



ON Semiconductor®

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share data)

	Quarter Ended			Year Ended	
	December 31, 2010	October 1, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net revenues	\$ 579.2	\$ 600.7	\$ 497.1	\$ 2,313.4	\$ 1,768.9
Cost of revenues	341.6	354.2	302.5	1,357.4	1,148.2
Gross profit	237.6	246.5	194.6	956.0	620.7
Gross margin	41.0%	41.0%	39.1%	41.3%	35.1%
Operating expenses:					
Research and development	59.4	63.3	50.7	248.0	198.8
Selling and marketing	38.0	35.5	33.5	145.6	120.9
General and administrative	31.9	31.2	20.1	129.9	104.5
Amortization of acquisition related intangible assets	7.9	7.9	7.2	31.7	29.0
Restructuring, asset impairments and other, net	3.5	0.9	(0.7)	10.5	24.9
Goodwill and intangible asset impairment charges	16.1	-	-	16.1	-
Total operating expenses	156.8	138.8	110.8	581.8	478.1
Operating income	80.8	107.7	83.8	374.2	142.6
Other income (expenses), net:					
Interest expense	(16.4)	(14.1)	(15.4)	(61.4)	(64.6)
Interest income	0.1	0.2	0.1	0.5	0.8
Other	0.1	(0.8)	(0.5)	(6.9)	(4.7)
Loss on debt repurchase	-	-	-	(0.7)	(3.1)
Other expenses, net	(16.2)	(14.7)	(15.8)	(68.5)	(71.6)
Income before income taxes	64.6	93.0	68.0	305.7	71.0
Income tax (provision) benefit	(3.4)	(4.6)	0.4	(12.8)	(7.7)
Net income	61.2	88.4	68.4	292.9	63.3
Net income attributable to minority interest	(0.2)	(0.6)	(0.4)	(2.4)	(2.3)
Net income attributable to ON Semiconductor Corporation	\$ 61.0	\$ 87.8	\$ 68.0	\$ 290.5	\$ 61.0
Net income per common share attributable to ON Semiconductor Corporation:					
Basic:	\$ 0.14	\$ 0.20	\$ 0.16	\$ 0.67	\$ 0.14
Diluted:	\$ 0.14	\$ 0.20	\$ 0.15	\$ 0.65	\$ 0.14
Weighted average common shares outstanding:					
Basic	434.2	431.6	426.0	431.0	420.8
Diluted:	447.5	439.8	442.9	444.4	432.1

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEET

(in millions)

	December 31, 2010	October 1, 2010	December 31, 2009
Assets			
Cash, cash equivalents and short-term investments	\$ 623.3	\$ 562.9	\$ 571.2
Receivables, net	294.6	314.3	260.9
Inventories, net	360.8	350.8	269.9
Other current assets	63.6	52.9	51.5
Deferred income taxes, net of allowances	15.7	14.8	15.1
Total current assets	<u>1,358.0</u>	<u>1,295.7</u>	<u>1,168.6</u>
Restricted cash	142.1	-	5.9
Property, plant and equipment, net	864.3	820.5	705.5
Goodwill	191.2	198.2	175.4
Intangible assets, net	303.0	318.6	298.7
Other assets	60.6	61.5	60.2
Total assets	<u><u>\$ 2,919.2</u></u>	<u><u>\$ 2,694.5</u></u>	<u><u>\$ 2,414.3</u></u>
Liabilities and Stockholders' Equity			
Accounts payable	\$ 256.9	\$ 250.9	\$ 172.9
Accrued expenses	162.6	149.1	135.5
Income taxes payable	5.1	2.4	5.0
Accrued interest	0.8	4.5	0.9
Deferred income on sales to distributors	149.5	134.5	98.8
Current portion of long-term debt	136.0	135.8	205.9
Total current liabilities	<u>710.9</u>	<u>677.2</u>	<u>619.0</u>
Long-term debt	752.8	650.2	727.6
Other long-term liabilities	49.3	46.4	49.3
Deferred income taxes, net of allowances	18.2	18.1	13.8
Total liabilities	<u>1,531.2</u>	<u>1,391.9</u>	<u>1,409.7</u>
ON Semiconductor Corporation stockholders' equity:			
Common stock	4.9	4.8	4.7
Additional paid-in capital	3,016.1	2,987.7	2,916.6
Accumulated other comprehensive loss	(59.1)	(59.6)	(64.9)
Accumulated deficit	(1,213.9)	(1,274.9)	(1,504.4)
Less: treasury stock, at cost	(382.0)	(377.2)	(367.0)
Total ON Semiconductor Corporation stockholders' equity	<u>1,366.0</u>	<u>1,280.8</u>	<u>985.0</u>
Minority interest in consolidated subsidiaries	22.0	21.8	19.6
Total equity	<u>1,388.0</u>	<u>1,302.6</u>	<u>1,004.6</u>
Total liabilities and equity	<u><u>\$ 2,919.2</u></u>	<u><u>\$ 2,694.5</u></u>	<u><u>\$ 2,414.3</u></u>

