to the economic slowdown. While overall revenue decreased during fiscal 2009 as compared with levels of 2008, revenue generated from renewable energy market sales during the second half of the year significantly increased as compared with the same periods in 2008 as well as compared to the first half of fiscal 2009. The revenue growth in the renewable energy market was driven primarily by higher demand in the overall solar market, as well as by our continued focus on geographic expansion further into Europe and into Asia.

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Net Sales. Net sales decreased $105.9 million, or 20%, to $431.6 million for the year ended January 3, 2010 from $537.5 million for the year ended December 28, 2008. The decrease in sales primarily related to the overall decline in demand across the power conversion market sectors resulting from the global economic conditions. In addition, the decrease in sales related to product paring in order to better align our strategy and increase focus on selected markets. The decline in sales across the power conversion markets was partially offset by an increase in sales to the renewable energy market during the year ended January 3, 2010 as compared with 2008, as we increased our presence and market share in both Europe and Asia. As a result of the US Dollar strengthening on average over functional currencies at our international locations, primarily the Euro, our consolidated revenue levels decreased by approximately $5 million during the year ended January 3, 2010 as compared with 2008. A substantial portion of our European revenue is transacted in foreign currencies such as the Euro and the British Pound. As these currencies weakened on average against the US Dollar in 2009, our consolidated net sales were unfavorably impacted for the year ended January 3, 2010.

Net sales by customer category were as follows, in millions:

	Year Ended January 3, 2010		Year Ended December 28, 2008	
OEMs	$ 291.4	67%	$ 399.4	74%
Distributors	132.0	31%	113.2	21%
Service providers	8.2	2%	24.9	5%
Total	$ 431.6	100%	$ 537.5	100%

No customer accounted for more than 10% of our sales during the years ended January 3, 2010 and December 28, 2008.

Net sales for the years ended January 3, 2010 and December 28, 2008 by end-markets under this new classification were as follows:

	Year Ended	
	January 3, 2010	December 28, 2008
Renewable Energy	30%	12%
Network Telecom Equipment	28%	46%
Computer and Office Equipment	18%	13%
Industrial Equipment	17%	18%
Other	7%	11%
Total	100%	100%

Gross Profit.

	Year Ended	
	January 3, 2010	December 28, 2008
Gross profit, in millions	$ 96.3	$ 110.6
Gross profit margin	22.3%	20.6%

Gross profit for the year ended January 3, 2010 was $96.3 million compared with a gross profit of $110.6 million for the year ended December 28, 2008. Our gross margin increased to 22.3% for the year ended January 3, 2010 from a gross margin of 20.6% for the same period in 2008. Gross margin during the year ended January 3, 2010 was impacted by multiple factors.

Positive impacts resulting from the successful implementation of several of our operational initiatives resulted in improved on-time delivery to our customers, reduced materials and

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logistics costs, and the reduction of the overall expense levels. As a result of these improvements, gross margin for the year ended January 3, 2010 was favorably impacted by approximately 5 margin points and was favorably impacted by approximately 1 margin point resulting from favorable product mix as compared with the prior year.

The decrease in customer demand resulting in a reduction in sales volume of approximately 20%, as well as unfavorable foreign currency translation impacts primarily due to the weakening of the Euro against the US dollar between periods, negatively impacted the gross margin by approximately 2 margin points.

Increased inventory write-downs during the year ended January 3, 2010 as compared with the prior year negatively impacted the gross margin by approximately 2 margin points.

Selling, General and Administrative. Selling, general and administrative expense decreased $17.4 million, or 23%, to $57.7 million for the year ended January 3, 2010 from $75.1 million for the year ended December 28, 2008. As a percentage of net sales, selling, general and administrative expense decreased to 13% for the year ended January 3, 2010 from 14% for the same period in 2008.

Selling expense decreased $6.5 million, or 21%, to $24.5 million for the year ended January 3, 2010 from $31.0 million for the year ended December 28, 2008. Selling expense decreased primarily as a result of the reduced revenue levels during 2009 and the related reductions in sales bonuses and commissions. Selling expense also decreased related to foreign currency fluctuations as the functional currencies at certain of our foreign locations weakened against the US Dollar during 2009 as compared with 2008. In addition, selling expense decreased during 2009 as compared to 2008 as a result of our continued efforts to reduce the company's cost structure.

