



ON Semiconductor®

**ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS**

(in millions, except per share data)

	Quarter Ended			Year Ended	
	December 31, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Revenues	\$ 767.9	\$ 898.0	\$ 579.2	\$ 3,442.3	\$ 2,313.4
Cost of revenues	528.7	636.9	341.6	2,433.5	1,357.4
Gross profit	239.2	261.1	237.6	1,008.8	956.0
Gross margin	31.1%	29.1%	41.0%	29.3%	41.3%
Operating expenses:					
Research and development	90.7	91.5	59.4	362.5	248.0
Selling and marketing	46.1	48.4	38.0	195.1	145.6
General and administrative	41.1	51.9	31.9	192.4	129.9
Amortization of acquisition-related intangible assets	11.0	10.6	7.9	42.7	31.7
Restructuring, asset impairments and other, net	19.8	65.4	3.5	102.7	10.5
Goodwill and intangible asset impairment charges	-	-	16.1	-	16.1
Total operating expenses	208.7	267.8	156.8	895.4	581.8
Operating income (loss)	30.5	(6.7)	80.8	113.4	374.2
Other income (expenses), net:					
Interest expense	(16.4)	(16.9)	(16.4)	(68.9)	(61.4)
Interest income	0.3	0.3	0.1	1.1	0.5
Other	(2.3)	(3.1)	0.1	(8.9)	(6.9)
Loss on debt repurchase and exchange	(17.9)	(5.3)	-	(23.2)	(0.7)
Gain on SANYO Semiconductor acquisition	-	-	-	24.3	-
Other expenses, net	(36.3)	(25.0)	(16.2)	(75.6)	(68.5)
Income (loss) before income taxes	(5.8)	(31.7)	64.6	37.8	305.7
Income tax provision	(1.6)	(17.3)	(3.4)	(22.9)	(12.8)
Net income (loss)	(7.4)	(49.0)	61.2	14.9	292.9
Net income attributable to minority interest	(1.4)	(0.4)	(0.2)	(3.3)	(2.4)
Net income (loss) attributable to ON Semiconductor Corporation	\$ (8.8)	\$ (49.4)	\$ 61.0	\$ 11.6	\$ 290.5
Net income (loss) per common share					
attributable to ON Semiconductor Corporation:					
Basic:	\$ (0.02)	\$ (0.11)	\$ 0.14	\$ 0.03	\$ 0.67
Diluted:	\$ (0.02)	\$ (0.11)	\$ 0.14	\$ 0.03	\$ 0.65
Weighted average common shares outstanding:					
Basic	450.4	448.8	434.2	446.7	431.0
Diluted:	450.4	448.8	447.5	457.2	444.4

**ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**

(in millions)

	<u>December 31,</u> <u>2011</u>	<u>September 30,</u> <u>2011</u> <sup>(1)</sup>	<u>December 31,</u> <u>2010</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 652.9	\$ 659.3	\$ 623.3
Short-term investments	248.6	178.4	-
Receivables, net	457.2	539.0	294.6
Inventories	637.4	686.5	360.8
Other current assets	121.6	90.3	63.6
Deferred income taxes, net of allowances	10.0	14.6	15.7
Total current assets	<u>2,127.7</u>	<u>2,168.1</u>	<u>1,358.0</u>
Restricted cash	-	-	142.1
Property, plant and equipment, net	1,109.5	1,130.8	864.3
Deferred income taxes, net of allowances	34.2	72.2	-
Goodwill	198.7	199.2	191.2
Intangible assets, net	337.2	348.3	303.0
Other assets	76.2	73.2	60.6
Total assets	<u>\$ 3,883.5</u>	<u>\$ 3,991.8</u>	<u>\$ 2,919.2</u>
<b>Liabilities, Minority Interests and Stockholders' Equity</b>			
Accounts payable	\$ 451.8	\$ 472.6	\$ 256.9
Accrued expenses	239.8	220.4	162.6
Income taxes payable	7.5	13.8	5.1
Accrued interest	0.7	4.0	0.8
Deferred income on sales to distributors	172.0	188.4	149.5
Deferred income taxes, net of allowances	33.6	69.7	-
Current portion of long-term debt	370.1	288.2	136.0
Total current liabilities	<u>1,275.5</u>	<u>1,257.1</u>	<u>710.9</u>
Long-term debt	836.9	948.8	752.8
Other long-term liabilities	260.1	275.5	49.3
Deferred income taxes, net of allowances	17.5	21.1	18.2
Total liabilities	<u>2,390.0</u>	<u>2,502.5</u>	<u>1,531.2</u>
ON Semiconductor Corporation stockholders' equity:			
Common stock	5.0	5.0	4.9
Additional paid-in capital	3,113.5	3,102.5	3,016.1
Accumulated other comprehensive loss	(46.7)	(51.2)	(59.1)
Accumulated deficit	(1,202.3)	(1,193.5)	(1,213.9)
Less: treasury stock, at cost	(401.3)	(397.4)	(382.0)
Total ON Semiconductor Corporation stockholders' equity	<u>1,468.2</u>	<u>1,465.4</u>	<u>1,366.0</u>
Minority interest in consolidated subsidiaries	25.3	23.9	22.0
Total equity	<u>1,493.5</u>	<u>1,489.3</u>	<u>1,388.0</u>
Total liabilities and equity	<u>\$ 3,883.5</u>	<u>\$ 3,991.8</u>	<u>\$ 2,919.2</u>

