

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	Quarter Ended		
	March 31, 2017	December 31, 2016	April 1, 2016
Revenues	\$ 1,436.7	\$ 1,261.0	\$ 817.2
Cost of revenues (exclusive of amortization shown below)	933.4	876.5	541.7
Gross profit	503.3	384.5	275.5
Gross margin	35.0%	30.5%	33.7%
Operating expenses:			
Research and development	140.0	139.8	98.0
Selling and marketing	77.5	79.4	49.2
General and administrative	68.4	72.2	44.5
Amortization of acquisition-related intangible assets	29.1	32.9	23.7
Restructuring, asset impairments and other, net	0.5	4.5	1.7
Intangible asset impairment	4.4	—	—
Total operating expenses	319.9	328.8	217.1
Operating income	183.4	55.7	58.4
Other income (expense), net:			
Interest expense	(38.4)	(40.9)	(15.6)
Interest income	0.6	0.7	0.3
Loss on debt refinancing and prepayment	(26.2)	—	—
Other	(4.4)	2.7	(1.4)
Other (expense) income, net	(68.4)	(37.5)	(16.7)
Income before income taxes	115.0	18.2	41.7
Income tax provision	(36.3)	93.5	(5.3)
Net income	78.7	111.7	36.4
Less: Net income attributable to non-controlling interest	(0.5)	(0.8)	(0.4)
Net income attributable to ON Semiconductor Corporation	\$ 78.2	\$ 110.9	\$ 36.0
Net income per common share attributable to ON Semiconductor Corporation:			
Basic	\$ 0.19	\$ 0.27	\$ 0.09
Diluted	\$ 0.18	\$ 0.26	\$ 0.09
Weighted average common shares outstanding:			
Basic	419.8	417.3	412.6
Diluted	425.8	426.9	415.5

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in millions)

	As of		
	March 31, 2017	December 31, 2016	April 1, 2016
Assets			
Cash and cash equivalents	\$ 728.9	\$ 1,028.1	\$ 619.5
Receivables, net	678.2	629.8	428.2
Inventories	1,011.4	1,030.2	759.7
Other current assets	190.6	181.0	94.3
Total current assets	2,609.1	2,869.1	1,901.7
Property, plant and equipment, net	2,156.1	2,159.1	1,270.4
Goodwill	924.7	924.7	270.6
Intangible assets, net	730.5	762.1	302.3
Deferred tax assets	143.9	138.9	43.2
Other assets	73.1	70.5	66.9
Total assets	\$ 6,637.4	\$ 6,924.4	\$ 3,855.1
Liabilities, Non-Controlling Interest and Stockholders' Equity			
Accounts payable	\$ 464.0	\$ 434.0	\$ 305.9
Accrued expenses	475.2	405.0	245.2
Deferred income on sales to distributors	—	109.8	112.9
Current portion of long-term debt	272.8	553.8	525.4
Total current liabilities	1,212.0	1,502.6	1,189.4
Long-term debt	2,986.8	3,068.5	835.1
Deferred tax liabilities	246.0	288.9	16.9
Other long-term liabilities	194.3	186.5	135.6
Total liabilities	4,639.1	5,046.5	2,177.0
2.625% Notes, Series B - Redeemable conversion feature	—	32.9	—
ON Semiconductor Corporation stockholders' equity:			
Common stock	5.5	5.4	5.4
Additional paid-in capital	3,510.6	3,473.3	3,437.0
Accumulated other comprehensive loss	(43.1)	(50.2)	(41.3)
Accumulated deficit	(381.0)	(527.3)	(673.4)
Less: Treasury stock, at cost	(1,116.0)	(1,078.0)	(1,073.7)
Total ON Semiconductor Corporation stockholders' equity	1,976.0	1,823.2	1,654.0
Non-controlling interest in consolidated subsidiary	22.3	21.8	24.1
Total stockholders' equity	1,998.3	1,845.0	1,678.1
Total liabilities and equity	\$ 6,637.4	\$ 6,924.4	\$ 3,855.1

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

(in millions)

