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## **Power Integrations Reports Fourth-Quarter and Full-Year Financial Results**

*Fourth-quarter revenues increased 23 percent year-over-year to \$114.5 million*

*Fourth-quarter GAAP earnings were \$5.28/diluted share; non-GAAP earnings were \$5.60/diluted share; GAAP and non-GAAP earnings include benefit of \$4.78/share from litigation settlement*

**SAN JOSE, CALIF. – January 30, 2020** – Power Integrations (Nasdaq: [POWI](#)) today announced financial results for the quarter and year ended December 31, 2019. The results include the previously announced settlement of the company's patent disputes with ON Semiconductor, which resulted in a payment to the company of \$175 million in October 2019.

Net revenues for the fourth quarter were \$114.5 million, flat compared to the prior quarter and up 23 percent from the fourth quarter of 2018. Net income for the fourth quarter was \$158.3 million or \$5.28 per diluted share compared to \$0.57 per share in the prior quarter and \$0.77 in the fourth quarter of 2018. Cash flow from operations was \$182.2 million for the fourth quarter.

In addition to its GAAP results, the company provided certain non-GAAP measures that exclude stock-based compensation, amortization of acquisition-related intangible assets, the tax effects of these items, and a 2018 tax benefit stemming from U.S. tax-reform legislation. Non-GAAP net income for the fourth quarter of 2019 was \$167.9 million or \$5.60 per diluted share (including a benefit of \$4.78 per share from the litigation settlement), compared with \$0.78 per diluted share in the prior quarter and \$0.54 per diluted share in the fourth quarter of 2018. A reconciliation of GAAP to non-GAAP financial results appears at the end of this press release.

For the full year, net revenues were \$420.7 million, an increase of one percent compared to 2018. Net income for the year was \$193.5 million or \$6.49 per diluted share compared to \$2.32 per diluted share in 2018. Non-GAAP net income for the full year was \$219.9 million or \$7.38 per diluted share (including a benefit of \$4.81 per share from the settlement) compared to \$2.71 per diluted share in 2018. Cash flow from operations for the full year 2019 was \$224.5 million.

Power Integrations paid a dividend of \$0.19 per share on December 31, 2019. The next dividend of \$0.19 will be paid on March 31, 2020 to stockholders of record as of February 28, 2020.

Commented Balu Balakrishnan, president and CEO of Power Integrations: "Revenues grew 23 percent year-over-year in the fourth quarter driven by our continued success in rapid-charging for mobile devices and a return to growth in consumer appliances. While sales for the analog semiconductor industry fell in 2019, we delivered positive growth for the year, and we're entering 2020 with momentum fueled by innovative products such as our InnoSwitch™3 ICs – including our latest devices incorporating GaN technology – and a broad set of opportunities including rapid charging, connected homes, renewable energy and smarter, more efficient appliances."

### **Financial Outlook**

The company issued the following forecast for the first quarter of 2020:

- Revenues are expected to be \$110 million plus or minus \$3 million.
- GAAP gross margin is expected to be between 50.5 percent and 51 percent. Non-GAAP gross margin is expected to be between 51.5 percent and 52 percent. (The difference between the expected GAAP and non-GAAP gross margins comprises approximately 0.7 percentage points from amortization of acquisition-related intangible assets and 0.3 percentage points from stock-based compensation.)
- GAAP operating expenses are expected to be approximately \$41.5 million; non-GAAP operating expenses are expected to be approximately \$35.5 million. (Non-GAAP expenses are expected to exclude approximately \$5.8 million of stock-based compensation and \$0.2 million of amortization of acquisition-related intangible assets.)

### **Conference Call Today at 1:30 p.m. Pacific Time**

Power Integrations management will hold a conference call today at 1:30 p.m. Pacific time. Members of the investment community can join the call by dialing 1-647-689-4187. The call will also be available on the investor section of the company's website, <http://investors.power.com>.

### **About Power Integrations**

[Power Integrations, Inc.](http://www.power.com) is a leading innovator in semiconductor technologies for high-voltage power conversion. The company's products are key building blocks in the clean-power ecosystem, enabling the generation of renewable energy as well as the efficient transmission and consumption of power in applications ranging from milliwatts to megawatts. For more information please visit [www.power.com](http://www.power.com).