(1)The consolidated balance sheet has been revised to reflect adjustments to the previously reported purchase price allocation. As required by Accounting Standards Codification ("ASC") Topic 805, Business Combinations any adjustments to the initial purchase price allocation should be recorded and reported on a retrospective basis.

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

(in millions)

	Quarter Ended			Year Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2011	2011	2010	2011	2010
Net income (loss)	\$ (7.4)	\$ (49.0)	\$ 61.2	\$ 14.9	\$ 292.9
Plus:					
Depreciation and amortization	62.6	56.9	44.5	229.4	166.9
Interest expense	16.4	16.9	16.4	68.9	61.4
Interest income	(0.3)	(0.3)	(0.1)	(1.1)	(0.5)
Income tax provision	1.6	17.3	3.4	22.9	12.8
Net income attributable to minority interest	(1.4)	(0.4)	(0.2)	(3.3)	(2.4)
Restructuring, asset impairments and other, net	19.8	65.4	3.5	102.7	10.5
Goodwill and intangible asset impairment	-	-	16.1	-	16.1
Non-cash manufacturing expenses	-	-	-	80.4	-
Actuarial (gains) losses on pension plans and other pension benefits	0.8	5.7	-	6.5	-
SANYO inventory valuation adjustment	-	41.5	-	41.5	-
Gain on SANYO Semiconductor acquisition	-	-	-	(24.3)	-
Loss on debt repurchase and exchange	17.9	5.3	-	23.2	0.7
Thailand inventory write down	6.7	-	-	6.7	-
Expensing of inventory fair market value step up	5.3	10.6	0.6	58.3	8.0
Adjusted EBITDA*	122.0	169.9	145.4	626.7	566.4
Increase (decrease):					
Interest expense	(16.4)	(16.9)	(16.4)	(68.9)	(61.4)
Interest income	0.3	0.3	0.1	1.1	0.5
Income tax provision	(1.6)	(17.3)	(3.4)	(22.9)	(12.8)
Net income attributable to minority interest	1.4	0.4	0.2	3.3	2.4
Actuarial (gains) losses on pension plans and other pension benefits	(0.8)	(5.7)	-	(6.5)	-
SANYO inventory valuation adjustment	-	(41.5)	-	(41.5)	-
Restructuring, asset impairments and other, net	(19.8)	(65.4)	(3.5)	(102.7)	(10.5)
Non-cash portion intangible asset impairment	-	0.5	-	0.5	-
Non-cash impairment charges	25.1	61.2	-	86.3	-
Thailand inventory write down	(6.7)	-	-	(6.7)	-
Expensing of inventory fair market value step up	(5.3)	(10.6)	(0.6)	(58.3)	(8.0)
Recovery from insurance proceeds on property, plant and equipment	(13.3)	-	-	(13.3)	-
Non-cash portion of insurance recovery	(23.9)	-	-	(23.9)	-
Stock compensation expense	6.6	6.0	11.2	33.5	52.5
Gain on sale or disposal of fixed assets	(1.8)	(1.8)	(1.7)	(8.7)	(6.9)
Amortization of debt issuance costs and debt discount	0.5	0.6	0.6	2.3	2.5
Provision for excess inventories	30.4	14.9	7.3	49.1	10.0
Non-cash interest expense	8.4	8.9	8.4	34.9	33.7
Deferred income taxes	3.0	2.0	(2.7)	(4.2)	2.6
Other	(0.3)	1.1	(0.3)	0.2	(1.8)
Changes in operating assets and liabilities	56.9	12.6	15.2	65.2	(17.4)
Net cash provided by operating activities	\$ 164.7	\$ 119.2	\$ 159.8	\$ 545.5	\$ 551.8

\* 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 means to evaluate period-to-period comparisons and as a performance metric for the vesting/releasing of certain of our performance-based equity awards. 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. 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 non-GAAP financial measures used by ON Semiconductor or other companies, even if they have similar names.

