## ON SEMICONDUCTOR CORPORATION UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share data)

	_		Qu	arters Ende	d	
		March 29, 2019		December 31, 2018		March 30, 2018
Revenue	\$	1,386.6	\$	1,503.1	\$	1,377.6
Cost of revenue (exclusive of amortization shown below)		872.9		933.4		860.2
Gross profit		513.7		569.7		517.4
Gross margin		37.0%	)	37.9%	)	37.6%
Operating expenses:						
Research and development		151.8		162.2		155.2
Selling and marketing		77.1		82.1		77.8
General and administrative		72.9		74.5		70.9
Amortization of acquisition-related intangible assets		25.7		28.4		27.4
Restructuring, asset impairments and other, net		5.6		(3.7)		0.4
Intangible asset impairment		1.2		3.5		_
Total operating expenses		334.3		347.0		331.7
Operating income	_	179.4		222.7		185.7
Other income (expense), net:						
Interest expense		(31.7)		(32.9)		(31.5)
Interest income		2.5		2.8		0.9
Licensing income		_		3.7		3.8
Other income (expense)		2.1		(7.6)		(2.0)
Other income (expense), net	_	(27.1)		(34.0)		(28.8)
Income before income taxes		152.3		188.7		156.9
Income tax provision		(38.2)		(22.7)		(16.4)
Net income		114.1		166.0		140.5
Less: Net income attributable to non-controlling interest		_		(0.4)		(0.9)
Net income attributable to ON Semiconductor Corporation	\$	114.1	\$	165.6	\$	139.6
Net income per common share attributable to ON Semiconductor Corporation:	=					
Basic	\$	0.28	\$	0.40	\$	0.33
Diluted	\$	0.27	\$	0.39	\$	0.31
Weighted average common shares outstanding:	_		_		_	
Basic		410.6		416.9		425.9
Diluted	_	417.7	_	420.0	_	444.2

## ON SEMICONDUCTOR CORPORATION UNAUDITED CONSOLIDATED BALANCE SHEETS

(in millions)

	March 29, 2019	ī	December 31, 2018	March 30, 2018
Assets				
Cash and cash equivalents	\$ 939.6	\$	1,069.6	\$ 924.9
Receivables, net	704.0		686.0	696.9
Inventories	1,225.2		1,225.2	1,160.0
Other current assets	177.9		187.0	185.2
Total current assets	3,046.7		3,167.8	2,967.0
Property, plant and equipment, net	2,585.0		2,549.6	2,336.4
Goodwill	932.5		932.5	916.9
Intangible assets, net	539.5		566.4	600.9
Deferred tax assets	238.2		266.2	333.3
Other assets	222.4		105.1	108.6
Total assets	\$ 7,564.3	\$	7,587.6	\$ 7,263.1
Liabilities, Non-Controlling Interest and Stockholders' Equity				
Accounts payable	\$ 583.3	\$	671.7	\$ 612.0
Accrued expenses and other current liabilities	603.4		659.1	585.8
Current portion of long-term debt	130.8		138.5	747.2
Total current liabilities	1,317.5		1,469.3	1,945.0
Long-term debt	2,639.0		2,627.6	2,084.4
Deferred tax liabilities	54.1		54.8	57.1
Other long-term liabilities	333.0		241.8	225.1
Total liabilities	4,343.6		4,393.5	4,311.6
ON Semiconductor Corporation stockholders' equity:				
Common stock	5.6		5.6	5.5
Additional paid-in capital	3,722.5		3,702.3	3,615.5
Accumulated other comprehensive loss	(43.7)		(37.9)	(34.4)
Accumulated earnings	1,093.7		979.6	491.7
Less: Treasury stock, at cost	(1,579.9)		(1,478.0)	(1,149.9)
Total ON Semiconductor Corporation stockholders' equity	3,198.2		3,171.6	2,928.4
Non-controlling interest	22.5		22.5	23.1
Total stockholders' equity	3,220.7		3,194.1	2,951.5
Total liabilities and stockholders' equity	\$ 7,564.3	\$	7,587.6	\$ 7,263.1

## UNAUDITED RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND NET CASH PROVIDED BY OPERATING ACTIVITIES

(in millions)

