



ON Semiconductor®

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share data)

	Quarter Ended			Year Ended	
	December 31, 2008	September 26, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Net revenues	\$ 488.7	\$ 581.5	\$ 407.9	\$ 2,054.8	\$ 1,566.2
Cost of revenues	303.0	359.9	255.6	1,309.3	975.7
Gross profit	185.7	221.6	152.3	745.5	590.5
Gross margin	38.0%	38.1%	37.3%	36.3%	37.7%
Operating expenses:					
Research and development	58.9	67.2	35.4	233.9	133.0
Selling and marketing	33.4	37.3	24.0	134.4	94.6
General and administrative	32.5	34.2	22.1	122.4	82.7
In-process Research and Development	9.4	-	-	27.1	-
Amortization of acquisition related intangible assets	7.0	6.8	-	22.9	-
Restructuring, asset impairments and other, net	3.7	2.5	1.0	26.2	3.0
Goodwill impairment charges	557.4	-	-	557.4	-
Total operating expenses	702.3	148.0	82.5	1,124.3	313.3
Operating income (loss)	(516.6)	73.6	69.8	(378.8)	277.2
Other income (expenses), net:					
Interest expense	(9.7)	(9.7)	(10.1)	(38.3)	(38.8)
Interest income	1.4	1.7	4.2	6.9	13.0
Other	(2.7)	0.5	0.3	(2.9)	-
Gain (loss) on debt prepayment	11.0	-	-	11.0	(0.1)
Other income (expenses), net	-	(7.5)	(5.6)	(23.3)	(25.9)
Income (loss) before income taxes and minority interests	(516.6)	66.1	64.2	(402.1)	251.3
Income tax benefit (provision)	(2.1)	(4.5)	(3.3)	9.4	(7.7)
Minority interests	(0.9)	(0.4)	0.2	(0.3)	(1.4)
Net income (loss)	\$ (519.6)	\$ 61.2	\$ 61.1	\$ (393.0)	\$ 242.2
Income (loss) per common share:					
Basic:	\$ (1.27)	\$ 0.15	\$ 0.21	\$ (1.04)	\$ 0.83
Diluted:	\$ (1.27)	\$ 0.15	\$ 0.20	\$ (1.04)	\$ 0.80
Weighted average common shares outstanding:					
Basic	409.1	398.9	292.3	379.0	290.8
Diluted:	409.1	404.8	301.3	379.0	301.2

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEET

(in millions)

	<u>December 31,</u> <u>2008</u>	<u>September 26,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Assets			
Cash and cash equivalents	\$ 458.7	\$ 417.9	\$ 274.6
Receivables, net	188.8	279.3	175.2
Inventories, net	335.5	309.4	220.5
Other current assets	55.5	65.8	68.3
Deferred income taxes	6.7	4.0	6.7
Total current assets	<u>1,045.2</u>	<u>1,076.4</u>	<u>745.3</u>
Property, plant and equipment, net	770.8	752.5	614.9
Goodwill	150.0	719.0	172.4
Intangible assets, net	333.4	317.2	57.5
Other assets	44.6	43.9	47.5
Total assets	<u>\$ 2,344.0</u>	<u>\$ 2,909.0</u>	<u>\$ 1,637.6</u>
Liabilities, Minority Interests and Stockholders' Equity			
Accounts payable	\$ 178.2	\$ 218.7	\$ 163.5
Accrued expenses	140.5	179.1	101.3
Income taxes payable	4.1	6.8	3.5
Accrued interest	1.3	6.8	1.4
Deferred income on sales to distributors	114.1	128.6	120.4
Current portion of long-term debt	107.9	69.4	30.8
Total current liabilities	<u>546.1</u>	<u>609.4</u>	<u>420.9</u>
Long-term debt	1,061.4	1,151.4	1,128.6
Other long-term liabilities	48.7	47.0	46.8
Deferred income taxes	4.7	-	6.9
Total liabilities	<u>1,660.9</u>	<u>1,807.8</u>	<u>1,603.2</u>
Minority interests in consolidated subsidiaries	<u>17.3</u>	<u>16.4</u>	<u>18.5</u>
Common stock	4.6	4.5	3.4
Additional paid-in capital	2,517.3	2,390.8	1,419.6
Accumulated other comprehensive loss	(53.6)	(28.8)	(0.5)
Accumulated deficit	(1,444.4)	(924.8)	(1,051.4)
Treasury stock	(358.1)	(356.9)	(355.2)
Total stockholders' equity	<u>665.8</u>	<u>1,084.8</u>	<u>15.9</u>
Total liabilities, minority interests and stockholders' equity	<u>\$ 2,344.0</u>	<u>\$ 2,909.0</u>	<u>\$ 1,637.6</u>

