ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share data)

	 	Qı	uarter Ended	Nine Months Ended					
	eptember 28, 2018		June 29, 2018	;	September 29, 2017	;	September 28, 2018		September 29, 2017
Revenue	\$ 1,541.7	\$	1,455.9	\$	1,390.9	\$	4,375.2	\$	4,165.6
Cost of revenue (exclusive of amortization shown below)	945.1		900.9		866.9		2,706.2		2,646.5
Gross profit	596.6		555.0		524.0		1,669.0		1,519.1
Gross margin	38.7%	,	38.1%)	37.7%		38.1%	,	36.5%
Operating expenses:									
Research and development	166.2		167.1		151.0		488.5		436.7
Selling and marketing	83.1		81.7		78.6		242.6		235.6
General and administrative	73.3		74.6		68.9		218.8		213.9
Amortization of acquisition-related intangible assets	28.0		27.9		37.3		83.3		95.0
Restructuring, asset impairments and other, net	4.4		3.2		9.7		8.0		16.1
Goodwill and intangible asset impairment			3.3		1.5		3.3		7.7
Total operating expenses	355.0		357.8		347.0		1,044.5		1,005.0
Operating income	 241.6		197.2		177.0		624.5		514.1
Other income (expense), net:									
Interest expense	(31.2)		(32.6)		(34.9)		(95.3)		(108.0)
Interest income	1.3		1.1		0.7		3.3		1.8
Loss on debt refinancing and prepayment	(0.6)		(4.0)		(6.7)		(4.6)		(32.9)
Gain on divestiture of business	0.4		4.6		12.5		5.0		12.5
Licensing income	1.0		28.1		21.5		32.9		45.4
Other income (expense)	3.5		(1.0)		(1.8)		0.5		(6.4)
Other income (expense), net	(25.6)		(3.8)		(8.7)		(58.2)		(87.6)
Income before income taxes	216.0		193.4		168.3		566.3		426.5
Income tax provision	(48.9)		(37.1)		(59.4)		(102.4)		(144.5)
Net income	167.1		156.3		108.9		463.9		282.0
Less: Net income attributable to non-controlling interest	(0.2)		(1.0)		(0.2)		(2.1)		(1.2)
Net income attributable to ON Semiconductor Corporation	\$ 166.9	\$	155.3	\$	108.7	\$	461.8	\$	280.8
Net income per common share attributable to ON Semiconductor Corporation:	 	_							
Basic	\$ 0.39	\$	0.36	\$	0.26	\$	1.08	\$	0.67
Diluted	\$ 0.38	\$	0.35	\$	0.25	\$	1.05	\$	0.66
Weighted average common shares outstanding:									
Basic	425.5		427.0		422.2		426.1		421.0
Diluted	435.3		444.3		427.5		441.2		426.5

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES UNAUDITED CONSOLIDATED BALANCE SHEETS

(in millions)

	eptember 28, 2018	June 29, 2018	[December 31, 2017
Assets				
Cash and cash equivalents	\$ 951.0	\$ 850.2	\$	949.2
Receivables, net	733.0	698.8		701.5
Inventories	1,200.6	1,204.4		1,089.5
Other current assets	212.4	173.6		193.0
Total current assets	 3,097.0	2,927.0		2,933.2
Property, plant and equipment, net	2,401.1	2,387.2		2,279.1
Goodwill	932.5	928.8		916.9
Intangible assets, net	595.9	627.9		628.3
Deferred tax assets	259.6	298.9		339.1
Other assets	123.7	127.5		98.5
Total assets	\$ 7,409.8	\$ 7,297.3	\$	7,195.1
Liabilities, Non-Controlling Interest and Stockholders' Equity				
Accounts payable	\$ 588.3	\$ 584.7	\$	548.0
Accrued expenses	627.2	563.9		612.8
Current portion of long-term debt	99.2	746.4		248.1
Total current liabilities	 1,314.7	1,895.0		1,408.9
Long-term debt	2,615.7	2,020.4		2,703.7
Deferred tax liabilities	60.7	63.6		55.1
Other long-term liabilities	215.3	221.5		226.4
Total liabilities	 4,206.4	 4,200.5		4,394.1
ON Semiconductor Corporation stockholders' equity:				
Common stock	5.6	5.6		5.5
Additional paid-in capital	3,670.3	3,646.1		3,593.5
Accumulated other comprehensive loss	(35.5)	(34.9)		(40.6)
Accumulated earnings	814.0	646.9		351.5
Less: Treasury stock, at cost	 (1,275.3)	(1,191.0)		(1,131.1)
Total ON Semiconductor Corporation stockholders' equity	 3,179.1	3,072.7		2,778.8
Non-controlling interest in consolidated subsidiary	24.3	 24.1		22.2
Total stockholders' equity	3,203.4	3,096.8		2,801.0
Total liabilities and stockholders' equity	\$ 7,409.8	\$ 7,297.3	\$	7,195.1

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES UNAUDITED RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND NET CASH PROVIDED BY OPERATING ACTIVITIES

(in millions)

		Quarter Ended	Nine Months Ended					
	September 28, 2018	June 29, 2018	September 29, 2017	September 28, 2018	September 29, 2017			
Net income	\$ 167.1	\$ 156.3	\$ 108.9	\$ 463.9	\$ 282.0			
Adjusted for:								
Licensing income	(1.0)	(28.1)	(21.5)	(32.9)	(45.4)			
R&D costs related to licensing income	0.5	3.7	2.2	7.0	6.3			
Restructuring, asset impairments and other, net	4.4	3.2	9.7	8.0	16.1			
Goodwill and intangible asset impairment	_	3.3	1.5	3.3	7.7			
Interest expense	31.2	32.6	34.9	95.3	108.0			
Interest income	(1.3)	(1.1)	(0.7)	(3.3)	(1.8)			
Loss on debt refinancing and prepayment	0.6	4.0	6.7	4.6	32.9			
Income tax provision	48.9	37.1	59.4	102.4	144.5			
Net income attributable to non-controlling interest	(0.2)	(1.0)	(0.2)	(2.1)	(1.2)			
Depreciation and amortization	127.1	125.5	127.7	372.5	358.5			
Amortization of fair market value step-up of inventory	0.2	0.2	2.5	0.4	13.6			
Sell-through to sell-in adjustment	_	_	_	_	(59.0)			
Gain on divestiture of business	(0.4)	(4.6)	(12.5)	(5.0)	(12.5)			
Adjustment to contingent consideration	_	_	(0.3)	(2.1)	2.0			
Third party acquisition and divestiture related costs	0.4	2.1	0.5	2.9	2.2			
Adjusted EBITDA	377.5	333.2	318.8	1,014.9	853.9			
Increase (decrease):								
Licensing income	1.0	28.1	21.5	32.9	45.4			
R&D costs related to licensing income	(0.5)	(3.7)	(2.2)	(7.0)	(6.3)			
Restructuring, asset impairments and other, net	(4.4)	(3.2)	(9.7)	(8.0)	(16.1)			
Interest expense	(31.2)	(32.6)	(34.9)	(95.3)	(108.0)			
Interest income	1.3	1.1	0.7	3.3	1.8			
Income tax provision	(48.9)	(37.1)	(59.4)	(102.4)	(144.5)			
Net income attributable to non-controlling interest	0.2	1.0	0.2	2.1	1.2			
Amortization of fair market value step-up of inventory	(0.2)	(0.2)	(2.5)	(0.4)	(13.6)			
Sell-through to sell-in adjustment	_	_			59.0			
Adjustment to contingent consideration	_	_	0.3	2.1	(2.0)			
Third party acquisition and divestiture related costs	(0.4)	(2.1)	(0.5)	(2.9)	(2.2)			
Loss on sale or disposal of fixed assets	1.2	1.1	1.0	3.6	2.8			
Amortization of debt discount and issuance costs	3.1	3.4	3.8	9.8	12.2			

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES UNAUDITED RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND NET CASH PROVIDED BY OPERATING ACTIVITIES (Continued)