	Quarter Ended		
	March 31, 2017	December 31, 2016	April 1, 2016
Net income	\$ 78.7	\$ 111.7	\$ 36.4
Adjusted for:			
Restructuring, asset impairments and other, net	0.5	4.5	1.7
Intangible asset impairment	4.4	—	—
Interest expense	38.4	40.9	15.6
Interest income	(0.6)	(0.7)	(0.3)
Loss on debt refinancing and prepayment	26.2	—	—
Income tax provision (benefit)	36.3	(93.5)	5.3
Net income attributable to non-controlling interest	(0.5)	(0.8)	(0.4)
Depreciation and amortization	114.3	120.0	80.7
Actuarial losses on pension plans and other pension benefits	—	10.0	—
Amortization of fair market value step-up of inventory	9.8	55.6	—
Sell-through to sell-in adjustment	(59.0)	—	—
Adjustment to contingent consideration	1.5	0.8	—
Third party acquisition related costs	1.0	3.5	2.5
Adjusted EBITDA	251.0	252.0	141.5
Increase (decrease):			
Restructuring, asset impairments and other, net	(0.5)	(4.5)	(1.7)
Interest expense	(38.4)	(40.9)	(15.6)
Interest income	0.6	0.7	0.3
Income tax provision (benefit)	(36.3)	93.5	(5.3)
Net income attributable to non-controlling interest	0.5	0.8	0.4
Actuarial losses on pension plans and other pension benefits	—	(10.0)	—
Amortization of fair market value step-up of inventory	(9.8)	(55.6)	—
Third party acquisition related costs	(1.0)	(3.5)	(2.5)
Sell-through to sell-in adjustment	59.0	—	—
Loss (gain) on sale or disposal of fixed assets	2.9	0.9	(0.1)
Amortization of debt discount and issuance costs	4.5	4.6	1.0
Write-down of excess inventories	14.2	26.1	17.9
Adjustment to contingent consideration	(1.5)	(0.8)	—
Payments for term debt modification	(2.4)	—	—
Non-cash asset impairment charges	—	0.5	—
Non-cash share-based compensation expense	15.1	14.2	11.6

Non-cash interest on convertible notes	4.7	6.4	6.5
Change in deferred taxes	36.2	(103.6)	1.1
Other	1.5	(1.9)	1.5
Changes in operating assets and liabilities	(91.8)	50.5	(41.7)
Net cash provided by operating activities	\$ 208.5	\$ 229.4	\$ 114.9
Cash flows from investing activities:			
Purchases of property, plant and equipment	\$ (52.7)	\$ (49.9)	\$ (72.9)
Proceeds from sales of property, plant and equipment	0.2	—	0.3
Deposits utilized for purchases of property, plant and equipment	(0.2)	(3.1)	1.8
Purchase of business, net of cash acquired	(0.8)	(6.8)	—
Purchases of held-to-maturity securities	(1.6)	—	—
Net cash used in investing activities	\$ (55.1)	\$ (59.8)	\$ (70.8)
Cash flows from financing activities:			
Proceeds from issuance of common stock under the employee stock purchase plan	\$ 5.9	\$ 4.1	\$ 3.6
Proceeds from exercise of stock options	7.5	9.8	1.6
Payments of tax withholding for restricted shares	(13.0)	(1.9)	(8.0)
Repurchase of common stock	(25.0)	—	—
Proceeds from debt issuance	689.8	5.0	4.5
Purchase of convertible note hedges	(144.7)	—	—
Proceeds from issuance of warrants	85.2	—	—
Payments of debt issuance and other financing costs	(0.8)	(0.3)	(1.2)
Repayment of long-term debt	(1,054.4)	(26.2)	(38.4)
Payment of capital lease obligations	(5.4)	(2.7)	(6.6)
Dividend to non-controlling shareholder of consolidated subsidiary	—	(2.4)	—
Net cash used in financing activities	\$ (454.9)	\$ (14.6)	\$ (44.5)
Effect of exchange rate changes on cash and cash equivalents	\$ 2.3	\$ (7.4)	\$ 2.3
Net increase (decrease) in cash and cash equivalents	\$ (299.2)	\$ 147.6	\$ 1.9
Cash and cash equivalents, beginning of period	\$ 1,028.1	\$ 880.5	\$ 617.6
Cash and cash equivalents, end of period	\$ 728.9	\$ 1,028.1	\$ 619.5

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

(in millions, except per share and percentage data)

	Quarter Ended		
	March 31, 2017	December 31, 2016	April 1, 2016
Reconciliation of GAAP revenue to non-GAAP revenue:			
GAAP revenue	\$ 1,436.7	\$ 1,261.0	\$ 817.2
Special items:			
a) Sell-through to sell-in adjustment	(155.1)	—	—
Total special items	(155.1)	—	—
Non-GAAP revenue	\$ 1,281.6	\$ 1,261.0	\$ 817.2
Reconciliation of GAAP gross profit to non-GAAP gross profit:			
GAAP gross profit	\$ 503.3	\$ 384.5	\$ 275.5
Special items:			
a) Actuarial losses on pension plans and other pension benefits	—	3.2	—
b) Expensing of appraised inventory at fair market value step up	9.8	55.6	—
c) Sell-through to sell-in adjustment	(59.0)	—	—
Total special items	(49.2)	58.8	—
Non-GAAP gross profit	\$ 454.1	\$ 443.3	\$ 275.5
Reconciliation of GAAP gross margin to non-GAAP gross margin:			
GAAP gross margin	35.0 %	30.5%	33.7%
Special items:			
a) Actuarial losses on pension plans and other pension benefits	— %	0.3%	—%
b) Expensing of appraised inventory at fair market value step up	0.7 %	4.4%	—%
c) Sell-through to sell-in adjustment	(0.3 %)	—%	—%
Total special items	0.4 %	4.7%	—%
Non-GAAP gross margin	35.4 %	35.2%	33.7%
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:			
GAAP operating expenses	\$ 319.9	\$ 328.8	\$ 217.1
Special items:			
a) Amortization of acquisition related intangible assets	(29.1)	(32.9)	(23.7)
b) Actuarial losses on pension plans and other pension benefits	—	(6.8)	—
c) Restructuring, asset impairments and other, net	(0.5)	(4.5)	(1.7)
d) Intangible asset impairments	(4.4)	—	—
e) Third party acquisition related costs	(1.0)	(3.5)	(2.5)

