



ON Semiconductor®

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share data)

	Quarter Ended			Nine Months	
	September 30, 2011	July 1, 2011 ⁽¹⁾	October 1, 2010	September 30, 2011	October 1, 2010
Revenues	\$ 898.0	\$ 905.8	\$ 600.7	\$ 2,674.4	\$ 1,734.2
Cost of revenues	636.9	639.7	354.2	1,904.8	1,015.8
Gross profit	261.1	266.1	246.5	769.6	718.4
Gross margin	29.1%	29.4%	41.0%	28.8%	41.4%
Operating expenses:					
Research and development	91.5	89.2	63.3	271.8	188.6
Selling and marketing	48.4	51.2	35.5	149.0	107.6
General and administrative	51.9	52.3	31.2	151.3	98.0
Amortization of acquisition-related intangible assets	10.6	11.4	7.9	31.7	23.8
Restructuring, asset impairments and other, net	65.4	5.1	0.9	82.9	7.0
Total operating expenses	267.8	209.2	138.8	686.7	425.0
Operating income (loss)	(6.7)	56.9	107.7	82.9	293.4
Other income (expenses), net:					
Interest expense	(16.9)	(17.8)	(14.1)	(52.5)	(45.0)
Interest income	0.3	0.2	0.2	0.8	0.4
Other	(3.1)	(1.0)	(0.8)	(6.6)	(7.0)
Loss on debt repurchase	(5.3)	-	-	(5.3)	(0.7)
Gain on SANYO Semiconductor acquisition	-	-	-	58.0	-
Other expenses, net	(25.0)	(18.6)	(14.7)	(5.6)	(52.3)
Income (loss) before income taxes	(31.7)	38.3	93.0	77.3	241.1
Income tax provision	(17.3)	(3.2)	(4.6)	(21.3)	(9.4)
Net income (loss)	(49.0)	35.1	88.4	56.0	231.7
Net income attributable to minority interest	(0.4)	(0.8)	(0.6)	(1.9)	(2.2)
Net income (loss) attributable to ON Semiconductor Corporation	\$ (49.4)	\$ 34.3	\$ 87.8	\$ 54.1	\$ 229.5
Net income (loss) per common share attributable to ON Semiconductor Corporation:					
Basic:	\$ (0.11)	\$ 0.08	\$ 0.20	\$ 0.12	\$ 0.53
Diluted:	\$ (0.11)	\$ 0.07	\$ 0.20	\$ 0.12	\$ 0.52
Weighted average common shares outstanding:					
Basic	448.8	446.2	431.6	445.5	430.0
Diluted:	448.8	461.5	439.8	454.3	439.8

⁽¹⁾ The consolidated statement of operations has been revised in accordance with ASC 250 "Accounting Changes and Error Corrections" for an identified error related to the amounts recognized for foreign exchange gains and losses associated with its newly acquired SANYO business, which are reported as other income and expense in the consolidated statement of operations.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEET

(in millions)

	<u>September 30,</u> <u>2011</u>	<u>July 1,</u> <u>2011⁽¹⁾</u>	<u>December 31,</u> <u>2010</u>
Assets			
Cash and cash equivalents	\$ 659.3	\$ 756.6	\$ 623.3
Short-term investments	178.4	112.2	-
Receivables, net	539.0	575.8	294.6
Inventories	706.6	749.2	360.8
Other current assets	90.3	86.2	63.6
Deferred income taxes, net of allowances	14.6	16.9	15.7
Total current assets	<u>2,188.2</u>	<u>2,296.9</u>	<u>1,358.0</u>
Restricted cash	-	-	142.1
Property, plant and equipment, net	1,130.8	1,150.9	864.3
Deferred income taxes, net of allowances	72.2	67.4	-
Goodwill	199.2	199.2	191.2
Intangible assets, net	348.3	359.0	303.0
Other assets	73.2	76.4	60.6
Total assets	<u>\$ 4,011.9</u>	<u>\$ 4,149.8</u>	<u>\$ 2,919.2</u>
Liabilities, Minority Interests and Stockholders' Equity			
Accounts payable	\$ 472.6	\$ 537.9	\$ 256.9
Accrued expenses	218.6	221.4	162.6
Income taxes payable	13.8	3.4	5.1
Accrued interest	4.0	0.9	0.8
Deferred income on sales to distributors	188.4	187.7	149.5
Deferred income taxes, net of allowances	69.7	65.2	-
Current portion of long-term debt	288.2	286.7	136.0
Total current liabilities	<u>1,255.3</u>	<u>1,303.2</u>	<u>710.9</u>
Long-term debt	948.8	998.7	752.8
Other long-term liabilities	261.0	247.0	49.3
Deferred income taxes, net of allowances	21.1	22.3	18.2
Total liabilities	<u>2,486.2</u>	<u>2,571.2</u>	<u>1,531.2</u>
ON Semiconductor Corporation stockholders' equity:			
Common stock	5.0	5.0	4.9
Additional paid-in capital	3,102.5	3,098.0	3,016.1
Accumulated other comprehensive loss	(48.5)	(54.5)	(59.1)
Accumulated deficit	(1,159.8)	(1,099.3)	(1,213.9)
Less: treasury stock, at cost	(397.4)	(394.1)	(382.0)
Total ON Semiconductor Corporation stockholders' equity	<u>1,501.8</u>	<u>1,555.1</u>	<u>1,366.0</u>
Minority interest in consolidated subsidiaries	23.9	23.5	22.0
Total equity	<u>1,525.7</u>	<u>1,578.6</u>	<u>1,388.0</u>
Total liabilities and equity	<u>\$ 4,011.9</u>	<u>\$ 4,149.8</u>	<u>\$ 2,919.2</u>