		Quarters Ended				
		arch 29, 2019	De 31	March 30, 2018		
Net income	\$	114.1	\$	166.0 \$	140.5	
Adjusted for:						
Licensing income		_		(3.7)	(3.8)	
R&D costs related to licensing income		_		_	2.8	
Restructuring, asset impairments and other, net		5.6		(3.7)	0.4	
Intangible asset impairment		1.2		3.5	_	
Interest expense		31.7		32.9	31.5	
Interest income		(2.5)		(2.8)	(0.9)	
Income tax provision		38.2		22.7	16.4	
Net income attributable to non-controlling interest		_		(0.4)	(0.9)	
Depreciation and amortization		135.8		136.2	119.9	
Amortization of fair market value step-up of inventory		_		0.6	_	
Adjustment to contingent consideration		_		_	(2.1)	
Actuarial losses on pension plans and other pension benefits		_		5.8	_	
Third party acquisition and divestiture related costs		3.3		1.5	0.4	
Indemnification gain		(4.9)		_	_	
Adjusted EBITDA		322.5		358.6	304.2	
Increase (decrease):						
Licensing income		_		3.7	3.8	
R&D costs related to licensing income		_		_	(2.8)	
Restructuring, asset impairments and other, net		(5.6)		3.7	(0.4)	
Interest expense		(31.7)		(32.9)	(31.5)	
Interest income		2.5		2.8	0.9	
Income tax provision		(38.2)		(22.7)	(16.4)	
Net income attributable to non-controlling interest		_		0.4	0.9	
Amortization of fair market value step-up of inventory		_		(0.6)	_	
Adjustment to contingent consideration		_		_	2.1	
Actuarial losses on pension plans and other pension benefits		_		(5.8)	_	
Third party acquisition and divestiture related costs		(3.3)		(1.5)	(0.4)	
Indemnification gain		4.9		<del>_</del>		
Loss (gain) on sale or disposal of fixed assets		0.4		(1.2)	1.3	
Amortization of debt discount and issuance costs		3.2		3.4	3.3	
Share-based compensation expense		19.7		18.9	18.4	
Non-cash interest on convertible notes		9.1		9.5	8.7	
Change in deferred taxes		29.0		(10.7)	7.5	
Other		(4.3)		2.0	(1.2)	
Changes in operating assets and liabilities		(170.0)		93.4	(71.9)	
Net cash provided by operating activities	\$	138.2		421.0 \$		
Cash flows from investing activities:	<u>*</u>		Ŧ			
Purchase of property, plant and equipment	\$	(157.0)	\$	(132.0) \$	(99.5)	

# UNAUDITED RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND NET CASH PROVIDED BY OPERATING ACTIVITIES (Continued)

(in millions)

	Quarters Ended					
	Ī	March 29, 2019		December 31, 2018		arch 30, 2018
Proceeds from sales of property, plant and equipment		_		30.2		5.6
Deposits utilized (made) for purchase of property, plant and equipment		(10.1)		9.7		(11.6)
Purchase of equity interest and assets, net of cash acquired		_		(4.8)		_
Proceeds from divestiture of business, net of cash transferred		_		1.1		_
Other		_		2.2		_
Net cash used in investing activities	\$	(167.1)	\$	(93.6)	\$	(105.5)
Cash flows from financing activities:				-	·	_
Proceeds for the issuance of common stock under the ESPP		7.4	\$	6.3	\$	_
Proceeds from exercise of stock options		0.5		1.3		3.6
Payment of tax withholding for RSUs		(26.1)		(2.4)		(18.8)
Repurchase of common stock		(75.0)		(200.3)		_
Proceeds from debt issuance		4.5		7.1		5.3
Repayment of long-term debt		(12.2)		(18.5)		(135.9)
Payment of finance lease obligations		(0.2)		(0.3)		(1.1)
Dividend to non-controlling shareholder		_		(2.2)		_
Net cash used in financing activities	\$	(101.1)	\$	(209.0)	\$	(146.9)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$		\$	0.2	\$	1.6
Net (decrease) increase in cash, cash equivalents and restricted cash	\$	(130.0)	\$	118.6	\$	(24.3)
Cash, cash equivalents and restricted cash, beginning of period	\$	1,087.1	\$	968.5	\$	966.6
Cash, cash equivalents and restricted cash, end of period	\$	957.1	\$	1,087.1	\$	942.3

## ON SEMICONDUCTOR CORPORATION RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES

(in millions, except per share and percentage data)