Total special items	(35.0)	(47.7)	(27.9)
Non-GAAP operating expenses	\$ 284.9	\$ 281.1	\$ 189.2
Reconciliation of GAAP operating income to non-GAAP operating income:			
GAAP operating income	\$ 183.4	\$ 55.7	\$ 58.4
Special items:			
a) Actuarial losses on pension plans and other pension benefits (cost of revenues)	—	3.2	—
b) Expensing of appraised inventory at fair market value step up	9.8	55.6	—
c) Sell-through to sell-in adjustment	(59.0)	—	—
d) Amortization of acquisition related intangible assets	29.1	32.9	23.7
e) Actuarial losses on pension plans and other pension benefits (operating expenses)	—	6.8	—
f) Restructuring, asset impairments and other, net	0.5	4.5	1.7
g) Intangible asset impairments	4.4	—	—
h) Third party acquisition related costs	1.0	3.5	2.5
Total special items	(14.2)	106.5	27.9
Non-GAAP operating income	\$ 169.2	\$ 162.2	\$ 86.3

	Quarter Ended		
	March 31, 2017	December 31, 2016	April 1, 2016
Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenues):			
GAAP operating margin	12.8 %	4.4%	7.1%
Special items:			
a) Actuarial losses on pension plans and other pension benefits (cost of revenues)	— %	0.3%	—%
b) Expensing of appraised inventory at fair market value step up	0.7 %	4.4%	—%
c) Sell-through to sell-in adjustment	(2.7 %)	—%	—%
d) Amortization of acquisition related intangible assets	2.0 %	2.6%	2.9%
e) Actuarial losses on pension plans and other pension benefits (operating expenses)	— %	0.5%	—%
f) Restructuring, asset impairments and other, net	— %	0.4%	0.2%
g) Intangible asset impairments	0.3 %	—%	—%
h) Third party acquisition related costs	0.1 %	0.3%	0.3%
Total special items	0.4 %	8.5%	3.4%
Non-GAAP operating margin	13.2 %	12.9%	10.6%

Reconciliation of GAAP income before income taxes to non-GAAP income before income taxes:			
GAAP income before income taxes	\$ 115.0	\$ 18.2	\$ 41.7
Special items:			
a) Actuarial losses on pension plans and other pension benefits (cost of revenues)	—	3.2	—
b) Expensing of appraised inventory at fair market value	9.8	55.6	—
c) Sell-through to sell-in adjustment	(59.0)	—	—
d) Amortization of acquisition related intangible assets (operating expenses)	29.1	32.9	23.7
e) Actuarial losses on pension plans and other pension benefits (operating expenses)	—	6.8	—
f) Restructuring, asset impairments and other, net	0.5	4.5	1.7
g) Intangible asset impairments	4.4	—	—
h) Third party acquisition related costs	1.0	3.5	2.5
i) Loss on debt refinancing and	26.2	—	—
j) Non-cash interest on convertible notes	4.7	6.5	6.5
k) Adjustment to contingent consideration	1.5	0.8	—
Total special items	18.2	113.8	34.4
Non-GAAP income before income taxes	\$ 133.2	\$ 132.0	\$ 76.1
Reconciliation of Net cash provided by operating activities to free cash flow:			
Net cash provided by operating activities	\$ 208.5	\$ 229.4	\$ 114.9
Special items:			
a) Purchases of property, plant and equipment	(52.7)	(49.9)	(72.9)
Total special items	(52.7)	(49.9)	(72.9)
Free cash flow	\$ 155.8	\$ 179.5	\$ 42.0

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.

	Quarter Ended		
	March 31, 2017	December 31, 2016	April 1, 2016
Cost of revenues	\$ 1.5	\$ 2.0	\$ 1.9
Research and development	2.9	2.8	2.5
Selling and marketing	2.8	2.6	2.1
General and administrative	7.9	6.8	5.1
Total share-based compensation	\$ 15.1	\$ 14.2	\$ 11.6