⁽¹⁾ The consolidated balance sheet as of July 1, 2011 has been revised in accordance with ASC 250 "Accounting Changes and Error Corrections" for an identified error related to the amounts recognized for foreign exchange gains and losses associated with its newly acquired SANYO business, which impacted accounts payable and accumulated deficit as of July 1, 2011.

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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			Nine Months	
	September 30,	July 1,	October 1,	September 30,	October 1,
	2011	2011 (1)	2010	2011	2010
Net income (loss)	\$ (49.0)	\$ 35.1	\$ 88.4	\$ 56.0	\$ 231.7
Plus:					
Depreciation and amortization	56.9	57.1	42.4	166.8	122.4
Interest expense	16.9	17.8	14.1	52.5	45.0
Interest income	(0.3)	(0.2)	(0.2)	(0.8)	(0.4)
Income tax provision	17.3	3.2	4.6	21.3	9.4
Net income attributable to minority interest	(0.4)	(0.8)	(0.6)	(1.9)	(2.2)
Restructuring, asset impairments and other, net	3.7	5.1	0.9	21.2	7.0
Non-cash manufacturing expenses	-	30.4	-	80.4	-
Non-cash asset impairment charges	61.2	-	-	61.2	-
Non-cash intangible asset impairment	0.5	-	-	0.5	-
Non-cash pension plan adjustment	5.7	-	-	5.7	-
SANYO inventory valuation adjustment	41.5	-	-	41.5	-
Gain on SANYO Semiconductor acquisition	-	-	-	(58.0)	-
Loss on debt repurchase	5.3	-	-	5.3	0.7
Expensing of appraised inventory fair market value step up	10.6	22.1	1.0	53.0	7.4
Adjusted EBITDA*	169.9	169.8	150.6	504.7	421.0
Increase (decrease):					
Interest expense	(16.9)	(17.8)	(14.1)	(52.5)	(45.0)
Interest income	0.3	0.2	0.2	0.8	0.4
Income tax provision	(17.3)	(3.2)	(4.6)	(21.3)	(9.4)
Net income attributable to minority interest	0.4	0.8	0.6	1.9	2.2
Non-cash pension plan adjustment	(5.7)	-	-	(5.7)	-
SANYO inventory valuation adjustment	(41.5)	-	-	(41.5)	-
Restructuring, asset impairments, and other, net	(3.7)	(5.1)	(0.9)	(21.2)	(7.0)
Expensing of appraised inventory fair market value step up	(10.6)	(22.1)	(1.0)	(53.0)	(7.4)
Stock compensation expense	6.0	10.5	12.2	26.9	41.3
Gain on sale or disposal of fixed assets	(1.8)	(3.0)	(1.5)	(6.9)	(5.2)
Amortization of debt issuance costs and debt discount	0.6	0.6	0.5	1.8	1.9
Provision for excess inventories	14.9	2.1	2.6	18.7	2.7
Non-cash interest expense	8.9	8.9	8.3	26.5	25.3
Deferred income taxes	2.0	(12.4)	1.9	(7.2)	5.3
Other	1.1	0.4	(0.7)	0.5	(1.5)
Changes in operating assets and liabilities	12.6	6.3	(30.5)	8.3	(32.6)
Net cash provided by operating activities	\$ 119.2	\$ 136.0	\$ 123.6	\$ 380.8	\$ 392.0

* 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 non-GAAP financial measures used by ON Semiconductor or other companies, even if they have similar names.

⁽¹⁾ The consolidated statement of operations has been revised in accordance with ASC 250 "Accounting Changes and Error Corrections" for an identified error related to the amounts recognized for foreign exchange gains and losses associated with its newly acquired SANYO business, which are reported as other income and expense in the consolidated statement of operations.