**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 ASC 718-10, amortization of acquisition-related intangible assets, the tax effects of these items and, with respect to the prior-year results, a tax benefit related to the 2017 U.S. tax-reform legislation. The company uses these measures in its financial and operational decision-making and, with respect to one measure, in setting performance targets for compensation purposes. The company believes that these non-GAAP measures offer important analytical tools to help investors understand its operating results, and to facilitate comparability with the results of companies that provide similar measures. Notwithstanding these considerations, the company is including the impact of its litigation settlement in its non-GAAP results in order to be consistent with its historical practice of including litigation-related expenses in its non-GAAP results. Non-GAAP measures have 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 measures differently, limiting their usefulness as comparative measures. Reconciliations of non-GAAP measures to GAAP measures are attached to this press release.

**Note Regarding Forward-Looking Statements**

The above statements regarding the company's forecast for its first-quarter financial performance are forward-looking statements reflecting management's current expectations and beliefs. These forward-looking statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with the company's business, actual results could differ materially from those projected or implied by these statements. These risks and uncertainties include, but are not limited to: changes in global macroeconomic conditions, including changing tariffs and uncertainty regarding trade negotiations, which may impact the level of demand for the company's products; potential changes and shifts in customer demand away from end products that utilize the company's integrated circuits to end products that do not incorporate the company's products; the effects of competition, which may cause the company's revenues to decrease or cause the company to decrease its selling prices for its products; unforeseen costs and expenses; and unfavorable fluctuations in component costs or operating expenses resulting from changes in commodity prices and/or exchange rates. In addition, new product introductions and design wins are subject to the risks and uncertainties that typically accompany development and delivery of complex technologies to the marketplace, including product development delays and defects and market acceptance of the new products. These and other risk factors that may cause actual results to differ are more fully explained under the caption "Risk Factors" in the company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission (SEC) on February 13, 2019. The company is under no obligation (and expressly disclaims any obligation) to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by the rules and regulations of the SEC.

*Power Integrations, InnoSwitch and the Power Integrations logo are trademarks or registered trademarks of Power Integrations, Inc.*

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**POWER INTEGRATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per-share amounts)