Total special items					ed			
GAAP gross profit         \$ 513.7         \$ 69.7         \$ 517.4           Special items:         3         Expensing of appraised inventory at fair market value step-up Total special items         —         0.6         —           Non-GAAP gross profit         \$ 513.7         \$ 570.3         \$ 517.4           Reconciliation of GAAP gross margin to non-GAAP gross margin         37.0%         37.9%         37.6%           Special items:         3         -         -         -           AND-GAAP gross margin         -         -         -         -           Non-GAAP gross margin         -         -         -         -           Non-GAAP gross margin         -         -         -         -           Reconciliation of GAAP operating expenses to non-GAAP operating expenses         334.3         347.0         \$ 331.7           GAAP operating expenses         \$ 334.3         347.0         \$ 331.7           Special items:         -         (5.6)         3.7         (0.4)           A mortization of acquisition-related intangible asset         (25.7)         (28.4)         (27.4)           b) Restructuring, asset impairment         (1.2)         (3.5)         (-         (2.6)           d) Third party acquisition and divestiture related costs			N		ا			
Special items:								
A   Expensing of appraised inventory at fair market value step-up			\$	513.7	\$	569.7	\$	517.4
Total special items								
Non-GAAP gross profit   Solitary   Solitar	a)					-		
Reconciliation of GAAP gross margin to non-GAAP gross margin:   37.0%   37.9%   37.6%		·		_				_
GAAP gross margin         37.0%         37.9 %         37.6%           Special Items         ————————————————————————————————————			\$	513.7	\$	570.3	\$	517.4
Special items:   a)   Expensing of appraised inventory at fair market value step-up   -%   -%   -%   -%   -%   -%   -%   -								
Expensing of appraised inventory at fair market value step-up				37.0%		37.9 %	)	37.6%
Total special items   ———————————————————————————————————	•							
Non-GAAP gross margin   37.0%   37.9%   37.6%	a)							<u>—</u> %
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:		•						
### Special items: a) Amortization of acquisition-related intangible assets b) Restructuring, asset impairments and other, net c) Intangible asset impairment d) Third party acquisition and divestiture related costs e) Resonating income Total special items: a) Expensing of appraised inventory at fair market value step-up e) Third party acquisition and divestiture related costs e) Amortization of GAAP operating income f) Restructuring, asset impairment f) Restructuring acquisition and divestiture related costs f) Restructuring acquisition of GAAP operating income f) Restructuring income f) Restructuring of appraised inventory at fair market value step-up f) Amortization of acquisition-related intangible assets f) Restructuring, asset impairment f) Restructuring, asset impairment f) Restructuring acquisition and divestiture related costs f) Restructuring income / revenue;  Restructuring acquisition-related intangible assets f) Restructuring income / revenue;  Restructuring acquisition-related intangible assets f) Restructuring acquisition-related	Non	-GAAP gross margin		37.0%		37.9 %	)	37.6%
Special items:   a)   Amortization of acquisition-related intangible assets   (25.7)   (28.4)   (27.4)     b)   Restructuring, asset impairments and other, net   (5.6)   3.7   (0.4)     c)   Intangible asset impairment   (1.2)   (3.5)   — (2.8)     d)   Third party acquisition and divestiture related costs   (3.3)   (1.5)   (0.4)     e)   R&D costs related to licensing income   — — —   (2.8)     Total special items   (35.8)   (29.7)   (31.0)     Non-GAAP operating expenses   \$298.5   \$317.3   \$300.7     Reconciliation of GAAP operating income to non-GAAP operating     GAAP operating income   \$179.4   \$222.7   \$185.7     Special items:   a)   Expensing of appraised inventory at fair market value step-up   —   0.6   — —     b)   Amortization of acquisition-related intangible assets   25.7   28.4   27.4     c)   Restructuring, asset impairments and other, net   1.2   3.5   — —     e)   Third party acquisition and divestiture related costs   3.3   1.5   0.4     d)   Intangible asset impairment   1.2   3.5   — —     e)   Third party acquisition and divestiture related costs   3.3   1.5   0.4     f)   R&D costs related to licensing income   2.8   Total special items   35.8   30.3   31.0     Non-GAAP operating income   2.8   Total special items   35.8   30.3   31.0     Non-GAAP operating income / revenue):   (2.8)   (2.9)   (		• • • • • • • • • • • • • • • • • • • •						