Administrative expense decreased $10.9 million, or 25% to $33.2 million for the year ended January 3, 2010 from $44.1 million for the year ended December 28, 2008. The decrease in general and administrative expenses is primarily a result of continued efforts to reduce the company's cost structure as well as a result of the US Dollar strengthening against the functional currencies at our foreign locations during 2009.

Engineering and quality assurance. Engineering and quality assurance expense decreased $15.2 million, or 33% to $30.3 million for the year ended January 3, 2010 from $45.5 million for year ended December 28, 2008. As a percentage of net sales, engineering and quality assurance expense decreased to 7% for the year ended January 3, 2010 from 8% for the same period in 2008. The decreases in engineering and quality assurance expense were primarily due to continued efforts to reduce the company's cost structure through spending reductions, relocation of engineering resources to lower cost locations, and efficiency improvements. Engineering and quality assurance expense also decreased as a result of foreign currency fluctuations for the year ended January 3, 2010 compared with 2008.

Amortization of Intangibles. Amortization of intangible assets decreased by $0.8 million to $1.6 million for the year ended January 3, 2010 compared to $2.4 million for the year ended December 28, 2008. The decrease was primarily due to certain intangibles reaching the end of their amortizable life.

Restructuring Costs and Asset impairment. During the year ended January 3, 2010, we recorded pre-tax restructuring charges of $8.0 million, in accordance with ASC 420 "Exit or Disposal Cost Obligations" and ASC 712 "Compensation Nonretirement Postemployment Benefits," as applicable.

During 2009, we announced and implemented a plan to restructure our global organization in response to ongoing demand uncertainty and to exit our factory in the Dominican Republic. Through implementation of this action, the intent was to (i) realign global manufacturing and sourcing; (ii) improve operational performance; (iii) increase efficiencies in the supply chain and manufacturing

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process and (iv) improve our ability to respond to customer requirements in a cost effective manner. With respect to the 2009 restructuring plan, we recorded approximately $8.0 million of severance and other charges during 2009.

During the year ended January 3, 2010, we recorded severance benefits of approximately $7.1 million. We also recorded approximately $0.9 million of facility closure costs related to continuing lease obligations during the year ended January 3, 2010. In connection with the facility closure, we also recorded $1.7 million of inventory charges and $1.8 million of accelerated depreciation to cost of goods sold in the consolidated statement of operations for the year ended January 3, 2010. No restructuring or asset impairment charges were recorded during the year ended December 28, 2008.

Goodwill Impairment. In accordance with ASC 350 "Intangibles Goodwill and Other," we review goodwill and intangible assets for impairment annually at the end of each fiscal August. As a result of the continued decrease in our market capitalization during the first fiscal quarter of 2009, we tested our goodwill for impairment and determined that goodwill was impaired. Our testing approach utilized a discounted cash flow analysis and comparative market multiples to determine our (single reporting unit) fair value for comparison to our carrying value. As our carrying value exceeded our estimated fair value as of March 29, 2009, we applied the approach prescribed in ASC 350-20 for determining the impairment amount. As a result of the interim test, a goodwill impairment charge of $57.0 million was recorded in our consolidated statement of operations for the year ended January 3, 2010.

Loss from Operations. As a result of the items above, loss from operations increased $45.9 million to a loss of $58.3 million for the year ended January 3, 2010 from an operating loss of $12.4 million for the same period in 2008.