|   | <u>December 31, 2019</u> | <u>Three Months Ended<br/>September 30, 2019</u> | <u>December 31, 2018</u> | <u>Twelve Months Ended</u> |                          |
|---|--------------------------|--|--------------------------|----------------------------|--------------------------|
|   | \$                       | \$   | \$                       | \$                         | \$                       |
| NET REVENUES  | 114,457                  | 114,159  | 93,307                   | 420,669                    | 415,955                  |
| COST OF REVENUES                                      | 56,232                   | 56,028   | 45,302                   | 207,267                    | 201,167                  |
| GROSS PROFIT  | 58,225                   | 58,131   | 48,005                   | 213,402                    | 214,788                  |
| OPERATING EXPENSES:                                   |                          |  |                          |                            |                          |
| Research and development                              | 18,298                   | 17,957   | 17,965                   | 73,470                     | 70,580                   |
| Sales and marketing                                   | 14,241                   | 13,074   | 12,746                   | 52,720                     | 51,165                   |
| General and administrative                            | 10,634                   | 9,224  | 8,796                    | 37,582                     | 35,496                   |
| Amortization of acquisition-related intangible assets | 378                      | 378  | 455                      | 1,577                      | 1,899                    |
| Litigation settlement                                 | (168,969)                | -  | -                        | (168,969)                  | -                        |
| Total operating expenses                              | (125,418)                | 40,633   | 39,962                   | (3,620)                    | 159,140                  |
| INCOME FROM OPERATIONS                                | 183,643                  | 17,498   | 8,043                    | 217,022                    | 55,648                   |
| OTHER INCOME  | 1,852                    | 1,078  | 1,297                    | 5,392                      | 4,116                    |
| INCOME BEFORE INCOME TAXES                            | 185,495                  | 18,576   | 9,340                    | 222,414                    | 59,764                   |
| PROVISION (BENEFIT) FOR INCOME TAXES                  | 27,204                   | 1,477  | (13,396)                 | 28,946                     | (10,220)                 |
| NET INCOME  | \$ 158,291               | \$ 17,099  | \$ 22,736                | \$ 193,468                 | \$ 69,984                |
| EARNINGS PER SHARE:                                   |                          |  |                          |                            |                          |
| Basic   | \$ 5.38                  | \$ 0.58  | \$ 0.78                  | \$ 6.61                    | \$ 2.38                  |
| Diluted   | \$ 5.28                  | \$ 0.57  | \$ 0.77                  | \$ 6.49                    | \$ 2.32                  |
| SHARES USED IN PER-SHARE CALCULATION:                 |                          |  |                          |                            |                          |
| Basic   | 29,427                   | 29,385   | 29,164                   | 29,267                     | 29,456                   |
| Diluted   | 30,005                   | 29,866   | 29,651                   | 29,816                     | 30,147                   |
| SUPPLEMENTAL INFORMATION:                             |                          |  |                          |                            |                          |
|   | <u>December 31, 2019</u> | <u>Three Months Ended<br/>September 30, 2019</u> | <u>December 31, 2018</u> | <u>Twelve Months Ended</u> |                          |
|   | \$                       | \$   | \$                       | \$                         | \$                       |
| Stock-based compensation expenses included in:        |                          |  |                          |                            |                          |
| Cost of revenues                                      | 413                      | 280  | 313                      | 1,237                      | 1,097                    |
| Research and development                              | 2,754                    | 1,893  | 1,944                    | 8,423                      | 7,688                    |
| Sales and marketing                                   | 1,602                    | 1,211  | 1,222                    | 5,015                      | 4,729                    |
| General and administrative                            | 3,569                    | 1,722  | 1,963                    | 8,672                      | 8,066                    |
| Total stock-based compensation expense                | \$ 8,338                 | \$ 5,106   | \$ 5,442                 | \$ 23,347                  | \$ 21,580                |
| Cost of revenues includes:                            |                          |  |                          |                            |                          |
| Amortization of acquisition-related intangible assets | \$ 955                   | \$ 940   | \$ 813                   | \$ 3,483                   | \$ 3,253                 |
| General & administrative expenses include:            |                          |  |                          |                            |                          |
| Patent-litigation expenses                            | \$ 2,253                 | \$ 2,573   | \$ 2,304                 | \$ 9,425                   | \$ 8,525                 |
| REVENUE MIX BY END MARKET                             |                          |  |                          |                            |                          |
|   | <u>December 31, 2019</u> | <u>Three Months Ended<br/>September 30, 2019</u> | <u>December 31, 2018</u> | <u>Twelve Months Ended</u> |                          |
|   |                          |  |                          | <u>December 31, 2019</u>   | <u>December 31, 2018</u> |
| Communications  | 29%                      | 29%  | 20%                      | 26%                        | 20%                      |
| Computer  | 6%                       | 5%   | 6%                       | 5%                         | 5%                       |
| Consumer  | 35%                      | 32%  | 34%                      | 35%                        | 38%                      |
| Industrial  | 30%                      | 34%  | 40%                      | 34%                        | 37%                      |

**POWER INTEGRATIONS, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP RESULTS**  
(in thousands, except per-share amounts)