(in millions)

September 28,2016 June 28, 28,2017 September 28,2018 September 28,2018 September 28,2018 September 28,2018 September 28,2018 September 28,2018 Payments for term debt modification 11.3 14.4 21.2 35.1 56.8 Share-based compensation expense 17.9 23.1 16.8 59.4 52.7 Non-cash asset impairment charges 2.6 2.0 6.4 4.6 7.3 Change in deferred taxes 36.7 35.7 38.9 79.9 96.1 Other (2.8) (11.8) 0.6 (5.8) 2.6 Cash flows from investing activities 358.2 2 268.5 \$ 328.2 \$ 863.2 \$ 869.9 Cash flows from investing activities 368.2 \$ 268.5 \$ 328.2 \$ 863.2 \$ 869.9 Cash flows from investing activities 30.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 0.4 0.3 <				arter Ended		Ended					
Write-down of excess inventories 11.3 14.4 21.2 35.1 56.8 Share-based compensation expense 17.9 23.1 16.8 59.4 52.7 Non-cash interest on convertible notes 9.0 8.9 8.6 26.6 21.9 Non-cash asset impairment charges 2.6 2.0 6.4 4.6 7.3 Change in operating assets and liabilities (15.2) (101.7) (1.4) (198.2) (48.7) Net cash provided by operating activities: 9.08.6 26.6 5 322.2 865.3 2 86.9.9 2 66.9.9 2 66.9.9 2 68.9 2 68.9 2 68.9.9 2 68.9.9 2 68.9.9 2 68.9.9 2 68.9.9 2 68.9.9 2 68.9.9 2 68.9.9 2 68.9.9 2 10.1.8 7 0.0.0 3 0.4 0.3 0.4 0.3 0.4 0.3 0.1 7 0.0 0.8.9 2.11.8 1											
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	Payments for term debt modification				(1.1)		_		(1.1)	-	(2.4)
Non-cash interest on convertible notes 9.0 8.9 8.6 26.6 21.9 Non-cash asset impairment charges 2.6 2.0 6.4 4.6 7.3 Change in deferred taxes 36.7 35.7 38.9 79.9 96.1 Other (2.8) (18.8) 0.6 (5.8) 2.6 Changes in operating assets and liabilities (15.2) (101.7) (1.4) (198.2) (48.7) Net cash provided by operating activities: \$ 355.2 \$ 268.5 \$ 328.2 853.2 \$ 869.9 Cash flows from investing activities: \$ (130.4) \$ (152.9) (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment \$ (130.4) \$ (152.9) \$ (90.1) \$ (382.8) \$ (21.1) Proceeds from divestiture of business, net of cash acquired 0.2 (70.7) - (70.9) (0.8) Proceeds from fivestiture of business, net of cash acquired 1.7 5.6 20.0 7.3 20.0 Proceeds from financing activities:	Write-down of excess inventories		11.3		14.4		21.2		35.1		56.8
Non-cash asset impairment charges 2.6 2.0 6.4 4.6 7.3 Change in deferred taxes 36.7 35.7 38.9 79.9 96.1 Other (2.8) (1.8) 0.6 (5.8) 2.6 Changes in operating assets and liabilities (15.2) (101.7) (1.4) (198.2) (48.7) Net cash provided by operating activities: 9 358.2 \$ 268.5 \$ 328.2 863.2 \$ 869.9 Cash flows from investing activities: 9 (130.4) \$ (152.9) (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Purchase of business, net of cash acquired (0.2) (70.7) — (70.9) (0.8) Proceeds from repayment of note receivable - 10.2 - 10.2 - Purchase of held-to-maturity securities - - - - (16.8) - Proceeds from subring activities - - - -	Share-based compensation expense		17.9		23.1		16.8		59.4		52.7
Change in deferred taxes 36.7 35.7 38.9 79.9 96.1 Other (2.8) (1.8) 0.6 (5.8) 2.6 Changes in operating assets and liabilities (15.2) (101.7) (1.4) (198.2) (48.7) Net cash provided by operating activities \$356.2 \$268.5 \$328.2 \$68.9 \$ Purchase of property, plant and equipment equipment \$(130.4) \$(152.9) \$(90.1) \$(382.8) \$(211.8) Proceeds from sales of property, plant and equipment equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) — (70.9) (0.8) Proceeds from investing activities 5 (12.5) 5 20.0 7.3 20.0 Proceeds from tinacting activities 5 (12.5) 5 (22.0) 7.3 10.2 — Purchase of equity method investment —<	Non-cash interest on convertible notes		9.0		8.9		8.6		26.6		21.9
Other (2.8) (1.8) 0.6 (5.8) 2.6 Changes in operating assets and liabilities (15.2) (101.7) (1.4) (198.2) (48.7) Net cash provided by operating activities \$ 358.2 \$ 268.5 \$ 328.2 853.2 \$ 869.9 Cash flows from investing activities: Purchase of property, plant and equipment \$ (130.4) \$ (152.9) \$ (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Proceeds from investing of business, net of cash acquired (0.2) (70.7) - (70.9) (0.8) Proceeds from investing of business, net of cash acquired - 10.2 - 10.2 - Purchase of held-to-maturity securites - - - - (1.6) Net cash used in investing activities: - - - - (1.6) Proceeds from exercise of stock optio	Non-cash asset impairment charges		2.6		2.0		6.4		4.6		7.3
Changes in operating assets and liabilities (15.2) (101.7) (1.4) (198.2) (48.7) Net cash provided by operating activities \$ 358.2 \$ 286.5 \$ 328.2 853.2 \$ 869.9 Cash flows from investing activities: Purchase of property, plant and equipment (130.4) \$ (152.9) \$ (09.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) - (70.9) (0.8) Proceeds from repayment of note receivable - 10.2 - 10.2 - Purchase of held-to-maturity securities - - - (16.1) - Net cash used in investing activities \$ (120.5) \$ (229.3) \$ (73.0) \$ (455.3) \$ (194.2) Cash flows from financing activities: Proceeds form the swithholding for restricted shares 0.1 0.7 1.7 <t< td=""><td>Change in deferred taxes</td><td></td><td>36.7</td><td></td><td>35.7</td><td></td><td>38.9</td><td></td><td>79.9</td><td></td><td>96.1</td></t<>	Change in deferred taxes		36.7		35.7		38.9		79.9		96.1
Net cash provided by operating activities: \$ 358.2 \$ 268.5 \$ 328.2 853.2 \$ 869.9 Cash flows from investing activities: Purchase of property, plant and equipment \$ (130.4) \$ (152.9) \$ (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment \$ (130.4) \$ (152.9) \$ (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) - (70.9) (0.8) Proceeds from repayment of note receivable - 10.2 - 10.2 - Purchase of held-to-maturity securities - - - - (1.6) Net cash used in investing activities \$ (120.5) \$ (220.3) \$ (17.0) \$ (145.3) \$ (194.2) Cash flows from financing activities - - - - (1.6) Proceeds form twestrise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted sharees <td>Other</td> <td></td> <td>(2.8)</td> <td></td> <td>(1.8)</td> <td></td> <td>0.6</td> <td></td> <td>(5.8)</td> <td></td> <td>2.6</td>	Other		(2.8)		(1.8)		0.6		(5.8)		2.6
Cash flows from investing activities: Purchase of property, plant and equipment \$ (130.4) \$ (152.9) \$ (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) - (70.9) (0.8) Proceeds from repayment of note receivable - 10.2 - 10.2 - Purchase of held-to-maturity securities - - - (1.6) Net cash used in investing activities \$ (120.5) \$ (73.0) \$ (455.3) \$ (194.2) Cash flows from financing activities: - - - - (1.6) Proceeds form exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1.411.6) Purchase of conwront stock (75.0) (40	Changes in operating assets and liabilities		(15.2)		(101.7)		(1.4)		(198.2)		(48.7)
Purchase of property, plant and equipment \$ (130.4) \$ (152.9) \$ (90.1) \$ (382.8) \$ (211.8) Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) - (70.9) (0.8) Proceeds from divestiture of business, net of cash acquired (0.2) (70.7) - (10.2) - Purchase of equity method investment - (19.8) - (19.8) - Purchase of held-to-maturity securities - - - - (1.6) Net cash used in investing activities: \$ (120.5) \$ (229.3) \$ (73.0) \$ (14.2) (25.0) Proceeds from the issuance of common stock under the ESPP 11.8 \$ 6.9 \$ 0.1 \$ 18.7 \$ 11.4 Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repurchase of common stock (75.0) (40.0) - (115.0)	Net cash provided by operating activities	\$	358.2	\$	268.5	\$	328.2		853.2	\$	869.9
Proceeds from sales of property, plant and equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) — (70.9) (0.8) Proceeds from divestiture of business, net of cash transferred 1.7 5.6 20.0 7.3 20.0 Proceeds from repayment of note receivable — 10.2 — 10.2 — Purchase of equity method investment — (19.8) — (19.8) — Purchase of held-to-maturity securities — — — — — (1.6) Net cash used in investing activities \$ (120.5) \$ (229.3) \$ (13.0) \$ (145.3) \$ (194.2) Cash flows from financing activities # — — — — — — (1.6) Payment of tax withholding for restricted shares 0.1 0.7 1.7 4.4	Cash flows from investing activities:										
equipment 0.3 0.4 0.3 6.3 2.1 Deposits made (utilized) for purchase of property, plant and equipment 8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) — (70.9) (0.8) Proceeds from divestiture of business, net of cash transferred 1.7 5.6 20.0 7.3 20.0 Proceeds from repayment of note receivable — 10.2 — 10.2 — Purchase of held-to-maturity securities — — (19.8) — (16.6) Net cash used in investing activities \$ (120.5) \$ (229.3) \$ (73.0) \$ (142.2) Cash flows from financing activities: — — — — — — — — — (16.6) Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1.411.6)	Purchase of property, plant and equipment	\$	(130.4)	\$	(152.9)	\$	(90.1)	\$	(382.8)	\$	(211.8)
property, plant and equipment8.1 (2.1) (3.2) (5.6) (2.1) Purchase of business, net of cash acquired (0.2) (70.7) (70.9) (0.8) Proceeds from divestiture of business, net of cash transferred1.75.6 20.0 7.3 20.0 Proceeds from repayment of note receivable 10.2 10.2 Purchase of equity method investment (19.8) (1.6) Net cash used in investing activities $$ (1.6) Proceeds form financing activities:\$ (120.5) \$ (229.3) \$ (73.0) \$ (455.3) \$Proceeds form exercise of common stock under the ESPP11.8\$ 6.9 \$ 0.1 \$ 18.7 \$ 11.4 Proceeds form exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Purchases of convertible note hedges $$ Purchase of convertible note hedges 85.2 Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities\$ $(136.$			0.3		0.4		0.3		6.3		2.1
Proceeds from divestiture of business, net of cash transferred1.75.620.07.320.0Proceeds from repayment of note receivable $ 10.2$ $ 10.2$ $ 10.2$ $-$ Purchase of equity method investment $ (19.8)$ $ (19.8)$ $ (19.8)$ $-$ Purchase of held-to-maturity securities $ -$ </td <td></td> <td></td> <td>8.1</td> <td></td> <td>(2.1)</td> <td></td> <td>(3.2)</td> <td></td> <td>(5.6)</td> <td></td> <td>(2.1)</td>			8.1		(2.1)		(3.2)		(5.6)		(2.1)
cash transferred1.75.620.07.320.0Proceeds from repayment of note receivable $-$ 10.2 $-$ 10.2 $-$ Purchase of equity method investment $-$ (19.8) $-$ (19.8) $-$ Purchase of held-to-maturity securities $ -$ Net cash used in investing activities\$(120.5)\$(229.3)\$(73.0)\$(455.3)\$(194.2)Cash flows from financing activities: $ -$ (16.)Proceeds for the issuance of common stock under the ESPP11.8\$6.9\$0.1\$18.7\$11.4Proceeds from exercise of stock options0.10.71.74.410.9Payment of tax withholding for restricted shares(9.3)(1.1)(11.4)(29.2)(25.0)Repurchase of common stock(75.0)(40.0) $-$ (115.0)(25.0)Proceeds from debt issuance0.72.25.38.2701.2Repayment of long-term debt(64.5)(79.5)(220.3)(279.9)(1.411.6)Purchases of convertible note hedges $ -$ Payment of capital lease obligations(0.1)(2.1)(1.2)(3.3)(7.7)Net cash used in financing activities\$(136.3)\$(112.9)\$(225.8)\$Payment of capital lease obligations(0.1)(2.1)<	Purchase of business, net of cash acquired		(0.2)		(70.7)		—		(70.9)		(0.8)