Interest Income (Expense), Net. Net interest expense was $8.5 million for the year ended January 3, 2010 compared to net interest expense of $9.3 million for the same period in 2008. The net interest expense recorded during the year ended January 3, 2010 related to interest on an average balance of approximately $49 million of 8% senior secured convertible notes carrying an effective interest rate of approximately 9.3%, as well as interest on approximately $36 million of senior convertible notes issued May 8, 2009 at an effective interest rate of 10.5%, and interest related to credit facilities and long-term debt obligations at certain foreign locations. The net interest expense recorded during the year ended December 28, 2008 related to interest on $50.0 million in term debt, carrying an effective interest rate of approximately 14.0%, and $0.9 million related to the write-off of the debt issue costs and debt discount related to the $50 million PWER Bridge term debt which was repaid near the end of the quarter ended June 29, 2008, as well as to interest expense recorded during the second half of fiscal 2008 related to $80 million of 8% senior secured convertible notes at an effective interest rate of approximately 9.3%. Also included in the interest expense for the year ended December 28, 2008 was interest related to credit facilities and long-term debt obligations at the certain foreign locations.

Gain on Extinguishment of Debt. Net gain on extinguishment of debt of $8.6 million for the year ended January 3, 2010 was recorded as a result of the repurchase of $31.3 million of outstanding 8% senior secured convertible notes for $20.9 million during the year ended January 3, 2010. Gain on extinguishment of debt of $3.9 million for the year ended December 28, 2008 was recorded as a result of the repurchase of $10 million of outstanding 8% senior secured convertible notes during the fourth quarter 2008.

Other Income (Expense), Net. Net other income was $1.2 million for the year ended January 3, 2010, compared with net other expense of $2.6 million for the year ended December 28, 2008. Net other income during 2009 included $1.1 million of gain due to changes in the market value of the embedded derivatives related to the securities issued to Silver Lake Sumeru. Net other income during 2009 also included approximately $0.1 million related to foreign currency transaction losses. Our primary foreign currencies are the Euro, the Swiss Franc, the British Pound, and the Chinese RMB.

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Net other expense during 2008 included approximately $1.2 million expense related to the write-off of a loan to a foreign supplier and a $0.2 million investment in a privately-held company, as well as approximately $1.3 million related to foreign currency transaction losses.

Provision (Benefit) for Income Taxes. The provision for income taxes was $6.9 million for the year ended January 3, 2010 compared to a benefit for income taxes of $0.2 million for the year ended December 28, 2008. The provision for income taxes recorded during the year ended January 3, 2010 primarily related to taxes recorded at certain of our profitable European locations. Partially offsetting the provision for income taxes recorded during the year ended January 3, 2010 was approximately $1.4 million related to the reversal of certain reserves for uncertain tax positions due to a closed tax audit. During the year ended December 28, 2008, we reversed certain reserves for uncertain tax positions of approximately $0.9 million upon expiration of a tax statute as well as due to a closed tax audit.

Equity in Earnings of Joint Venture. During the years ended January 3, 2010 and December 28, 2008, we recorded approximately $0.6 million and $2.7 million, respectively, related to our equity share in the earnings of a joint venture. The amounts recorded during the year ended December 28, 2008 included approximately $1.5 million related to our equity share in the earnings of the joint venture and approximately $1.2 million related to a cash dividend, representing a return on our investment in the joint venture. During 2005 through fiscal 2007, we impaired our equity investment in our joint venture in Asia as a result of our analysis of the future discounted cash flows combined with other impairment indicators. However, during March 2008, we received a cash dividend of $1.2 million from the joint venture, representing a return on our investment.

Preferred Stock Dividend and Accretion. As a result of the issuance of $23.6 million of redeemable convertible preferred stock to Silver Lake Sumeru, in 2009, we recorded $1.5 million related to the 10% preferred stock dividend and $0.7 million related to the periodic accretions under the interest method.

Liquidity and Capital Resources

Our cash and cash equivalents balance increased to $227.9 million at January 2, 2011 from $89.6 million at January 3, 2010. Our primary source of cash in 2010 was $209.9 million generated from operating activities. Our primary uses of cash in 2010 consisted of $28.4 million to repurchase 3.0 million shares of our common stock, $27.6 million for the acquisition of property and equipment, and $10.0 million used to repurchase approximately $4.5 million of our 8% senior secured convertible notes.