|   | <u>December 31, 2019</u> | <u>Three Months Ended<br/>September 30, 2019</u> | <u>December 31, 2018</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---|--------------------------|--|--------------------------|--------------------------|--------------------------|
| <b>RECONCILIATION OF GROSS PROFIT</b>   |                          |  |                          |                          |                          |
| GAAP gross profit   | \$ 58,225                | \$ 58,131  | \$ 48,005                | \$ 213,402               | \$ 214,788               |
| GAAP gross margin   | 50.9%                    | 50.9%  | 51.4%                    | 50.7%                    | 51.6%                    |
| Stock-based compensation included in cost of revenues                                 | 413                      | 280  | 313                      | 1,237                    | 1,097                    |
| Amortization of acquisition-related intangible assets                                 | 955                      | 940  | 813                      | 3,483                    | 3,253                    |
| Non-GAAP gross profit   | \$ 59,593                | \$ 59,351  | \$ 49,131                | \$ 218,122               | \$ 219,138               |
| Non-GAAP gross margin   | 52.1%                    | 52.0%  | 52.7%                    | 51.9%                    | 52.7%                    |
| <b>RECONCILIATION OF OPERATING EXPENSES</b>   |                          |  |                          |                          |                          |
| GAAP operating expenses   | \$ (125,418)             | \$ 40,633  | \$ 39,962                | \$ (3,620)               | \$ 159,140               |
| Less: Stock-based compensation expense included in operating expenses                 |                          |  |                          |                          |                          |
| Research and development  | 2,754                    | 1,893  | 1,944                    | 8,423                    | 7,688                    |
| Sales and marketing   | 1,602                    | 1,211  | 1,222                    | 5,015                    | 4,729                    |
| General and administrative  | 3,569                    | 1,722  | 1,963                    | 8,672                    | 8,066                    |
| Total   | 7,925                    | 4,826  | 5,129                    | 22,110                   | 20,483                   |
| Amortization of acquisition-related intangible assets                                 | 378                      | 378  | 455                      | 1,577                    | 1,899                    |
| Non-GAAP operating expenses   | \$ (133,721)             | \$ 35,429  | \$ 34,378                | \$ (27,307)              | \$ 136,758               |
| <b>RECONCILIATION OF INCOME FROM OPERATIONS</b>                                       |                          |  |                          |                          |                          |
| GAAP income from operations   | \$ 183,643               | \$ 17,498  | \$ 8,043                 | \$ 217,022               | \$ 55,648                |
| GAAP operating margin   | 160.4%                   | 15.3%  | 8.6%                     | 51.6%                    | 13.4%                    |
| Add: Total stock-based compensation   | 8,338                    | 5,106  | 5,442                    | 23,347                   | 21,580                   |
| Amortization of acquisition-related intangible assets                                 | 1,333                    | 1,318  | 1,268                    | 5,060                    | 5,152                    |
| Non-GAAP income from operations   | \$ 193,314               | \$ 23,922  | \$ 14,753                | \$ 245,429               | \$ 82,380                |
| Non-GAAP operating margin   | 168.9%                   | 21.0%  | 15.8%                    | 58.3%                    | 19.8%                    |
| <b>RECONCILIATION OF PROVISION (BENEFIT) FOR INCOME TAXES</b>                         |                          |  |                          |                          |                          |
| GAAP provision (benefit) for income taxes   | \$ 27,204                | \$ 1,477   | \$ (13,396)              | \$ 28,946                | \$ (10,220)              |
| GAAP effective tax rate   | 14.7%                    | 8.0%   | -143.4%                  | 13.0%                    | -17.1%                   |
| Impact of U.S. tax legislation  | -                        | -  | (9,687)                  | -                        | (9,687)                  |
| Tax effect of adjustments to GAAP results   | (53)                     | (266)  | (3,846)                  | (1,955)                  | (5,361)                  |
| Non-GAAP provision for income taxes   | \$ 27,257                | \$ 1,743   | \$ 137                   | \$ 30,901                | \$ 4,828                 |
| Non-GAAP effective tax rate   | 14.0%                    | 7.0%   | 0.9%                     | 12.3%                    | 5.6%                     |
| <b>RECONCILIATION OF NET INCOME PER SHARE (DILUTED)</b>                               |                          |  |                          |                          |                          |
| GAAP net income   | \$ 158,291               | \$ 17,099  | \$ 22,736                | \$ 193,468               | \$ 69,984                |
| Adjustments to GAAP net income  |                          |  |                          |                          |                          |
| Stock-based compensation  | 8,338                    | 5,106  | 5,442                    | 23,347                   | 21,580                   |
| Amortization of acquisition-related intangible assets                                 | 1,333                    | 1,318  | 1,268                    | 5,060                    | 5,152                    |
| Impact of U.S. tax legislation  | -                        | -  | (9,687)                  | -                        | (9,687)                  |
| Tax effect of items excluded from non-GAAP results                                    | (53)                     | (266)  | (3,846)                  | (1,955)                  | (5,361)                  |
| Non-GAAP net income   | \$ 167,909               | \$ 23,257  | \$ 15,913                | \$ 219,920               | \$ 81,668                |
| Average shares outstanding for calculation of non-GAAP net income per share (diluted) | 30,005                   | 29,866   | 29,651                   | 29,816                   | 30,147                   |
| Non-GAAP net income per share (diluted)   | \$ 5.60                  | \$ 0.78  | \$ 0.54                  | \$ 7.38                  | \$ 2.71                  |
| GAAP net income per share   | \$ 5.28                  | \$ 0.57  | \$ 0.77                  | \$ 6.49                  | \$ 2.32                  |