Purchase of equity method investment - (19.8) - (19.8) - Purchase of held-to-maturity securities - - - - (16) Net cash used in investing activities \$ (120.5) \$ (229.3) \$ (73.0) \$ (455.3) \$ (194.2) Cash flows from financing activities: - - - - - (16) Proceeds for the issuance of common stock under the ESPP 11.8 \$ 6.9 \$ 0.1 \$ 18.7 \$ 11.4 Proceeds from exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) - (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (141.7)		:	1.7		5.6		20.0		7.3		20.0
Purchase of held-to-maturity securities - - - - - - (1.6) Net cash used in investing activities \$ (120.5) \$ (229.3) \$ (73.0) \$ (455.3) \$ (194.2) Cash flows from financing activities: Proceeds for the issuance of common stock under the ESPP 11.8 \$ 6.9 \$ 0.1 \$ 18.7 \$ 11.4 Proceeds from exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) - (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges - - - - 8.2 701.2 Repayment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing acti	Proceeds from repayment of note receivable		—		10.2				10.2		—
Net cash used in investing activities (120.5) (229.3) (73.0) (455.3) (194.2) Cash flows from financing activities: Proceeds for the issuance of common stock under the ESPP 11.8 6.9 0.1 18.7 11.4 Proceeds from exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges 85.2 Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities \$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$ (805.3) Effect	Purchase of equity method investment		_		(19.8)				(19.8)		—
Cash flows from financing activities: Image: constraint of the second secon	Purchase of held-to-maturity securities		_		_		—		—		(1.6)
Proceeds for the issuance of common stock under the ESPP11.8 \$ 6.9 \$ 0.1 \$ 18.7 \$ 11.4 Proceeds from exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) $$ (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) $(1.411.6)$ Purchases of convertible note hedges $$ $$ $$ $ 85.2$ Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities\$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$Effect of exchange rate changes on cash, cash equivalents and restricted cash\$ (0.6) \$ (0.9) \$ 0.2 0.1 \$ 2.4 Net increase (decrease) in cash, cash equivalents and restricted cash\$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2) Cash, cash equivalents and restricted cash, beginning of period\$ 867.7 942.3 \$ 889.0 \$ 966.6 \$ $1,045.8$	Net cash used in investing activities	\$	(120.5)	\$	(229.3)	\$	(73.0)	\$	(455.3)	\$	(194.2)
under the ESPP 11.8 \$ 6.9 0.1 \$ 18.7 \$ 11.4 Proceeds from exercise of stock options 0.1 0.7 1.7 4.4 10.9 Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges - - - - (144.7) Proceeds from issuance of warrants - - - 85.2 Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities \$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$ (805.3) Effect of exchange rate changes on cash, cash equivalents and restricted cash \$ (0.6) \$ (0.9) 0.2 0.1 \$ 2.4 Net increase (decrease) in cash, cash equivalents and restricted cash, beginning of period <td< td=""><td>Cash flows from financing activities:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	Cash flows from financing activities:										
Payment of tax withholding for restricted shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) - (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges - - - (144.7) Proceeds from issuance of warrants - - - 85.2 Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities \$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$ (805.3) Effect of exchange rate changes on cash, cash equivalents and restricted cash \$ (0.6) \$ (0.9) 0.2 0.1 \$ 2.4 Net increase (decrease) in cash, cash equivalents and restricted cash, beginning of period \$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8 Cash, cash equivalents and restricted cash, end \$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8			11.8	\$	6.9	\$	0.1	\$	18.7	\$	11.4
shares (9.3) (1.1) (11.4) (29.2) (25.0) Repurchase of common stock (75.0) (40.0) (115.0) (25.0) Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges - - - (144.7) Proceeds from issuance of warrants - - - 85.2 Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities \$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$ (805.3) Effect of exchange rate changes on cash, cash equivalents and restricted cash \$ (0.6) \$ (0.9) \$ 0.2 0.1 \$ 2.4 Net increase (decrease) in cash, cash equivalents and restricted cash, beginning of period \$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8 Cash, cash equivalents and restricted cash, end \$ 867.7	Proceeds from exercise of stock options		0.1		0.7		1.7		4.4		10.9
Proceeds from debt issuance 0.7 2.2 5.3 8.2 701.2 Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges — — — — (144.7) Proceeds from issuance of warrants — — — — (144.7) Proceeds from issuance of warrants — — — — 85.2 Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities \$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$ (805.3) Effect of exchange rate changes on cash, cash equivalents and restricted cash \$ (0.6) \$ (0.9) \$ 0.2 0.1 \$ 2.4 Net increase (decrease) in cash, cash equivalents and restricted cash, beginning of period \$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2) Cash, cash equivalents and restricted cash, beginning of period \$ 867.7 \$ 942.3 \$ </td <td></td> <td></td> <td>(9.3)</td> <td></td> <td>(1.1)</td> <td></td> <td>(11.4)</td> <td></td> <td>(29.2)</td> <td></td> <td>(25.0)</td>			(9.3)		(1.1)		(11.4)		(29.2)		(25.0)
Repayment of long-term debt (64.5) (79.5) (220.3) (279.9) (1,411.6) Purchases of convertible note hedges — — — — (144.7) Proceeds from issuance of warrants — — — — (144.7) Proceeds from issuance of warrants — — — — (144.7) Payment of capital lease obligations (0.1) (2.1) (1.2) (3.3) (7.7) Net cash used in financing activities \$ (136.3) \$ (112.9) \$ (225.8) \$ (396.1) \$ (805.3) Effect of exchange rate changes on cash, cash equivalents and restricted cash \$ (0.6) \$ (0.9) \$ 0.2 0.1 \$ 2.4 Net increase (decrease) in cash, cash equivalents and restricted cash \$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2) Cash, cash equivalents and restricted cash, beginning of period \$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8 Cash, cash equivalents and restricted cash, e	Repurchase of common stock		(75.0)		(40.0)		—		(115.0)		(25.0)
Purchases of convertible note hedges(144.7)Proceeds from issuance of warrants85.2Payment of capital lease obligations(0.1)(2.1)(1.2)(3.3)(7.7)Net cash used in financing activities\$(136.3)\$(112.9)\$(225.8)\$(396.1)\$Effect of exchange rate changes on cash, cash equivalents and restricted cash\$(0.6)\$(0.9)\$0.20.1\$2.4Net increase (decrease) in cash, cash equivalents and restricted cash\$100.8\$(74.6)\$29.6\$1.9\$(127.2)Cash, cash equivalents and restricted cash, beginning of period\$867.7\$942.3\$889.0\$966.6\$1,045.8Cash, cash equivalents and restricted cash, end\$\$966.6\$1,045.8	Proceeds from debt issuance		0.7		2.2		5.3		8.2		701.2
Proceeds from issuance of warrants85.2Payment of capital lease obligations(0.1)(2.1)(1.2)(3.3)(7.7)Net cash used in financing activities\$(136.3)\$(112.9)\$(225.8)\$(396.1)\$(805.3)Effect of exchange rate changes on cash, cash equivalents and restricted cash\$(0.6)\$(0.9)\$0.20.1\$2.4Net increase (decrease) in cash, cash equivalents and restricted cash\$100.8\$(74.6)\$29.6\$1.9\$(127.2)Cash, cash equivalents and restricted cash, beginning of period\$867.7\$942.3\$889.0\$966.6\$1,045.8Cash, cash equivalents and restricted cash, end\$367.7\$942.3\$889.0\$966.6\$1,045.8			(64.5)		(79.5)	(2	220.3)		(279.9)		(1,411.6)
Payment of capital lease obligations(0.1)(2.1)(1.2)(3.3)(7.7)Net cash used in financing activities\$ (136.3)\$ (112.9)\$ (225.8)\$ (396.1)\$ (805.3)Effect of exchange rate changes on cash, cash equivalents and restricted cash\$ (0.6)\$ (0.9)\$ 0.20.1\$ 2.4Net increase (decrease) in cash, cash equivalents and restricted cash\$ 100.8\$ (74.6)\$ 29.6\$ 1.9\$ (127.2)Cash, cash equivalents and restricted cash, beginning of period\$ 867.7\$ 942.3\$ 889.0\$ 966.6\$ 1,045.8Cash, cash equivalents and restricted cash, end\$ 20.7\$ 942.3\$ 889.0\$ 966.6\$ 1,045.8	Purchases of convertible note hedges		—		—		—		—		(144.7)
Net cash used in financing activities\$ (136.3)\$ (112.9)\$ (225.8)\$ (396.1)\$ (805.3)Effect of exchange rate changes on cash, cash equivalents and restricted cash\$ (0.6)\$ (0.9)\$ 0.20.1\$ 2.4Net increase (decrease) in cash, cash equivalents and restricted cash\$ 100.8\$ (74.6)\$ 29.6\$ 1.9\$ (127.2)Cash, cash equivalents and restricted cash, beginning of period\$ 867.7\$ 942.3\$ 889.0\$ 966.6\$ 1,045.8Cash, cash equivalents and restricted cash, end	Proceeds from issuance of warrants		—		—		—		—		85.2
Effect of exchange rate changes on cash, cash equivalents and restricted cash\$ (0.6) \$ (0.9) \$ 0.20.1 \$ 2.4Net increase (decrease) in cash, cash equivalents and restricted cash\$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2)Cash, cash equivalents and restricted cash, beginning of period\$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8Cash, cash equivalents and restricted cash, beginning of period\$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2)	Payment of capital lease obligations		(0.1)		(2.1)		(1.2)		(3.3)		(7.7)
equivalents and restricted cash\$ (0.6) \$ (0.9) \$ 0.20.1 \$ 2.4Net increase (decrease) in cash, cash equivalents and restricted cash\$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2)Cash, cash equivalents and restricted cash, beginning of period\$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8Cash, cash equivalents and restricted cash, beginning of period\$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2)	Net cash used in financing activities	\$	(136.3)	\$	(112.9)	\$ (225.8)	\$	(396.1)	\$	(805.3)
equivalents and restricted cash\$ 100.8 \$ (74.6) \$ 29.6 \$ 1.9 \$ (127.2)Cash, cash equivalents and restricted cash, beginning of period\$ 867.7 \$ 942.3 \$ 889.0 \$ 966.6 \$ 1,045.8Cash, cash equivalents and restricted cash, end	Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$	(0.6)	\$	(0.9)	\$	0.2		0.1	\$	2.4
beginning of period\$ 867.7\$ 942.3\$ 889.0\$ 966.6\$ 1,045.8Cash, cash equivalents and restricted cash, end		\$	100.8	\$	(74.6)	\$	29.6	\$	1.9	\$	(127.2)
		\$	867.7	\$	942.3	\$	889.0	\$	966.6	\$	1,045.8
		\$	968.5	\$	867.7	\$	918.6	\$	968.5	\$	918.6