Net cash provided by operating activities of $209.9 million included increases in accounts receivable, accounts payable, taxes payable and inventory of $144.2 million, $124.0 million, $94.1 million and $79.5 million, respectively. Increases in accounts receivable, inventories, and accounts payable are a result of significant increases in revenues and related inventory and purchase levels as compared with the levels of fiscal 2009. We expect significant impacts to our cash position during Q2 2011 due to cash disbursements to be made in connection with income taxes due of approximately $95 million.

We maintain credit facilities with various banks in Europe and Asia. The aggregate limit on all credit facilities is approximately $21.8 million. The credit facilities bear interest on amounts outstanding at various intervals based on published market rates. At January 2, 2011, no amounts were outstanding under these facilities and $1.6 million was committed for letters of credit. After consideration of these commitments, $20.2 million of additional borrowing capacity was available to us as of January 2, 2011.

We have certain long-term notes payable in a European subsidiary and amounts outstanding at January 2, 2011, were $0.1 million and bore interest at an interest rate of 2%. The long-term notes payable agreements require our subsidiary to provide certain financial reports to the lender but do not require compliance with any financial covenants.

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We currently anticipate that our total capital expenditures for 2011 will be in the range of $50 to $60 million primarily for manufacturing equipment and process improvements, equipment related to research and development and product development, additions and upgrades to our facilities and information technology infrastructure, and other administrative requirements. However, the amount of these anticipated capital expenditures likely will change during the year based on changes in expected revenues, our financial condition and the general economic climate.

Based on current plans and business conditions, we believe our existing working capital and borrowing capacity, coupled with the funds that we expect to generate from our operations, will be sufficient to meet our liquidity requirements for the next twelve months. We will continue to evaluate our liquidity position, and when and if necessary explore alternatives to maximize our position and we may determine to raise additional funding through the issuance of equity or incurrence of debt.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases, in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Off-Balance Sheet Arrangements.

Below we identify and disclose all of our significant off balance sheet arrangements and related party transactions. We do not utilize special purpose entities or have any known financial relationships with other companies' special purpose entities.

Operating Leases. We enter into operating leases where the economic climate is favorable. The liquidity impact of operating leases generally is not material.

Purchase Commitments. We have purchase commitments for materials, supplies, services, and property, plant and equipment as part of the normal course of business. Commitments to purchase inventory at above market prices have been reserved. Certain supply contracts may contain penalty provisions for early termination. Based on current expectations, we do not believe that we are reasonably likely to incur any material amount of penalties under these contracts.

Other Contractual Obligations. We do not have material financial guarantees that are reasonably likely to affect liquidity.

Related Parties. We have entered into certain transactions, or have other arrangements with related parties. (See Part IV. Item 15. Note 19)

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Summary of Contractual Obligations and Commitments. As of January 2, 2011, we had not entered into any material non-cancelable open purchase orders. A summary of our future contractual payments related to lease obligations, long-term debt and preferred stock dividends is as follows (in millions):

Year Ending December 31,	Operating Leases(1)	Long-Term Debt Obligations	Estimated Interest Obligations(2)	Preferred Stock Dividend	Total
2011	$ 5.0	$ 0.1	$ 3.4	$ 2.4	$ 10.9
2012	3.9		3.7	2.4	10.0
2013	3.6		3.6	2.4	9.6
2014	3.0		3.6	0.6	7.2
2015	1.3		3.6		4.9
2016 and thereafter		36.4	12.2		48.6
Total	$ 16.8	$ 36.5	$ 30.1	$ 7.8	$ 91.2

(1) Our restructuring reserve at January 2, 2011 includes approximately $0.5 million relating to the above operating lease commitments. The Company intends to seek sub-leases for unused facilities.

(2) We calculated estimated interest payments for long-term debt as follows: for fixed-rate term debt, we calculated interest based on the applicable rates and payment dates; for variable-rate term debt, we calculated interest based on the most recent applicable interest rates in effect.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in interest rates on outstanding financial debt instruments and changes in foreign currency exchange rates.