**POWER INTEGRATIONS, INC.**  
**CALCULATION OF EARNINGS PER SHARE BENEFIT OF SETTLEMENT**  
(in thousands, except per-share amounts)

|  | <u>December 31, 2019</u> | <u>Three Months Ended<br/>September 30, 2019</u> | <u>December 31, 2018</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|--------------------------|--|--------------------------|--------------------------|--------------------------|
| Gain from litigation settlement                              | \$ 168,969               | \$ -   | \$ -                     | \$ 168,969               | \$ -                     |
| Tax expense attributed to settlement                         | 25,543                   | -  | -                        | 25,543                   | -                        |
| Litigation settlement net of tax                             | \$ 143,426               | \$ -   | \$ -                     | \$ 143,426               | \$ -                     |
| Earnings per share benefit of settlement (GAAP and non-GAAP) | \$ 4.78                  | \$ -   | \$ -                     | \$ 4.81                  | \$ -                     |
| Diluted average shares outstanding                           | 30,005                   | 29,866   | 29,651                   | 29,816                   | 30,147                   |

**POWER INTEGRATIONS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|   | <u>December 31, 2019</u> | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|---|--------------------------|---------------------------|--------------------------|
| <b>ASSETS</b>                               |                          |                           |                          |
| CURRENT ASSETS:                             |                          |                           |                          |
| Cash and cash equivalents                   | \$ 178,690               | \$ 80,162                 | \$ 134,137               |
| Short-term marketable securities            | 232,398                  | 164,649                   | 94,451                   |
| Accounts receivable, net                    | 24,274                   | 25,819                    | 11,072                   |
| Inventories                                 | 90,380                   | 88,710                    | 80,857                   |
| Prepaid expenses and other current assets   | <u>15,597</u>            | <u>15,316</u>             | <u>11,915</u>            |
| Total current assets                        | <u>541,339</u>           | <u>374,656</u>            | <u>332,432</u>           |
| <br>  |                          |                           |                          |
| PROPERTY AND EQUIPMENT, net                 | 116,619                  | 114,930                   | 114,117                  |
| INTANGIBLE ASSETS, net                      | 16,865                   | 18,238                    | 21,152                   |
| GOODWILL                                    | 91,849                   | 91,849                    | 91,849                   |
| DEFERRED TAX ASSETS                         | 2,836                    | 5,564                     | 6,906                    |
| OTHER ASSETS                                | <u>34,388</u>            | <u>31,173</u>             | <u>22,241</u>            |
| Total assets                                | <u>\$ 803,896</u>        | <u>\$ 636,410</u>         | <u>\$ 588,697</u>        |
| <br>  |                          |                           |                          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                          |                           |                          |
| CURRENT LIABILITIES:                        |                          |                           |                          |
| Accounts payable                            | \$ 27,433                | \$ 30,542                 | \$ 31,552                |
| Accrued payroll and related expenses        | 13,408                   | 10,796                    | 12,131                   |
| Taxes payable                               | 584                      | 597                       | 933                      |
| Other accrued liabilities                   | <u>9,051</u>             | <u>7,717</u>              | <u>3,750</u>             |
| Total current liabilities                   | <u>50,476</u>            | <u>49,652</u>             | <u>48,366</u>            |
| <br>  |                          |                           |                          |
| LONG-TERM LIABILITIES:                      |                          |                           |                          |
| Income taxes payable                        | 14,617                   | 9,309                     | 8,652                    |
| Deferred tax liabilities                    | 164                      | 152                       | 216                      |
| Other liabilities                           | <u>14,093</u>            | <u>11,969</u>             | <u>4,391</u>             |
| Total liabilities                           | <u>79,350</u>            | <u>71,082</u>             | <u>61,625</u>            |
| <br>  |                          |                           |                          |
| <b>STOCKHOLDERS' EQUITY:</b>                |                          |                           |                          |
| Common stock                                | 28                       | 28                        | 28                       |
| Additional paid-in capital                  | 152,117                  | 143,554                   | 126,164                  |
| Accumulated other comprehensive loss        | (3,130)                  | (1,084)                   | (1,689)                  |
| Retained earnings                           | <u>575,531</u>           | <u>422,830</u>            | <u>402,569</u>           |
| Total stockholders' equity                  | <u>724,546</u>           | <u>565,328</u>            | <u>527,072</u>           |
| Total liabilities and stockholders' equity  | <u>\$ 803,896</u>        | <u>\$ 636,410</u>         | <u>\$ 588,697</u>        |