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

				Qu	arter Ended				Nine Mor	nths	Ended
		;	September 28, 2018		June 29, 2018	ę	September 29, 2017		September 28, 2018		September 29, 2017
	onciliation of GAAP revenue to non-										
	AP revenue	\$	1,541.7	\$	1,455.9	\$	1,390.9	\$	4,375.2	\$	4,165.6
Spe	ecial items:	<u> </u>		- <u>-</u>	•	. <u>-</u>		_		-	,
a)	Sell-through to sell-in adjustment		_		_		_		_		(155.1)
	Total special items										(155.1)
Non	-GAAP revenue	\$	1,541.7	\$	1,455.9	\$	1,390.9	\$	4,375.2	\$	4,010.5
GA/	onciliation of GAAP gross profit to non- AP gross profit:	-				-		-		-	
	AP gross profit	\$	596.6	\$	555.0	\$	524.0	\$	1,669.0	\$	1,519.1
	ecial items:										(=0.0)
a)	Sell-through to sell-in adjustment		—		_		_		—		(59.0)
b)	Expensing of appraised inventory at fair market value step-up		0.2		0.2		2.5		0.4		13.6
	Total special items		0.2		0.2		2.5		0.4		(45.4)
Non	-GAAP gross profit	\$	596.8	\$	555.2	\$	526.5	\$	1,669.4	\$	1,473.7
Rec GA/	onciliation of GAAP gross margin to non- AP gross margin:										
GAA	AP gross margin		38.7%)	38.1%		37.7%	_	38.1%		36.5 %
Spe	ecial items:										
a)	Sell-through to sell-in adjustment		—%)	—%		—%		—%		(1.5)%
b)	Expensing of appraised inventory at fair market value step-up		—%)	_%		0.2%		-%		0.3 %
	Total special items		—%)	—%		0.2%		0.1%		(1.1)%
Non	-GAAP gross margin		38.7%		38.1%		37.9%		38.2%		35.4 %
	onciliation of GAAP operating expenses on-GAAP operating expenses:										
GAA	AP operating expenses	\$	355.0	\$	357.8	\$	347.0	\$	1,044.5	\$	1,005.0
	ecial items:										
a)	Amortization of acquisition-related intangible assets		(28.0)		(27.9)		(37.3)		(83.3)		(95.0)
b)	Restructuring, asset impairments and other, net		(4.4)		(3.2)		(9.7)		(8.0)		(16.1)
c)	Goodwill and intangible asset impairment		—		(3.3)		(1.5)		(3.3)		(7.7)
d)	Third party acquisition and divestiture related costs		(0.4)		(2.1)		(0.5)		(2.9)		(2.2)
e)	R&D costs related to licensing income		(0.5)		(3.7)		(2.2)		(7.0)		(6.3)
	Total special items		(33.3)	-	(40.2)		(51.2)		(104.5)		(127.3)
Non	-GAAP operating expenses	\$	321.7	\$	317.6	\$	295.8	\$	940.0	\$	877.7
	onciliation of GAAP operating income to -GAAP operating income:										
	AP operating income	\$	241.6	\$	197.2	\$	177.0	\$	624.5	\$	514.1
Spe	ecial items:										
a)	Sell-through to sell-in adjustment										(59.0)