# ON Semiconductor Reports Fourth Quarter and 2011 Annual Results

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### 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, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Reconciliation of GAAP gross profit to non-GAAP gross profit:</b>					
GAAP gross profit	\$ 239.2	\$ 261.1	\$ 237.6	\$ 1,008.8	\$ 956.0
Special items:					
a) Expensing of inventory fair market value step up	5.3	10.6	0.6	58.3	8.0
b) Non-cash manufacturing expenses and amortization of intangibles	-	-	0.6	81.5	2.4
c) SANYO inventory valuation adjustment	-	41.5	-	41.5	-
d) Actuarial (gains) losses on pension plans and other pension benefits	1.3	1.5	-	2.8	-
e) Thailand inventory write down	6.7	-	-	6.7	-
Total Special items	13.3	53.6	1.2	190.8	10.4
Non-GAAP gross profit	\$ 252.5	\$ 314.7	\$ 238.8	\$ 1,199.6	\$ 966.4
<b>Reconciliation of GAAP gross margin to non-GAAP gross margin:</b>					
GAAP gross margin	31.1%	29.1%	41.0%	29.3%	41.3%
Special items:					
a) Expensing of inventory fair market value step up	0.7%	1.2%	0.1%	1.7%	0.3%
b) Non-cash manufacturing expenses and amortization of intangibles	0.0%	0.0%	0.1%	2.4%	0.2%
c) SANYO inventory valuation adjustment	0.0%	4.6%	0.0%	1.2%	0.0%
d) Actuarial (gains) losses on pension plans and other pension benefits	0.2%	0.2%	0.0%	0.1%	0.0%
e) Thailand inventory write down	0.9%	0.0%	0.0%	0.2%	0.0%
Total Special items	1.8%	6.0%	0.2%	5.5%	0.5%
Non-GAAP gross margin	32.9%	35.0%	41.2%	34.8%	41.8%
<b>Reconciliation of GAAP net income (loss) to non-GAAP net income:</b>					
GAAP net income (loss) attributable to ON Semiconductor Corporation	\$ (8.8)	\$ (49.4)	\$ 61.0	\$ 11.6	\$ 290.5
Special items:					
a) Expensing of inventory fair market value step up - cost of revenues	5.3	10.6	0.6	58.3	8.0
b) Non-cash manufacturing expenses and amortization of intangibles - cost of revenues	-	-	0.6	81.5	2.4
c) SANYO inventory valuation adjustment	-	41.5	-	41.5	-
d) Actuarial (gains) losses on pension plans and other pension benefits (cost of revenues)	1.3	1.5	-	2.8	-
e) Thailand inventory write down	6.7	-	-	6.7	-
f) Amortization of acquisition related intangible assets - operating expenses	11.0	10.6	7.9	42.7	31.7
g) Actuarial (gains) losses on pension plans and other pension benefits (operating expenses)	(0.5)	4.2	-	3.7	-
h) Restructuring, asset impairments and other, net	19.8	65.4	3.5	102.7	10.5
i) Goodwill and intangible impairment	-	-	16.1	-	16.1
j) Gain on SANYO Semiconductor acquisition	-	-	-	(24.3)	-
k) SANYO Semiconductor acquisition related costs	-	-	-	7.3	-
l) Loss on debt repurchase and exchange	17.9	5.3	-	23.2	0.7
m) Non-cash interest expense	8.4	8.9	8.4	34.9	33.7
n) Cash taxes	(2.7)	11.9	1.1	2.5	2.2
Total Special items	67.2	159.9	38.2	383.5	105.3
Non-GAAP net income	\$ 58.4	\$ 110.5	\$ 99.2	\$ 395.1	\$ 395.8
Non-GAAP net income per share:					
Basic	\$ 0.13	\$ 0.25	\$ 0.23	\$ 0.88	\$ 0.92
Diluted	0.13	0.24	0.22	0.86	0.89
Weighted average common shares outstanding:					
Basic	450.4	448.8	434.2	446.7	431.0
Diluted:	456.3	454.8	447.5	457.2	444.4
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, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cost of revenues	\$ 1.4	\$ 1.3	\$ 3.0	\$ 6.3	\$ 14.1
Research and development	1.4	1.6	2.4	6.9	10.5
Selling and marketing	1.5	1.3	2.2	6.4	9.7
General and administrative	2.3	1.8	3.6	13.9	17.9
Restructuring	-	-	-	-	0.5
Total share-based compensation expense	\$ 6.6	\$ 6.0	\$ 11.2	\$ 33.5	\$ 52.7

#### 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, 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, non-cash interest expense, their related tax effects, income tax adjustments to approximate cash taxes, 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 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 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 appropriate. In addition, they are important components of management's internal performance measurement and reward process 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.