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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			Nine Months Ended	
	September 30, 2011	July 1, 2011 ⁽¹⁾	October 1, 2010	September 30, 2011	October 1, 2010
Reconciliation of GAAP gross profit to non-GAAP gross profit:					
GAAP gross profit	\$ 261.1	\$ 266.1	\$ 246.5	\$ 769.6	\$ 718.4
Special items:					
a) Expensing of appraised inventory fair market value step up	10.6	22.1	1.0	53.0	7.4
b) Non-cash manufacturing expenses and amortization of intangibles	-	30.9	0.6	81.5	1.8
c) SANYO inventory valuation adjustment	41.5	-	-	41.5	-
d) Pension plan adjustment	1.5	-	-	1.5	-
Total Special items	53.6	53.0	1.6	177.5	9.2
Non-GAAP gross profit	<u>\$ 314.7</u>	<u>\$ 319.1</u>	<u>\$ 248.1</u>	<u>\$ 947.1</u>	<u>\$ 727.6</u>
Reconciliation of GAAP gross margin to non-GAAP gross margin:					
GAAP gross margin	29.1%	29.4%	41.0%	28.8%	41.4%
Special items:					
a) Expensing of appraised inventory fair market value step up	1.2%	2.4%	0.2%	2.0%	0.4%
b) Non-cash manufacturing expenses and amortization of intangibles	0.0%	3.4%	0.1%	3.0%	0.1%
c) SANYO inventory valuation adjustment	4.6%	0.0%	0.0%	1.6%	0.0%
d) Pension plan adjustment	0.2%	0.0%	0.0%	0.1%	0.0%
Total Special items	6.0%	5.9%	0.3%	6.6%	0.5%
Non-GAAP gross margin	<u>35.0%</u>	<u>35.2%</u>	<u>41.3%</u>	<u>35.4%</u>	<u>42.0%</u>
Reconciliation of GAAP net income (loss) to non-GAAP net income:					
GAAP net income (loss) attributable to ON Semiconductor Corporation	\$ (49.4)	\$ 34.3	\$ 87.8	\$ 54.1	\$ 229.5
Special items:					
a) Expensing of appraised inventory fair market value step up - cost of revenues	10.6	22.1	1.0	53.0	7.4
b) Non-cash manufacturing expenses and amortization of intangibles - cost of revenues	-	30.9	0.6	81.5	1.8
c) SANYO inventory valuation adjustment	41.5	-	-	41.5	-
d) Pension plan adjustment - cost of revenues	1.5	-	-	1.5	-
e) Amortization of acquisition related intangible assets - operating expenses	10.6	11.4	7.9	31.7	23.8
f) Pension plan adjustment - operating expenses	4.2	-	-	4.2	-
g) Restructuring, asset impairments and other, net	65.4	5.1	0.9	82.9	7.0
h) Gain on SANYO Semiconductor acquisition	-	-	-	(58.0)	-
i) SANYO Semiconductor acquisition related costs	-	-	-	7.3	-
j) Loss on debt repurchase	5.3	-	-	5.3	0.7
k) Non-cash interest expense	8.9	8.9	8.3	26.5	25.3
l) Cash taxes	11.9	(5.0)	1.3	5.6	1.0
Total Special items	159.9	73.4	20.0	283.0	67.0
Non-GAAP net income	<u>\$ 110.5</u>	<u>\$ 107.7</u>	<u>\$ 107.8</u>	<u>\$ 337.1</u>	<u>\$ 296.5</u>
Non-GAAP net income per share:					
Basic:	<u>\$ 0.25</u>	<u>\$ 0.24</u>	<u>\$ 0.25</u>	<u>\$ 0.76</u>	<u>\$ 0.69</u>
Diluted:	<u>0.24</u>	<u>0.23</u>	<u>0.25</u>	<u>0.74</u>	<u>0.67</u>
Weighted average common shares outstanding:					
Basic:	<u>448.8</u>	<u>446.2</u>	<u>431.6</u>	<u>445.5</u>	<u>430.0</u>
Diluted:	<u>454.8</u>	<u>461.5</u>	<u>439.6</u>	<u>454.3</u>	<u>439.8</u>
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			Nine Months Ended	
	September 30, 2011	July 1, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Cost of revenues	\$ 1.3	\$ 1.7	\$ 4.5	\$ 4.9	\$ 11.1
Research and development	1.6	1.9	2.8	5.5	8.1
Selling and marketing	1.3	1.7	2.9	4.9	7.5
General and administrative	1.8	5.2	2.0	11.6	14.3
Restructuring	-	-	-	-	0.3
Total share-based compensation expense	<u>\$ 6.0</u>	<u>\$ 10.5</u>	<u>\$ 12.2</u>	<u>\$ 26.9</u>	<u>\$ 41.3</u>

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 appropriate 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.

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