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

September analket value step-up market value step			- • •		Qua	rter Ended	90 - I			Nine Mor	nths	Ended	
market value sige-up 0.2 0.2 2.5 0.4 13.6 c ² Amortization of acquisition-related intangible assets 28.0 27.9 37.3 83.3 95.0 d ² Restructuring, asset impairment related costs 4.4 3.2 9.7 8.0 16.1 e ³ Goodwill and intangible asset impairment related costs 0.4 2.1 0.5 2.9 2.2 g ³ R&D costs related to licensing income rotal special items 0.5 3.7 2.2 7.0 6.3 Non-GAAP operating margin (operating income / revenue): 9.5 275.1 \$ 237.6 \$ 230.7 \$ 729.4 \$ 596.0 Reconciliation of GAAP operating margin income / revenue): 15.7% 13.5% 12.7% 14.3% 12.4 % Special items:									5		;	September 29, 2017	
intangible assets 28.0 27.9 37.3 83.3 95.0 d) Restructuring, asset impairments and other, net 4.4 3.2 9.7 8.0 16.1 e) Goodwill and intangible asset impairment 3.3 1.5 3.3 7.7 f) Third party acquisition and divestiture related costs 0.4 2.1 0.5 2.9 2.2 g) R&D costs related to licensing income 0.5 3.7 10.4.9 81.9 Non-GAAP operating margin toon-GAAP operating margin (operating margin (operati	b)			0.2		0.2	_	2.5		0.4		13.6	
net 4.4 3.2 9.7 8.0 16.1 e) Goodwill and intangible asset impairment - 3.3 1.5 3.3 7.7 f) Third party acquisition and divestiture related costs 0.4 2.1 0.5 2.2 7.0 6.3 Total special items 33.5 40.4 5.23.7 104.9 81.9 Non-GAAP operating margin (operating margin (ope	c)			28.0		27.9		37.3		83.3		95.0	
f) Third party acquisition and divestiture related costs 0.4 2.1 0.5 2.9 2.2 g) R&D costs related to licensing income 0.5 3.7 2.2 7.0 6.3 Total special items 33.5 40.4 \$ 3.7 2.2 7.0 81.9 Non-GAAP operating margin (operating) income / revenue): Self-through to self-in adjustment	d)			4.4		3.2		9.7		8.0		16.1	
related costs 0.4 2.1 0.5 2.9 2.2 g) R&D costs related to licensing income 0.5 3.7 2.2 7.0 6.3 Total special items 32.5 40.4 \$ 53.7 104.9 \$ 596.0 Reconciliation of GAAP operating margin to non-GAAP operating margin (operating) 15.7% 13.5% 12.7% 14.3% 12.4 % Special items:	e)	Goodwill and intangible asset impairment		—		3.3		1.5		3.3		7.7	
Total special items 33.5 40.4 53.7 104.9 81.9 Non-GAAP operating income \$ 275.1 \$ 237.6 \$ 230.7 \$ 729.4 \$ 596.0 Reconciliation of GAAP operating margin to on-GAAP operating margin (operating income / revenue): 15.7% 13.5% 12.7% 14.3% 12.4 % Special items: - - - - (1.5)% 13.5% 12.7% 14.3% 12.4 % a) Sell-through to sell-in adjustment -% -% -% -% (1.5)% % b) Expensing of appraised inventory at fair market value step-up -% -% 0.2% -% 0.3 % c) Amortization of acquisition-related intangible assets 1.8% 1.9% 2.7% 1.9% 2.3 % e) Goodwill and intangible asset impairments and other, net -% 0.2% 0.7% 0.2% 0.4 % g) R&D costs related to licensing income -% 0.1% 4% 0.1% 0.1% 0.2% 0.2% 0.2% 0.2% 0.2% 0.	f)			0.4		2.1		0.5		2.9		2.2	
Non-GAAP operating income \$ 275.1 \$ 237.6 \$ 230.7 \$ 729.4 \$ 596.0 Reconciliation of GAAP operating margin (operating income / revenue):	g)	R&D costs related to licensing income		0.5		3.7		2.2		7.0		6.3	
Reconciliation of GAAP operating margin (operating income / revenue):GAAP operating margin15.7%13.5%12.7%14.3%12.4 %Special items:		Total special items		33.5		40.4		53.7		104.9		81.9	
non-GAAP operating margin (operating income / revenue): GAAP operating margin 15.7% 13.5% 12.7% 14.3% 12.4 % Special items:	Non	-GAAP operating income	\$	275.1	\$	237.6	\$	230.7	\$	729.4	\$	596.0	
Special items:%%%%(1.5)%a) Sell-through to sell-in adjustment%%%%(1.5)%b) Expensing of appraised inventory at fair market value step-up%%0.2%%0.3 %c) Amortization of acquisition-related intangible assets1.8%1.9%2.7%1.9%2.3 %d) Restructuring, asset impairments and other, net0.3%0.2%0.7%0.2%0.4 %e) Goodwill and intangible asset impairment%0.3%0.2%0.1%0.1 %0.2 %f) Third party acquisition and divestiture related costs%0.1%%0.1%0.1 %0.2 %g) R&D costs related to licensing income%0.3%0.2%0.2%0.2 %0.2 %Non-GAAP operating margin17.8%16.3%16.6%16.7%14.3 %Reconciliation of GAAP income before income taxes to non-GAAP income before income taxes to non-GAAP income before income taxes:193.4\$ 168.3\$ 566.3\$ 426.5Special items: a) Seli-through to sell-in adjustment(59.0)b) Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c) Amortization of acquisition-related intangible asset impairmenta) Seli-through to sell-in adjustmentb) Expensing of appraised inventory at fair ma	non	-GAAP operating margin (operating											
a) Sell-through to sell-in adjustment -% -% -% -% (1.5)% b) Expensing of appraised inventory at fair market value step-up -% -% 0.2% -% 0.3 % c) Amortization of acquisition-related intangible assets 1.8% 1.9% 2.7% 1.9% 2.3 % d) Restructuring, asset impairments and other, net 0.3% 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment -% 0.2% 0.1% 0.1% 0.2 % f) Third party acquisition and divestiture related costs -% 0.1% -% 0.1% 0.1 % g) R&D costs related to licensing income -% 0.3% 0.2% 0.2% 0.2% 0.2 % Total special items 2.1% 2.8% 3.9% 2.4% 1.9 % Non-GAAP operating margin 17.8% 16.3% 16.6% 16.7% 14.3 % Reconciliation of GAAP income before income taxes \$ 216.0 \$ 193.4 \$ 168.3 \$ 566.3 \$ 426.5 \$ 59ecial items: 3 Sell-through to sell-in adjustment - - - (59.0) 0) b) Expensing of appraised inventory at fair market value step-up <td>GAA</td> <td>AP operating margin</td> <td></td> <td>15.7%</td> <td></td> <td>13.5%</td> <td>Ď</td> <td>12.7%</td> <td></td> <td>14.3%</td> <td></td> <td>12.4</td> <td>%</td>	GAA	AP operating margin		15.7%		13.5%	Ď	12.7%		14.3%		12.4	%
b) Expensing of appraised inventory at fair market value step-up $-\%$ $-\%$ 0.2% $-\%$ 0.3 % c) Amortization of acquisition-related intangible assets impairments and other, net 0.3% 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment $-\%$ 0.3% 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment $-\%$ 0.3% 0.2% 0.1% 0.1% 0.2 0.4 % e) Goodwill and intangible asset impairment $-\%$ 0.1% $-\%$ 0.1% 0.1% 0.2 0.2 f) Third party acquisition and divestiture related costs GAAP income before income taxes 2.1% 2.8% 3.9% 2.4% 1.9 $\%$ Non-GAAP operating margin 17.8% 16.3% 16.6% 16.7% 14.3 $\%$ Reconciliation of GAAP income before income taxes to non-GAAP income before into not acquisition and divestiture related costs (0.2, 2.2, 2.5, 0.4, 13.6, 10.1, 10	Spe	ecial items:		•		-		·				-	
market value step-up % % 0.2% % 0.3 % c) Amortization of acquisition-related intangible assets 1.8% 1.9% 2.7% 1.9% 2.3 % d) Restructuring, asset impairments and other, net 0.3% 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment % 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment % 0.2% 0.1% 0.1% 0.2% 0.2% 0.4 % g) R&D costs related to licensing income % 0.1% % 0.1% 0.1% 0.1% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.1%	a)	Sell-through to sell-in adjustment		—%		—%	, D	—%		—%		(1.5))%
intangible assets 1.8% 1.9% 2.7% 1.9% 2.3 % d) Restructuring, asset impairments and other, net 0.3% 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment -% 0.2% 0.1% 0.1% 0.2< %	b)			—%		—%	, D	0.2%	ı	—%		0.3	%
net 0.3% 0.2% 0.7% 0.2% 0.4 % e) Goodwill and intangible asset impairment -% 0.2% 0.1% 0.1% 0.2% % f) Third party acquisition and divestiture related costs -% 0.1% -% 0.1% 0.1% 0.1 % g) R&D costs related to licensing income -% 0.3% 0.2% 0.2% 0.2 % Total special items 2.1% 2.8% 3.9% 2.4% 1.9 % Non-GAAP operating margin 17.8% 16.3% 16.6% 16.7% 14.3 % Reconciliation of GAAP income before income taxes \$ 216.0 \$ 193.4 \$ 168.3 \$ 566.3 \$ 426.5 \$ Special items: - - - - - (59.0) \$ \$ 13.6 \$ 566.3 \$ 426.5 \$ \$ 5 \$ 5 \$ 5 \$ \$	c)			1.8%		1.9%	, D	2.7%	1	1.9%		2.3	%