Debt. Our exposure to interest rate risk results from financial debt instruments that we enter. We may also enter into derivative financial instrument transactions, such as swaps, in order to manage or reduce our exposure to interest rate changes related to our indebtedness. However, under no circumstances do we enter into derivative or other financial instrument transactions for speculative purposes. We are exposed to cash flow risk due to changes in market interest rates related to our outstanding debt. For example, in Europe our variable long term debt bears interest on borrowings outstanding at various time intervals and is based on the Euro Interbank Offered Rate (EURIBOR). Our principal risk with respect to our variable long-term debt is to changes in this market rate.

The table below presents principal cash flows and related weighted average interest rates for our credit facilities and long-term debt obligations at January 2, 2011 by expected maturity dates. The information is presented in U.S. dollar equivalents, our reporting currency, and parenthetically in Eurodollar, where applicable. Additionally, the U.S. dollar equivalent carrying value of Eurodollars denominated debt is sensitive to foreign currency exchange rates. However, a 10% change in the U.S. dollar exchange rate against these currencies would not be expected to have a significant effect on our future earnings.

	Expected Maturity Date							Fair Value
	2011	2012	2013	2014	2015	Thereafter	Total	
	(Amounts in millions, except for percentages)							
Long-term Debt:								
Fixed Rate Sr. Convertible Notes Due 2019(USD)	$	$	$	$	$	$ 36.4	$ 36.4	$ 254.4
Average Interest Rate						10.5%	10.5%	
Fixed Rate (EUR 0.1)	$ 0.1	$	$	$	$	$	$ 0.1	$ 0.1
	2.0%						2.0%	

Average Interest Rate

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Foreign Currency. A significant portion of our business operations are conducted in various countries in Europe and Asia. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities, and at January 2, 2011, we had not entered into any significant foreign exchange contracts.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in Item 15(a)(1) hereof are incorporated herein by reference and are filed as part of this Annual Report on Form 10-K beginning on page F-1.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Power-One maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries is timely communicated to the officers who certify Power-One's financial reports and to other members of senior management and the Board, as appropriate.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of January 2, 2011. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective at the reasonable assurance level as of January 2, 2011, to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes In Internal Control Over Financial Reporting

There have been no significant changes in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the fourth fiscal quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated*

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Framework . Based on this assessment, the company's management believes that, as of January 2, 2011, our internal control over financial reporting was effective. The company's internal control over financial reporting as of January 2, 2011, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error or fraud. Because of inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

ITEM 9B OTHER INFORMATION

Not applicable.

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PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information pursuant to Items 401 (other than as described in the following paragraph), 407(c)(3), (d)(4) and (d)(5) of Regulation S-K required by this item will be contained in our definitive Proxy Statement related to our 2011 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

The information relating to our executive officers required by this item is included herein in Part I, Item 1 under the caption "Executive Officers of the Registrant," and such information is incorporated by reference into this section.

The information required pursuant to Item 405 of Regulation S-K will be contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement related to our 2011 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

The information required pursuant to Item 406 of Regulation S-K is presented below.

We adopted a senior officer code of ethics that specifically applies to our principal executive officer, principal financial officer, and all associated principal corporate and divisional/business unit financial managers. This code of ethics is posted in the "Governance" section within the "Investor Relations" pages of our Website. The Internet address for our Website is *www.power-one.com*. Printed copies of the code of ethics are available upon written request to the Corporate Secretary, Power-One, Inc., 740 Calle Plano, Camarillo, California 93012.

Disclosure requirements regarding any amendment to or waiver of any provision of this code of ethics are satisfied by posting such information on our website at the address stated above, within the "Governance" section of the website.

ITEM 11 EXECUTIVE COMPENSATION

The information required by this item will be contained in our definitive Proxy Statement related to our 2011 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be contained in our definitive Proxy Statement related to our 2011 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Additional information called for by this item will be contained in our definitive Proxy Statement related to our Annual Meeting of Stockholders expected to occur May 3, 2011, and is incorporated herein by reference.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item will be contained in our definitive Proxy Statement related to our 2011 Annual Meeting of Stockholders, and is incorporated herein by reference.

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PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) FINANCIAL STATEMENTS

The following financial statements are filed as a part of this Annual Report on Form 10-K:

(a)(2) SCHEDULES

The following financial statement schedule is filed as a part of this Annual Report on Form 10-K and is incorporated herein by reference.