a) Amortization of acquisition-related intangible assets (25.7) (28.4) (27.4) b) Restructuring, asset impairments and other, net (5.6) 3.7 (0.4) (2.7) (2.5) Intangible asset impairment (1.2) (3.5) —	GA/	AP operating expenses	\$	334.3	\$	347.0	\$	331.7
b) Restructuring, asset impairments and other, net c) Intangible asset impairment d) (1.2) (3.5) — d) Third party acquisition and divestiture related costs d) Third party acquisition and divestiture related costs e) R&D costs related to licensing income Total special items d) 35.8) (29.7) (31.0)  Non-GAAP operating expenses d) 298.5 \$ 317.3 \$ 300.7  Reconcilitation of GAAP operating income to non-GAAP operating GAAP operating income d) Thy 4 \$ 222.7 \$ 185.7  Special items: a) Expensing of appraised inventory at fair market value step-up b) Amortization of acquisition-related intangible assets c) Restructuring, asset impairment and other, net d) Intangible asset impairment e) Third party acquisition and divestiture related costs f) R&D costs related to licensing income Total special items 35.8 30.3 31.0  Non-GAAP operating income Total special items 35.8 30.3 31.0  Non-GAAP operating income Seconcilitation of GAAP operating margin to non-GAAP operating income (215.2) \$ 253.0 \$ 216.7  Reconcilitation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin Special items: a) Expensing of appraised inventory at fair market value step-up b) Amortization of acquisition-related intangible assets 1.9% 14.8 % 13.5% 5.0% 5.0% 6.0% Restructuring, asset impairments and other, net c) Restructuring, asset impairments and othe	Sp	ecial items:						
c)         Intangible asset impairment         (1.2)         (3.5)         —           d)         Third party acquisition and divestiture related costs         (3.3)         (1.5)         (0.4)           e)         R&D costs related to licensing income         —         —         —         (2.8)           Total special items         (35.8)         (29.7)         (31.0)           Non-GAAP operating expenses         \$ 298.5         \$ 317.3         \$ 300.7           Reconciliation of GAAP operating income         \$ 179.4         \$ 222.7         \$ 185.7           Special items:         3         Expensing of appraised inventory at fair market value step-up         —         0.6         —           b)         Amortization of acquisition-related intangible assets         25.7         28.4         27.4           c)         Restructuring, asset impairments and other, net         5.6         (3.7)         0.4           d)         Intangible asset impairment         1.2         3.5         —           e)         Third party acquisition and divestiture related costs         3.3         1.5         0.4           f)         R&D costs related to licensing income         —         —         2.8           Total special items         35.8         30.3 <t< td=""><td>a)</td><td>Amortization of acquisition-related intangible assets</td><td></td><td>(25.7)</td><td></td><td>(28.4)</td><td></td><td>(27.4)</td></t<>	a)	Amortization of acquisition-related intangible assets		(25.7)		(28.4)		(27.4)
Material Color   Mate	b)	Restructuring, asset impairments and other, net		(5.6)		3.7		(0.4)
R&D costs related to licensing income	c)	Intangible asset impairment		(1.2)		(3.5)		_
Total special items   (35.8)   (29.7)   (31.0)     Non-GAAP operating expenses   \$298.5   \$317.3   \$300.7     Reconciliation of GAAP operating income to non-GAAP operating     GAAP operating income   \$179.4   \$222.7   \$185.7     Special items:	d)	Third party acquisition and divestiture related costs		(3.3)		(1.5)		(0.4)
Non-GAAP operating expenses  Reconciliation of GAAP operating income to non-GAAP operating GAAP operating income  GAAP operating income  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net  d) Intangible asset impairment  e) Third party acquisition and divestiture related costs  f) R&D costs related to licensing income  Total special items  Non-GAAP operating income  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  1.9%  1.9%  1.9%  1.9%  2.0%  2.	e)	R&D costs related to licensing income				_		(2.8)