ON Semiconductor Reports Fourth Quarter and 2010 Annual Results
3 – 3 – 3 – 3

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

(in millions)

	Quarter Ended			Year Ended	
	December 31,	October 1,	December 31,	December 31, December 31	
	2010	2010	2009	2010	2009
Net income	\$ 61.2	\$ 88.4	\$ 68.4	\$ 292.9	\$ 63.3
Plus:					
Depreciation and amortization	44.5	42.4	38.0	166.9	155.6
Interest expense	16.4	14.1	15.4	61.4	64.6
Interest income	(0.1)	(0.2)	(0.1)	(0.5)	(0.8)
Income tax provision (benefit)	3.4	4.6	(0.4)	12.8	7.7
Net income attributable to minority interest	(0.2)	(0.6)	(0.4)	(2.4)	(2.3)
Non-cash impairment charges	16.1	-	0.7	16.1	6.3
Restructuring, asset impairments and other, net	3.5	0.9	(0.7)	10.5	24.9
Loss on debt repurchase	-	-	-	0.7	3.1
Expensing of appraised inventory fair market value step up	0.6	1.0	3.3	8.0	11.5
Adjusted EBITDA*	<u>145.4</u>	<u>150.6</u>	<u>124.2</u>	<u>566.4</u>	<u>333.9</u>
Increase (decrease):					
Interest expense	(16.4)	(14.1)	(15.4)	(61.4)	(64.6)
Interest income	0.1	0.2	0.1	0.5	0.8
Income tax (provision) benefit	(3.4)	(4.6)	0.4	(12.8)	(7.7)
Net income attributable to minority interest	0.2	0.6	0.4	2.4	2.3
Restructuring, asset impairments, and other, net	(3.5)	(0.9)	0.7	(10.5)	(24.9)
Expensing of appraised inventory fair market value step up	(0.6)	(1.0)	(3.3)	(8.0)	(11.5)
Stock compensation expense	11.2	12.2	11.9	52.5	54.2
Gain on sale or disposal of fixed assets	(1.7)	(1.5)	(1.7)	(6.9)	(3.9)
Amortization of debt issuance costs and debt discount	0.6	0.5	0.7	2.5	3.1
Provision for excess inventories	7.3	2.6	4.7	10.0	20.4
Non-cash interest expense	8.4	8.3	8.3	33.7	34.9
Cash portion of loss on debt repurchase	-	-	-	-	(2.4)
Deferred income taxes	(2.7)	1.9	1.6	2.6	0.7
Other	(0.3)	(0.7)	2.3	(1.8)	0.7
Changes in operating assets and liabilities	15.2	(30.5)	(32.6)	(17.4)	(59.1)
Net cash provided by operating activities	<u>\$ 159.8</u>	<u>\$ 123.6</u>	<u>\$ 102.3</u>	<u>\$ 551.8</u>	<u>\$ 276.9</u>

* Adjusted EBITDA represents net income (loss) 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 performance metric for the vesting/releasing of certain of our performance based equity awards, and for earning of corporate cash bonuses when applicable. Adjusted EBITDA is a non-GAAP financial measure. Regulation G and other provisions of the 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. We use this measure, together with GAAP measures, for internal managerial purposes and as a means to evaluate period-to-period comparisons. However, we do not, and you should not, rely on non-GAAP financial measures alone as measures of our performance.

We believe that non-GAAP financial measures reflect an additional way of viewing aspects of our operations that – when taken together with GAAP results and the reconciliations to corresponding GAAP financial measures that we also provide in our press releases – provide a more complete understanding of factors and trends affecting our business. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with non-GAAP financial measures used by our company or other companies, even if they have similar names.

ON Semiconductor Reports Fourth Quarter and 2010 Annual Results

4 – 4 – 4 – 4

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ANALYSIS OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