f)Third party acquisition and divestiture related costs%0.1%%0.1%0.1%g)R&D costs related to licensing income%0.3%0.2%0.2%0.2%Total special items2.1%2.8%3.9%2.4%1.9%Non-GAAP operating margin17.8%16.3%16.6%16.7%14.3%Reconciliation of GAAP income before income taxes:117.8%16.3%16.6%16.7%14.3%GAAP income before income taxes\$216.0\$193.4\$168.3\$566.3\$426.5Special items:(59.0)0a)Sell-through to sell-in adjustment(59.0)0b)Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c)Amortization of acquisition-related intangible assets28.027.937.383.395.00d)Restructuring, asset impairments and other, net4.43.29.78.016.1e)Goodwill and intangible asset impairment-3.31.53.37.7f)Third party acquisition and divestiture related costs0.42.10.52.92.2g)R&D costs related to licensing income0.53.72.27.06.3	d)			0.3%		0.2%	, D	0.7%	1	0.2%		0.4	%
related costs%0.1%%0.1%0.1%g)R&D costs related to licensing income%0.3%0.2%0.2%0.2%Total special items2.1%2.8%3.9%2.4%1.9%Non-GAAP operating margin17.8%16.3%16.6%16.7%14.3%Reconciliation of GAAP income before income taxes:17.8%16.3%16.6%16.7%14.3%GAAP income before income taxes:\$216.0\$193.4\$168.3\$566.3\$426.5Special items:(59.0)bb566.3\$426.5Special items:(59.0)bb566.3\$426.55Special items:(59.0)bbb)Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c)Amortization of acquisition-related intangible assets28.027.937.383.395.0d)Restructuring, asset impairments and other, net4.43.29.78.016.1e)Goodwill and intangible asset impairment-3.31.53.37.7f)f)Third party acquisition and divestiture related costs0.42.10.52.92.22.2g)R&D costs related to licensing in	e)	Goodwill and intangible asset impairment		—%		0.2%	, D	0.1%		0.1%		0.2	%
Total special items2.1%2.8%3.9%2.4%1.9%Non-GAAP operating margin17.8%16.3%16.6%16.7%14.3%Reconciliation of GAAP income before income taxes to non-GAAP income before income taxes:193.4\$168.3\$566.3\$426.5GAAP income before income taxes\$216.0\$193.4\$168.3\$566.3\$426.5Special items:(59.0)a) Sell-through to sell-in adjustment(59.0)b) Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c) Amortization of acquisition-related intangible assets28.027.937.383.395.0d) Restructuring, asset impairments and other, net4.43.29.78.016.1e) Goodwill and intangible asset impairment-3.31.53.37.7f) Third party acquisition and divestiture related costs0.42.10.52.92.2g) R&D costs related to licensing income0.53.72.27.06.3	f)			—%		0.1%	, D	—%		0.1%		0.1	%
Non-GAAP operating margin17.8%16.3%16.6%16.7%14.3%Reconciliation of GAAP income before income taxes to non-GAAP income before income taxes:216.0\$193.4\$168.3\$566.3\$426.5GAAP income before income taxes\$216.0\$193.4\$168.3\$566.3\$426.5Special items:(59.0)0b)Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c)Amortization of acquisition-related intangible assets28.027.937.383.395.0d)Restructuring, asset impairments and other, net4.43.29.78.016.1e)Goodwill and intangible asset impairment-3.31.53.37.7f)Third party acquisition and divestiture related costs0.42.10.52.92.2g)R&D costs related to licensing income0.53.72.27.06.3	g)	R&D costs related to licensing income		—%		0.3%	, D	0.2%		0.2%		0.2	%
Reconciliation of GAAP income before income taxes to non-GAAP income beforeGAAP income before income taxes\$ 216.0\$ 193.4\$ 168.3\$ 566.3\$ 426.5Special items:(59.0)a) Sell-through to sell-in adjustment(59.0)b) Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c) Amortization of acquisition-related intangible assets28.027.937.383.395.0d) Restructuring, asset impairments and other, net4.43.29.78.016.1e) Goodwill and intangible asset impairment3.31.53.37.7f) Third party acquisition and divestiture related costs0.42.10.52.92.2g) R&D costs related to licensing income0.53.72.27.06.3		Total special items		2.1%		2.8%	, ,	3.9%		2.4%		1.9	%
Reconciliation of GAAP income before income taxes to non-GAAP income before\$ 216.0\$ 193.4\$ 168.3\$ 566.3\$ 426.5GAAP income before income taxes\$ 216.0\$ 193.4\$ 168.3\$ 566.3\$ 426.5Special items:(59.0)a) Sell-through to sell-in adjustment(59.0)b) Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c) Amortization of acquisition-related intangible assets28.027.937.383.395.0d) Restructuring, asset impairments and other, net4.43.29.78.016.1e) Goodwill and intangible asset impairment3.31.53.37.7f) Third party acquisition and divestiture related costs0.42.10.52.92.2g) R&D costs related to licensing income0.53.72.27.06.3	Non	-GAAP operating margin		17.8%		16.3%	,	16.6%		16.7%		14.3	%
Special items:(59.0)a) Sell-through to sell-in adjustment(59.0)b) Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c) Amortization of acquisition-related intangible assets28.027.937.383.395.0d) Restructuring, asset impairments and other, net4.43.29.78.016.1e) Goodwill and intangible asset impairment-3.31.53.37.7f) Third party acquisition and divestiture related costs0.42.10.52.92.2g) R&D costs related to licensing income0.53.72.27.06.3	inco inco	ome taxes to non-GAAP income before ome taxes:											
a)Sell-through to sell-in adjustment(59.0)b)Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c)Amortization of acquisition-related intangible assets28.027.937.383.395.0d)Restructuring, asset impairments and other, net4.43.29.78.016.1e)Goodwill and intangible asset impairment-3.31.53.37.7f)Third party acquisition and divestiture related costs0.42.10.52.92.2g)R&D costs related to licensing income0.53.72.27.06.3	GAA	AP income before income taxes	\$	216.0	\$	193.4	\$	168.3	\$	566.3	\$	426.5	
b)Expensing of appraised inventory at fair market value step-up0.20.22.50.413.6c)Amortization of acquisition-related intangible assets28.027.937.383.395.0d)Restructuring, asset impairments and other, net4.43.29.78.016.1e)Goodwill and intangible asset impairment—3.31.53.37.7f)Third party acquisition and divestiture related costs0.42.10.52.92.2g)R&D costs related to licensing income0.53.72.27.06.3	Sp												
market value step-up0.20.22.50.413.6c) Amortization of acquisition-related intangible assets28.027.937.383.395.0d) Restructuring, asset impairments and other, net4.43.29.78.016.1e) Goodwill and intangible asset impairment—3.31.53.37.7f) Third party acquisition and divestiture related costs0.42.10.52.92.2g) R&D costs related to licensing income0.53.72.27.06.3	a)			—		—		—		—		(59.0)	
intangible assets28.027.937.383.395.0d) Restructuring, asset impairments and other, net4.43.29.78.016.1e) Goodwill and intangible asset impairment—3.31.53.37.7f) Third party acquisition and divestiture related costs0.42.10.52.92.2g) R&D costs related to licensing income0.53.72.27.06.3	b)			0.2		0.2		2.5		0.4		13.6	
net4.43.29.78.016.1e)Goodwill and intangible asset impairment3.31.53.37.7f)Third party acquisition and divestiture related costs0.42.10.52.92.2g)R&D costs related to licensing income0.53.72.27.06.3	c)			28.0		27.9		37.3		83.3		95.0	
f)Third party acquisition and divestiture related costs0.42.10.52.92.2g)R&D costs related to licensing income0.53.72.27.06.3	d)			4.4		3.2		9.7		8.0		16.1	
related costs 0.4 2.1 0.5 2.9 2.2 g) R&D costs related to licensing income 0.5 3.7 2.2 7.0 6.3	e)	Goodwill and intangible asset impairment		_		3.3		1.5		3.3		7.7	
	f)			0.4		2.1		0.5		2.9		2.2	
h) Loss on debt refinancing and prepayment 0.6 4.0 6.7 4.6 32.9	g)	R&D costs related to licensing income		0.5		3.7		2.2		7.0		6.3	
	h)	Loss on debt refinancing and prepayment		0.6		4.0		6.7		4.6		32.9	