(c) EXHIBITS

The exhibit index on page S-2 is hereby incorporated by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

POWER-ONE, INC.

By: /s/ RICHARD J. THOMPSON

Richard J. Thompson
Chief Executive Officer

Date: March 15, 2011

POWER OF ATTORNEY

We the undersigned directors and officers of Power-One, Inc. hereby constitute and appoint Richard J. Thompson and Gary R. Larsen, or any of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, that said attorneys and agents, or either of them, may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, any rules, regulations, and requirements of the SEC, in connection with this Annual Report on Form 10-K, including specifically, but not limited to, power and authority to sign for us or any of us in our names and in the capacities indicated below, any and all amendments and supplements to this Annual Report on Form 10-K, and we hereby ratify and confirm all that the said attorneys and agents, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ (RICHARD J. THOMPSON) (Richard J. Thompson)	President and Chief Executive Officer (Principal Executive Officer), Director	March 15, 2011
/s/ (GARY R. LARSEN) (Gary R. Larsen)	Senior Vice President Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 15, 2011
/s/ (JAY WALTERS) (Jay Walters)	Chairman of the Board of Directors	March 15, 2011
/s/ (DR. RICHARD SWANSON) (Richard Swanson)	Director	March 15, 2011
/s/ (KENDALL R. BISHOP) (Kendall R. Bishop)	Director	March 15, 2011
/s/ (MARK MELLIAR-SMITH) (Mark Melliar-Smith)	Director	March 15, 2011
/s/ (JON W. GACEK) (Jon W. Gacek)	Director	March 15, 2011

/s/ (KAMBIZ HOOSHMAND) (Kambiz Hooshmand)	Director	March 15, 2011
/s/ (AJAY SHAH) (Ajay Shah)	Director	March 15, 2011
/s/ (KYLE RYLAND) (Kyle Ryland)	Director	March 15, 2011

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FINANCIAL STATEMENTS

The following financial statements are filed as a part of this Report:

POWER-ONE, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Power-One, Inc.
Camarillo, California

We have audited the accompanying consolidated balance sheets of Power-One, Inc. and subsidiaries (the "Company") as of January 2, 2011 and January 3, 2010, 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 January 2, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of January 2, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and the financial statement schedule and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Power-One, Inc. and subsidiaries as of January 2, 2011 and January 3, 2010, and the results of their operations and their cash flows for each of the three years in the period ended January 2, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such 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. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP
Los Angeles, California
March 15, 2011

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POWER-ONE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended		
	January 2, 2011	January 3, 2010	December 28, 2008
NET SALES	$ 1,047,139	$ 431,572	$ 537,459
COST OF GOODS SOLD	644,017	335,279	426,882
GROSS PROFIT	403,122	96,293	110,577
EXPENSES:			
Selling, general and administrative	74,631	57,662	75,057
Engineering and quality assurance	36,401	30,314	45,498
Amortization of intangibles	1,533	1,553	2,408
Restructuring and asset impairment costs	3,852	8,035	
Goodwill impairment		56,999	
Litigation	22,128		
Total expenses	138,545	154,563	122,963
INCOME (LOSS) FROM OPERATIONS	264,577	(58,270)	(12,386)
INTEREST AND OTHER INCOME (EXPENSE):			
Interest income	361	240	685
Interest expense	(6,705)	(8,744)	(10,018)
Gain (loss) on extinguishment of debt	(5,658)	8,608	3,922
Other income (expense), net	(2,323)	1,199	(2,585)
Total interest and other income (expense)	(14,325)	1,303	(7,996)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	250,252	(56,967)	(20,382)
PROVISION (BENEFIT) FOR INCOME TAXES	103,615	6,866	(184)
INCOME (LOSS) BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	146,637	(63,833)	(20,198)
EQUITY IN EARNINGS OF JOINT VENTURE	1,219	568	2,657
NET INCOME (LOSS)	147,856	(63,265)	(17,541)
PREFERRED STOCK DIVIDEND AND ACCRETION	3,427	2,198	
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 144,429	$ (65,463)	$ (17,541)
BASIC INCOME (LOSS) PER SHARE	$ 1.30	$ (0.74)	$ (0.20)
DILUTED INCOME (LOSS) PER SHARE	$ 0.96	$ (0.74)	$ (0.20)

BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	95,731	88,054	87,627
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	141,910	88,054	87,627

See notes to consolidated financial statements.