	Quarter Ended			Year Ended	
	December 31, 2010	October 1, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Reconciliation of GAAP gross profit to non-GAAP gross profit:					
GAAP gross profit	\$ 237.6	\$ 246.5	\$ 194.6	\$ 956.0	\$ 620.7
Special items:					
a) Expensing of appraised inventory fair market value step up	0.6	1.0	3.3	8.0	11.5
b) Amortization of intangibles	0.6	0.6	0.6	2.4	2.3
Total Special items	1.2	1.6	3.9	10.4	13.8
Non-GAAP gross profit	\$ 238.8	\$ 248.1	\$ 198.5	\$ 966.4	\$ 634.5
Reconciliation of GAAP gross margin to non-GAAP gross margin:					
GAAP gross margin	41.0%	41.0%	39.1%	41.3%	35.1%
Special items:					
a) Expensing of appraised inventory fair market value step up	0.1%	0.2%	0.7%	0.3%	0.7%
b) Amortization of intangibles	0.1%	0.1%	0.1%	0.2%	0.1%
Total Special items	0.2%	0.3%	0.8%	0.5%	0.8%
Non-GAAP gross margin	41.2%	41.3%	39.9%	41.8%	35.9%
Reconciliation of GAAP income to non-GAAP net income:					
GAAP net income attributable to ON Semiconductor Corporation	\$ 61.0	\$ 87.8	\$ 68.0	\$ 290.5	\$ 61.0
Special items:					
a) Expensing of appraised inventory fair market value step up - cost of revenues	0.6	1.0	3.3	8.0	11.5
b) Amortization of intangible assets - cost of revenues	0.6	0.6	0.6	2.4	2.3
c) Amortization of acquisition related intangible assets - operating expenses	7.9	7.9	7.2	31.7	29.0
d) Restructuring, asset impairments and other, net	3.5	0.9	(0.7)	10.5	24.9
e) Goodwill and intangible impairment	16.1	-	-	16.1	-
f) Loss on debt prepayment	-	-	-	0.7	3.1
g) Non-cash interest expense	8.4	8.3	8.3	33.7	34.9
h) Cash taxes	1.1	1.3	(1.8)	2.2	(0.8)
Total Special items	38.2	20.0	16.9	105.3	104.9
Non-GAAP net income	\$ 99.2	\$ 107.8	\$ 84.9	\$ 395.8	\$ 165.9
Non-GAAP net income per share:					
Basic	\$ 0.23	\$ 0.25	\$ 0.20	\$ 0.92	\$ 0.39
Diluted	\$ 0.22	\$ 0.25	\$ 0.19	\$ 0.89	\$ 0.38
Weighted average common shares outstanding:					
Basic	434.2	431.6	426.0	431.0	420.8
Diluted:	447.5	439.8	442.9	444.4	432.1

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

	Quarter Ended			Year Ended	
	December 31, 2010	October 1, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Cost of revenues	\$ 3.0	\$ 4.5	\$ 3.1	\$ 14.1	\$ 13.7
Research and development	2.4	2.8	2.5	10.5	10.7
Selling and marketing	2.2	2.9	1.9	9.7	8.8
General and administrative	3.6	2.0	4.4	17.9	21.0
Restructuring	-	0.1	-	0.5	-
Total share-based compensation expense	\$ 11.2	\$ 12.3	\$ 11.9	\$ 52.7	\$ 54.2

(1) Certain amounts may not total due to rounding of individual components.

Reconciliation of non-GAAP net debt:

	December 31, 2010	October 1, 2010	December 31, 2009
Current portion of long-term debt	136.0	135.8	205.9
Long-term debt	752.8	650.2	727.6
Cash, cash equivalents and short-term investments	(623.3)	(562.9)	(571.2)
Restricted cash	(142.1)	-	(5.9)
Total net debt	\$ 123.4	\$ 223.1	\$ 356.4

Non-GAAP Measures

To supplement the consolidated financial results prepared under GAAP, ON Semiconductor uses non-GAAP measures which are adjusted from the most directly comparable GAAP results to exclude items related to amortization of intangible assets, amortization of acquisition-related intangibles, expensing of appraised inventory fair market value step up, purchased in-process research and development expenses, restructuring, asset impairments and other, net, goodwill impairment charges, gains and losses on debt prepayment, non-cash interest expense, their related tax effects and certain other special items as necessary. Management does not consider these charges 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. Most analysts covering ON Semiconductor use the non-GAAP measures as well. Given management's 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 in accordance with or an alternative 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.

-- Non-GAAP gross profit and gross margin. The use of this non-GAAP financial measure allows management to evaluate the gross margin of the company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including expensing of appraised inventory fair market value step up and amortization of intangible assets. In addition, it is an important component of management's internal performance measurement and reward process as it is used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets 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 net income and net income per share. The use of these non-GAAP financial measures allow 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 amortization of intangible assets, amortization of acquisition-related intangibles, expensing of appraised inventory fair market value step up, purchased in-process research and development expenses, restructuring, asset impairments and other, net, goodwill impairment charges, gains and losses on debt prepayment, non-cash interest expense, their related tax effects and certain other special items as necessary. In addition, they are important components of management's internal performance measurement and reward as they are used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets 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 compare our results of operations on a more consistent basis against that of other companies in our industry.

-- Non-GAAP net debt. The use of this non-GAAP financial measure allows management to measure ON Semiconductor's ability to reduce debt, add to cash balances, repurchase stock, and fund investing and financing activities. Net debt is defined as total debt minus cash, cash equivalents and short-term investments and restricted cash. A reconciliation of net debt is provided above.