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

	(11 111110115, 6706				arter Ended		Nine Months Ended					
			September 28, 2018		June 29, 2018	eptember 29, 2017		eptember 28, 2018	ę	September 29, 2017		
i)	Non-cash interest on convertible notes		9.0		8.9	 8.6		26.6		21.9		
j)	Adjustment to contingent consideration		—		—	(0.3)		(2.1)		2.0		
k)	Licensing income		(1.0)		(28.1)	(21.5)		(32.9)		(45.4)		
I)	Gain on divestiture of business		(0.4)		(4.6)	(12.5)		(5.0)		(12.5)		
	Total special items		41.7		20.6	34.7		96.1		80.8		
Non	-GAAP income before income taxes	\$	257.7	\$	214.0	\$ 203.0	\$	662.4	\$	507.3		
	onciliation of GAAP net income to non- AP net income:											
	AP net income attributable to ON niconductor Corporation	\$	166.9	\$	155.3	\$ 108.7	\$	461.8	\$	280.8		
Spe	ecial items:	_										
a)	Sell-through to sell-in adjustment		—		—	—		_		(59.0)		
b)	Expensing of appraised inventory at fair market value step-up		0.2		0.2	2.5		0.4		13.6		
c)	Amortization of acquisition-related intangible assets		28.0		27.9	37.3		83.3		95.0		
d)	Restructuring, asset impairments and other,		4.4		3.2	9.7		8.0		16.1		
e)	Goodwill and intangible asset impairment		—		3.3	1.5		3.3		7.7		
f)	Third party acquisition and divestiture related costs		0.4		2.1	0.5		2.9		2.2		
g)	R&D costs related to licensing income		0.5		3.7	2.2		7.0		6.3		
h)	Loss on debt refinancing and prepayment		0.6		4.0	6.7		4.6		32.9		
i)	Non-cash interest on convertible notes		9.0		8.9	8.6		26.6		21.9		
j)	Adjustment to contingent consideration		_		_	(0.3)		(2.1)		2.0		
k)	Licensing income		(1.0)		(28.1)	(21.5)		(32.9)		(45.4)		
I)	Gain on divestiture of business		(0.4)		(4.6)	(12.5)		(5.0)		(12.5)		
m)	Adjustment of income taxes		36.3		23.8	46.0		57.4		95.6		
	Total special items		78.0		44.4	80.7		153.5		176.4		
	-GAAP net income attributable to ON niconductor Corporation	\$	244.9	\$	199.7	\$ 189.4	\$	615.3	\$	457.2		
	ustment of income taxes:											
	adjustment for Special Items (1)	\$	(8.8)	\$	(4.3)	\$ (12.1)	\$	(20.2)	\$	(28.3)		
Othe	er non-GAAP tax adjustment (2)		45.1		28.1	 58.1		77.6		123.9		
Tota	I	\$	36.3	\$	23.8	\$ 46.0	\$	57.4	\$	95.6		
to n	onciliation of GAAP diluted share count on-GAAP diluted share count:											
GAA	AP diluted share count		435.3		444.3	427.5		441.2		426.5		
Spe	ecial items:											
a)	Dilutive share count attributable to convertible notes		(5.9)		(12.7)	_		(10.4)		_		
	Total special items	_	(5.9)		(12.7)	 		(10.4)				
Non	-GAAP diluted share count		429.4		431.6	427.5		430.8		426.5		
Non	-GAAP diluted earnings per share:			-			_		_			
Non	-GAAP net income attributable to ON niconductor Corporation	\$	244.9	\$	199.7	\$ 189.4	\$	615.3	\$	457.2		

RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

		Qua	arter Ended		Nine Mo	nths	Ended
	September 28, 2018		June 29, 2018	eptember 29, 2017	eptember 28, 2018	:	September 29, 2017
Non-GAAP diluted share count	 429.4		431.6	 427.5	 430.8		426.5
Non-GAAP diluted earnings per share	\$ 0.57	\$	0.46	\$ 0.44	\$ 1.43	\$	1.07
Reconciliation of net cash provided by operating activities to free cash flow:							
Net cash provided by operating activities	\$ 358.2	\$	268.5	\$ 328.2	\$ 853.2	\$	869.9
Special items:							
a) Purchase of property, plant and equipment	(130.4)		(152.9)	(90.1)	(382.8)		(211.8)
Total special items	(130.4)		(152.9)	(90.1)	(382.8)		(211.8)
Free cash flow	\$ 227.8	\$	115.6	\$ 238.1	\$ 470.4	\$	658.1

(1) Tax impact of non-GAAP Special Items (a) - (I) is calculated using the federal statutory rate of 21%, 21% and 35% for the quarters and six months ended September 28, 2018, June 29, 2018 and September 29, 2017, respectively.

(2) The income tax adjustment primarily represents the use of the net operating loss, non-cash impact of not asserting indefinite reinvestment on earnings of our foreign subsidiaries, deferred tax expense not affecting taxes payable, and non-cash expense (benefit) related to uncertain tax positions.

Certain of the amounts in the above tables may not total due to rounding of individual amounts.

Total share-based compensation expense related to the Company's stock options, restricted stock units, stock grant awards and employee stock purchase plan is included below.

		Qı	arter Ended		Nine Mon	ths	Ended
	otember 3, 2018		June 29, 2018	eptember 29, 2017	eptember 28, 2018		September 29, 2017
Cost of revenue	\$ 1.7	\$	1.8	\$ 1.4	\$ 5.1	\$	4.4
Research and development	3.4		4.0	3.2	10.6		9.6
Selling and marketing	3.3		4.0	2.8	10.5		8.8
General and administrative	9.5		13.3	9.4	33.2		29.9
Total share-based compensation expense	\$ 17.9	\$	23.1	\$ 16.8	\$ 59.4	\$	52.7

NON-GAAP MEASURES

To supplement the consolidated financial results prepared in accordance with GAAP, ON Semiconductor uses certain non-GAAP measures, which are adjusted from the most directly comparable GAAP measures to exclude items related to the amortization of intangible assets, amortization of acquisition-related intangibles, expensing of appraised inventory fair market value step-up, inventory valuation adjustments, purchased in-process research and development expenses, restructuring, asset impairments and other, net, goodwill impairment charges, gains and losses on debt prepayment, noncash interest expense, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition and divestiture related costs, tax impact of these items and certain other non-recurring items, as necessary. Management does not consider the effects of these items in evaluating the core operational activities of ON Semiconductor. Management uses these non-GAAP measures internally to make strategic decisions, forecast future results and evaluate ON Semiconductor's current performance. In addition, we believe that most analysts covering ON Semiconductor use the non-GAAP measures to evaluate ON Semiconductor's performance. Given management's and other relevant use of these non-GAAP measures, ON Semiconductor believes these measures are important to investors in understanding ON Semiconductor's current and future operating results as seen through the eyes of management. In addition, management believes these non-GAAP measures are useful to investors in enabling them to better assess changes in ON Semiconductor's core business across different time periods. These non-GAAP measures are not prepared in accordance with, and should not be considered alternatives or necessarily superior to, GAAP financial data and may be different from non-GAAP measures used by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that represents net income before interest expense, interest income, provision for income taxes, depreciation and amortization expense and special items. We use the adjusted EBITDA measure for internal managerial evaluation purposes, as a means to evaluate period-to-period comparisons and as a performance metric for the vesting/release of certain of our performance-based equity awards. SEC Regulation G and other federal securities laws regulate the use of financial measures that are not prepared in accordance with generally accepted accounting principles. We believe this measure provides important supplemental information to investors. However, we do not, and you should not, rely on non-GAAP financial measures alone as measures of our performance.

Non-GAAP Revenue

The use of non-GAAP revenue allows management to evaluate, among other things, the revenue from the Company's core businesses and trends across different reporting periods on a consistent basis, independent of special items such as the impact of the change in revenue recognition on distributor sales implemented in the first quarter of 2017. In addition, non-GAAP Revenue it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our revenue generation performance relative to the direct costs of operations of ON Semiconductor's core businesses.

Non-GAAP Gross Profit and Gross Margin

The use of non-GAAP gross profit and gross margin allows management to evaluate, among other things, the gross margin and gross profit of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally speaking, expensing of appraised inventory fair market value step-up, the impact from the change in revenue recognition on distributor sales. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our revenue generation performance relative to the direct costs of revenue of ON Semiconductor's core businesses.

NON-GAAP MEASURES (Continued)

Non-GAAP Operating Income and Operating Margin

The use of non-GAAP operating income and operating margin allows management to evaluate, among other things, the operating margin and operating income of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally speaking, expensing of appraised inventory fair market value step-up, the impact from the change in revenue recognition on distributor sales, amortization and impairments of intangible assets, third party acquisition and divestiture related costs, restructuring charges and certain other special items as necessary. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our revenue generation performance relative to the direct costs of operations of ON Semiconductor's core businesses.

Non-GAAP Net Income Attributable to ON Semiconductor and Diluted Earnings Per Share

The use of non-GAAP net income attributable to ON Semiconductor and diluted earnings per share allows management to evaluate the operating results of ON Semiconductor's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally, the amortization and impairments of intangible assets, expensing of appraised inventory fair market value step-up, the impact from the change in revenue recognition on distributor sales, restructuring, gains and losses on debt prepayment, non-cash interest expense, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition and divestiture related costs, tax impact of these items and other non-GAAP adjustments and certain other special items, as necessary. In addition, these items are important components of management's internal performance measurement and incentive and reward process, as they are used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, setting targets and forecasting future results. Management presents these non-GAAP financial measures to enable investors and analysts to understand the results of operations of ON Semiconductor's core businesses and, to the extent comparable, to compare our results of operations on a more consistent basis against that of other companies in our industry.

Free Cash Flow

The use of free cash flow allows management to evaluate, among other things, the ability of the Company to make interest or principal payments on its debt. Free cash flow is defined as the difference between cash flow from operating activities and capital expenditures disclosed under investing activities in the consolidated statement of cash flows. Free cash flow is not an alternate to cash flow from operating activities as a measure of liquidity. It is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business and for strategic decision making, preparing budgets, obtaining targets and forecasting future results. Management presents this non-GAAP financial measure to enable investors and analysts to evaluate our revenue generation performance relative to the direct costs of operations of ON Semiconductor's core businesses.

Diluted Share Count

In periods when the quarterly average stock price per share exceeds \$18.50, the non-GAAP diluted share count includes the anti-dilutive impact of the Company's hedge transactions issued concurrently with the 1.00% convertible notes. As such, at an average stock price per share between \$18.50 and \$25.96, the hedging activity offsets the potentially dilutive effect of the 1.00% convertible notes.

In periods when the quarterly average stock price per share exceeds \$20.72, the non-GAAP diluted share count includes the anti-dilutive impact of the Company's hedge transactions issued concurrently with the 1.625% convertible notes. As such, at an average stock price per share between \$20.72 and \$30.70, the hedging activity offsets the potentially dilutive effect of the 1.625% convertible notes.