

Power Integrations to Incur Third-Quarter Charge Due to Expected Closure of SemiSouth Laboratories

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Third-quarter revenues expected to be within previously projected range; gross margins expected to be higher than previously forecast

SAN JOSE, Calif.--(BUSINESS WIRE)-- Power Integrations (Nasdaq: **POWI**) today announced that its financial results for the quarter ended September 30, 2012 will include a pre-tax charge of approximately \$60 million, resulting in a net loss on a GAAP basis. The charge stems from the expected closure of SemiSouth Laboratories, a Mississippi-based developer of silicon-carbide power devices. Power Integrations had announced a strategic partnership with SemiSouth in 2010.

Commented Balu Balakrishnan, president and CEO of Power Integrations: "The expected closure of SemiSouth is disappointing, but reflects the challenges and risks inherent in the quest for disruptive technologies. Our strategic direction remains unchanged, and we continue to invest in promising technologies to expand our market opportunity within the realm of high-voltage power conversion."

Power Integrations further noted that it expects its third-quarter revenues to be between \$77 million and \$79 million, compared with its previous forecast of \$76 million to \$82 million. Non-GAAP gross margin for the quarter is expected to be between 52 percent and 53 percent, compared with the prior forecast of 51 percent to 52 percent. GAAP gross margin is expected to be between 49 percent and 50 percent, compared with the prior forecast of 48 to 49 percent. Operating expenses excluding the above-mentioned charge are expected to be consistent with the company's prior forecast.

No conference call will be held in conjunction with today's announcement. As previously announced, Power Integrations will release its third-quarter results on October 25, 2012 after market hours and will conduct a

conference call for members of the investment community at 1:30 p.m. Pacific time on that day. Members of the investment community can join the call by dialing 1-877-303-9795 from within the United States or 1-631-291-4581 from outside the U.S. The call will be available via a live and archived webcast on the investor section of the company's website, <http://powerintegrations2014.q4web.com>.

About Power Integrations

Power Integrations, Inc., is a Silicon Valley-based supplier of high-performance electronic components used in high-voltage power-conversion systems. The company's integrated circuits and diodes enable compact, energy-efficient AC-DC power supplies for a vast range of electronic products including mobile devices, TVs, PCs, appliances, smart utility meters and LED lights. CONCEPT IGBT driver systems enhance the efficiency, reliability and cost of high-power applications such as industrial motor drives, solar and wind energy systems, electric vehicles and high-voltage DC transmission. Since its introduction in 1998, Power Integrations' EcoSmart® energy-efficiency technology has prevented billions of dollars' worth of energy waste and millions of tons of carbon emissions. Reflecting the environmental benefits of the company's products, Power Integrations' stock is included in the NASDAQ® Clean Edge® Green Energy Index, The Cleantech Index®, and the Ardour Global IndexSM. For more information, including design-support tools and resources, please visit www.powerint.com; visit Power Integrations' **Green Room** for a comprehensive guide to energy-efficiency standards around the world.

Note Regarding Use of Non-GAAP Financial Measures

In addition to the company's consolidated financial statements, which are presented according to GAAP, the company provides certain non-GAAP financial information that excludes stock-based compensation expenses recorded under Accounting Standard Codification 718-10, acquisition-related expenses, amortization of acquisition-related intangible assets and the fair-value write-up of acquired inventory, non-cash interest income, the above-mentioned charge and the tax effects of these items. The company uses these non-GAAP measures in its own financial and operational decision-making processes and, with respect to one measure, in setting performance targets for employee-compensation purposes. Further, the company believes that these non-GAAP measures offer an important analytical tool to help investors understand the company's core operating results and trends, and to facilitate comparability with the operating results of other companies that provide similar non-GAAP measures. These non-GAAP measures have certain limitations as analytical tools and are not meant to be considered in isolation or as a substitute for GAAP financial information. For example, stock-based compensation is an important component of the company's compensation mix, and will continue to result in significant expenses in the company's GAAP results for the foreseeable future, but is not reflected in the non-GAAP measures. Also, other companies, including companies in Power Integrations' industry, may calculate non-GAAP financial measures differently, limiting their usefulness as comparative measures. With respect to the gross margins discussed in this

press release, non-GAAP gross margin is calculated by excluding from GAAP gross profit approximately \$0.3 million of stock-based compensation, \$0.6 million of amortization of acquisition-related intangible assets, and \$1.6 million of amortization of the write-up of acquired inventory.

Note Regarding Forward-Looking Statements

The statements in this press release as to the expected financial results of Power Integrations, including the expected charge, are forward-looking statements that are subject to risks and uncertainties. Actual results may differ as the financial results of Power Integrations have not been finalized, and additional information, including information regarding SemiSouth, may come to the attention of Power Integrations that may cause it to revise its expected financial results.

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