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POWER-ONE, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	January 2, 2011	January 3, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 227,907	$ 89,553
Accounts receivable:		
Trade, less allowance for doubtful accounts of $5,876 in 2010 and $3,946 in 2009	262,546	119,783
Other	7,980	2,763
Inventories	152,286	73,173
Prepaid expenses and other current assets	21,671	10,612
Total current assets	672,390	295,884
PROPERTY AND EQUIPMENT, net	63,325	48,906
OTHER INTANGIBLE ASSETS, net	18,802	18,602
OTHER ASSETS	7,295	7,943
TOTAL	$ 761,812	$ 371,335
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank credit facilities and notes payable	$	$ 504
Accounts payable	213,096	89,074
Restructuring	549	6,866
Long-term debt, current portion	103	1,269
Income tax payable	103,739	11,955
Other accrued expenses	67,339	26,125
Total current liabilities	384,826	135,793
LONG-TERM DEBT, less current portion	35,911	78,146
OTHER LONG-TERM LIABILITIES	39,445	16,281
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE CONVERTIBLE PREFERRED STOCK par value $0.001; 23.625 series A redeemable convertible preferred stock issued and outstanding at January 2, 2011 and January 3, 2010; liquidation preference $1,000 per share plus accumulated dividends	19,597	18,533
STOCKHOLDERS' EQUITY		
Common stock, par value $0.001; 300,000 shares authorized; 103,975	104	88

and 88,239 shares issued and outstanding at January 2, 2011 and January 3, 2010		
Additional paid-in capital	629,687	620,261
Accumulated other comprehensive income	41,420	39,267
Accumulated deficit	(389,178)	(537,034)
Total stockholders' equity	282,033	122,582
TOTAL	$ 761,812	$ 371,335

See notes to consolidated financial statements.

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POWER-ONE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Year Ended		
	January 2, 2011	**January 3, 2010**	**December 28, 2008**
NET INCOME (LOSS)	$ 147,856	$ (63,265)	$ (17,541)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized loss on investments			(7)
Foreign currency translation adjustments(a)	2,153	(378)	(875)
COMPREHENSIVE INCOME (LOSS)	$ 150,009	$ (63,643)	$ (18,423)

(a) Accumulated other comprehensive income (loss) consists of foreign currency translation gains of $41.4 million, $39.3 million and $39.6 million at January 2, 2011, January 3, 2010 and December 28, 2008, respectively.

See notes to consolidated financial statements.

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POWER-ONE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

	Common Stock $.001 Par Value		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
BALANCE, DECEMBER 30, 2007	87,356,194	$ 87	$ 615,040	$ 40,527	$ (456,228)	$ 199,426
Net loss					(17,541)	(17,541)
Other comprehensive loss						
Cumulative translation adjustment				(875)		(875)
Unrealized gains (loss) on investments				(7)		(7)
Total comprehensive loss						(18,423)
Issuance of common stock under stock option and purchase plans, net of tax	136,387		(62)			(62)
Stock compensation	308,839	1	2,637			2,638
Issuance of warrants			640			640
BALANCE, DECEMBER 28, 2008	87,801,420	88	618,255	39,645	(473,769)	184,219
Net loss					(63,265)	(63,265)
Other comprehensive loss						
Cumulative translation adjustment				(378)		(378)
Total comprehensive loss						(63,643)
Issuance of common stock under stock option and purchase plans, net of tax	6,660		(152)			(152)
Stock compensation	430,667		2,103			2,103
Issuance of warrants			3,294			3,294
Repurchase of warrants			(1,045)			(1,045)
Accretion of discount on preferred stock			(665)			(665)
Cash dividends on preferred stock			(1,529)			(1,529)
BALANCE, JANUARY 3, 2010						