**POWER INTEGRATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | Three Months Ended       |                           |                          | Twelve Months Ended      |                          |
|--|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
|  | <u>December 31, 2019</u> | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                 |                          |                           |                          |                          |                          |
| Net income   | \$ 158,291               | \$ 17,099                 | \$ 22,736                | \$ 193,468               | \$ 69,984                |
| Adjustments to reconcile net income to cash provided by operating activities |                          |                           |                          |                          |                          |
| Depreciation   | 4,928                    | 4,831                     | 4,549                    | 19,190                   | 18,918                   |
| Amortization of intangible assets  | 1,373                    | 1,357                     | 1,300                    | 5,213                    | 5,267                    |
| Loss on disposal of property and equipment                                   | 35                       | 62                        | 98                       | 249                      | 553                      |
| Stock-based compensation expense   | 8,338                    | 5,106                     | 5,442                    | 23,347                   | 21,580                   |
| Amortization of premium (accretion of discount) on marketable securities     | 104                      | (66)                      | (115)                    | (192)                    | 227                      |
| Deferred income taxes  | 2,741                    | (381)                     | (3,070)                  | 4,019                    | (4,465)                  |
| Increase (decrease) in accounts receivable allowances                        | -                        | -                         | (198)                    | 57                       | (28)                     |
| Change in operating assets and liabilities:                                  |                          |                           |                          |                          |                          |
| Accounts receivable  | 1,545                    | (351)                     | 2,868                    | (13,259)                 | 5,754                    |
| Inventories  | (1,670)                  | 487                       | (6,656)                  | (9,523)                  | (23,770)                 |
| Prepaid expenses and other assets  | 902                      | 580                       | 1,226                    | (2,132)                  | (1,495)                  |
| Accounts payable   | (3,920)                  | (6,789)                   | (1,311)                  | (6,556)                  | 1,336                    |
| Taxes payable and other accrued liabilities                                  | 9,492                    | (91)                      | (8,540)                  | 10,618                   | (9,897)                  |
| Net cash provided by operating activities                                    | <u>182,159</u>           | <u>21,844</u>             | <u>18,329</u>            | <u>224,499</u>           | <u>83,964</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                 |                          |                           |                          |                          |                          |
| Purchases of property and equipment  | (9,789)                  | (5,977)                   | (5,557)                  | (24,114)                 | (24,677)                 |
| Acquisition of technology licenses   | (675)                    | (100)                     | -                        | (1,026)                  | (900)                    |
| Purchases of marketable securities   | (71,952)                 | (80,864)                  | (4,612)                  | (207,240)                | (62,833)                 |
| Proceeds from sales and maturities of marketable securities                  | 4,150                    | 46,762                    | 10,050                   | 70,334                   | 157,551                  |
| Net cash provided by (used in) investing activities                          | <u>(78,266)</u>          | <u>(40,179)</u>           | <u>(119)</u>             | <u>(162,046)</u>         | <u>69,141</u>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                 |                          |                           |                          |                          |                          |
| Net proceeds from issuance of common stock                                   | 225                      | 4,005                     | 803                      | 9,908                    | 9,353                    |
| Repurchase of common stock   | -                        | -                         | (28,776)                 | (7,302)                  | (103,153)                |
| Payments of dividends to stockholders  | (5,590)                  | (4,999)                   | (4,651)                  | (20,506)                 | (18,823)                 |
| Proceeds from draw on line of credit   | -                        | -                         | -                        | -                        | 8,000                    |
| Payments on line of credit   | -                        | -                         | -                        | -                        | (8,000)                  |
| Net cash used in financing activities  | <u>(5,365)</u>           | <u>(994)</u>              | <u>(32,624)</u>          | <u>(17,900)</u>          | <u>(112,623)</u>         |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                  | <b>98,528</b>            | <b>(19,329)</b>           | <b>(14,414)</b>          | <b>44,553</b>            | <b>40,482</b>            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                      | <b><u>80,162</u></b>     | <b><u>99,491</u></b>      | <b><u>148,551</u></b>    | <b><u>134,137</u></b>    | <b><u>93,655</u></b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                            | <b><u>\$ 178,690</u></b> | <b><u>\$ 80,162</u></b>   | <b><u>\$ 134,137</u></b> | <b><u>\$ 178,690</u></b> | <b><u>\$ 134,137</u></b> |