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,	September 26,	December 31,	December 31,	December 31,
	2008	2008	2007	2008	2007
Net income (loss)	\$ (519.6)	\$ 61.2	\$ 61.1	\$ (393.0)	\$ 242.2
Plus:					
Depreciation and amortization	38.5	38.0	25.2	142.1	92.8
Interest expense	9.7	9.7	10.1	38.3	38.8
Interest income	(1.4)	(1.7)	(4.2)	(6.9)	(13.0)
Income tax (benefit) provision	2.1	4.5	3.3	(9.4)	7.7
Stock compensation expense	6.8	11.4	5.6	33.2	16.5
Restructuring, asset impairments and other, net	3.7	2.5	1.0	26.2	3.0
Goodwill impairment charges	557.4	-	-	557.4	-
In-process research and development	9.4	-	-	27.1	-
(Gain) loss on debt prepayment	(11.0)	-	-	(11.0)	0.1
Expensing of appraised inventory fair market value step up	7.3	15.3	-	70.7	-
Adjusted EBITDA*	102.9	140.9	102.1	474.7	388.1
Increase (decrease):					
Interest expense	(9.7)	(9.7)	(10.1)	(38.3)	(38.8)
Interest income	1.4	1.7	4.2	6.9	13.0
Income tax benefit (provision)	(2.1)	(4.5)	(3.3)	9.4	(7.7)
Restructuring, asset impairments, and other, net	(3.7)	(2.5)	(1.0)	(26.2)	(3.0)
Expensing of appraised inventory fair market value step up	(7.3)	(15.3)	-	(70.7)	-
Gain on sale or disposal of fixed assets	(1.8)	(1.3)	(1.5)	(7.1)	(9.1)
Proceeds, net of gain, from termination of interest rate swaps	-	-	(0.2)	-	0.3
Amortization of debt issuance costs and debt discount	1.0	1.0	1.0	4.0	4.1
Provision for excess inventories	9.1	5.0	0.8	19.8	6.7
Non-cash impairment	2.3	-	-	14.3	-
Deferred income taxes	2.8	(2.5)	1.3	(6.8)	3.2
Other	2.6	0.8	(0.6)	2.7	0.1
Changes in operating assets and liabilities	(16.3)	20.2	7.5	11.1	(39.8)
Net cash provided by operating activities	\$ 81.2	\$ 133.8	\$ 100.2	\$ 393.8	\$ 317.1

* Adjusted EBITDA 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 and the related payment of corporate cash bonuses. Not all of these items are necessarily included in the calculation of net income each quarter. 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 other companies' non-GAAP financial measures, even if they have similar names.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
ANALYSIS OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

A reconciliation of gross profit on the GAAP basis to non-GAAP gross profit is included below.

	Quarter Ended			Year Ended	
	December 31, 2008	September 26, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Reconciliation of GAAP gross profit to non-GAAP gross profit:					
GAAP gross profit	\$ 185.7	\$ 221.6	\$ 152.3	\$ 745.5	\$ 590.5
Special items:					
a) Stock compensation expense	1.5	3.6	1.4	8.8	4.7
b) Expensing of appraised inventory fair market value step up	7.3	15.3	-	70.7	-
c) Amortization of intangibles	0.6	0.6	0.7	2.4	2.4
Total Special items	9.4	19.5	2.1	81.9	7.1
Non-GAAP gross profit	\$ 195.1	\$ 241.1	\$ 154.4	\$ 827.4	\$ 597.6

A reconciliation of gross margin on the GAAP basis to non-GAAP gross margin is included below.

	Quarter Ended ⁽¹⁾			Year Ended ⁽¹⁾	
	December 31, 2008	September 26, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Reconciliation of GAAP gross margin to non-GAAP gross margin:					
GAAP gross margin	38.0%	38.1%	37.3%	36.3%	37.7%
Special items:					
a) Stock compensation expense	0.3%	0.6%	0.3%	0.4%	0.3%
b) Expensing of appraised inventory fair market value step up	1.5%	2.6%	0.0%	3.4%	0.0%
c) Amortization of intangibles	0.1%	0.1%	0.2%	0.1%	0.2%
Total Special items	1.9%	3.4%	0.5%	4.0%	0.5%
Non-GAAP gross margin	39.9%	41.5%	37.9%	40.3%	38.2%

A reconciliation of GAAP net income (loss) to non-GAAP net income is included below.

	Quarter Ended			Year Ended	
	December 31, 2008	September 26, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Reconciliation of GAAP income (loss) to non-GAAP net income:					
GAAP net income (loss)	\$ (519.6)	\$ 61.2	\$ 61.1	\$ (393.0)	\$ 242.2
Special items:					
a) Stock compensation expense - cost of revenues	1.5	3.6	1.4	8.8	4.7
b) Stock compensation expense - operating expenses	5.3	7.8	4.2	24.4	11.8
c) Expensing of appraised inventory fair market value step up - cost of revenues	7.3	15.3	-	70.7	-
d) In-process research and development	9.4	-	-	27.1	-
e) Amortization of intangible assets - cost of revenues	0.6	0.6	0.7	2.4	2.4
f) Amortization of acquisition related intangible assets - operating expenses	7.0	6.8	-	22.9	-
g) Restructuring, asset impairments and other, net	3.7	2.5	1.0	26.2	3.0
h) Goodwill impairment charges	557.4	-	-	557.4	-
i) (Gain) loss on debt prepayment	(11.0)	-	-	(11.0)	0.1
j) Cash taxes	0.4	2.6	2.2	5.1	3.1
Total Special items	581.6	39.2	9.5	734.0	25.1
Non-GAAP net income	\$ 62.0	\$ 100.4	\$ 70.6	\$ 341.0	\$ 267.3
Non-GAAP net income per share:					
Basic	\$ 0.15	\$ 0.25	\$ 0.24	\$ 0.90	\$ 0.92
Diluted	\$ 0.15	\$ 0.25	\$ 0.23	\$ 0.89	\$ 0.89
Weighted average common shares outstanding:					
Basic	409.1	398.9	292.3	379.0	290.8
Diluted:	411.2	404.8	301.3	382.9	301.2

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

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 stock-based compensation, 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, and their related tax effects. 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 for GAAP financial data and may be different from non-GAAP measures used by other companies.

-- 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 stock-based compensation expenses, 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 the Company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including stock-based compensation, 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, and their related tax effects. In addition, they are important components 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 these non-GAAP financial measures to enable investors and analysts to understand the results of operations of the Company's core businesses and to compare our results of operations on a more consistent basis against that of other companies in our industry.