Reconciliation of GAAP operating income to non-GAAP operating GAAP operating income \$ 179.4 \$ 222.7 \$ 185.7  Special items:  a) Expensing of appraised inventory at fair market value step-up — 0.6 — 0.6 b) Amortization of acquisition-related intangible assets 25.7 28.4 27.4 c) Restructuring, asset impairments and other, net 5.6 (3.7) 0.4 d) Intangible asset impairment 1.2 3.5 — 0.4 e) Third party acquisition and divestiture related costs 3.3 1.5 0.4 f) R&D costs related to licensing income — — 2.8 Total special items 35.8 30.3 31.0  Non-GAAP operating income \$ 215.2 \$ 253.0 \$ 216.7  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin 5  Special items: a) Expensing of appraised inventory at fair market value step-up — % — % — % — % 5 Amortization of acquisition-related intangible assets 1.9% 1.9 % 2.0% c) Restructuring, asset impairments and other, net 0.4% (0.2)% — %		Total special items		(35.8)		(29.7)		(31.0)
GAAP operating income \$ 179.4 \$ 222.7 \$ 185.7  Special items:  a) Expensing of appraised inventory at fair market value step-up — 0.6 — b) Amortization of acquisition-related intangible assets 25.7 28.4 27.4 c) Restructuring, asset impairments and other, net 5.6 (3.7) 0.4 d) Intangible asset impairment 1.2 3.5 — e) Third party acquisition and divestiture related costs 3.3 1.5 0.4 f) R&D costs related to licensing income — 2.8 Total special items 35.8 30.3 31.0  Non-GAAP operating income \$ 215.2 \$ 253.0 \$ 216.7  Reconcilitation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin 12.9% 14.8 % 13.5%  Special items: a) Expensing of appraised inventory at fair market value step-up — % — % — % b) Amortization of acquisition-related intangible assets 1.9% 1.9 % 2.0% c) Restructuring, asset impairments and other, net 0.4% (0.2)% — %	Non	-GAAP operating expenses	\$	298.5	\$	317.3	\$	300.7
Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net  d) Intangible asset impairment  e) Third party acquisition and divestiture related costs  f) R&D costs related to licensing income  Total special items  Non-GAAP operating income  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net  O.4% (0.2)% —%  10.6  - 0.8  25.7  28.4  27.4  27.4  25.7  28.4  27.4  27.4  25.7  28.4  27.4  26.7  28.8  3.3  3.1.5  0.4  4.8  3.5  3.3  3.1.5  0.4  4.8  3.5  3.3  3.1.0  3.1	Rec	onciliation of GAAP operating income to non-GAAP operating						
a) Expensing of appraised inventory at fair market value step-up b) Amortization of acquisition-related intangible assets c) Restructuring, asset impairments and other, net c) Restructuring, asset impairments and other, net d) Intangible asset impairment 1.2 3.5 — e) Third party acquisition and divestiture related costs 3.3 1.5 0.4 f) R&D costs related to licensing income Total special items 35.8 30.3 31.0  Non-GAAP operating income Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items: a) Expensing of appraised inventory at fair market value step-up b) Amortization of acquisition-related intangible assets c) Restructuring, asset impairments and other, net c) Restructuring, asset impairments and other, net c) Restructuring, asset impairments and other, net c) Restructuring income / 0.6 —	GA/	AP operating income	\$	179.4	\$	222.7	\$	185.7
b) Amortization of acquisition-related intangible assets c) Restructuring, asset impairments and other, net c) Restructuring, asset impairments and other, net d) Intangible asset impairment e) Third party acquisition and divestiture related costs f) R&D costs related to licensing income Total special items Total special items Total special items Total of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin Special items: a) Expensing of appraised inventory at fair market value step-up b) Amortization of acquisition-related intangible assets c) Restructuring, asset impairments and other, net c) Restructuring in Come in Company in	Sp	ecial items:						
c) Restructuring, asset impairments and other, net  d) Intangible asset impairment  e) Third party acquisition and divestiture related costs  f) R&D costs related to licensing income  Total special items  Non-GAAP operating income  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  C) Restructuring, asset impairments and other, net  5.6 (3.7) 0.4  3.5	a)	Expensing of appraised inventory at fair market value step-up		_		0.6		_
d) Intangible asset impairment e) Third party acquisition and divestiture related costs f) R&D costs related to licensing income Total special items Total special ite	b)	Amortization of acquisition-related intangible assets		25.7		28.4		27.4
e) Third party acquisition and divestiture related costs f) R&D costs related to licensing income     Total special items     Non-GAAP operating income  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items: a) Expensing of appraised inventory at fair market value step-up b) Amortization of acquisition-related intangible assets c) Restructuring, asset impairments and other, net  3.3 1.5 0.4 2.8 3.3 3.1.0 3.10 3.1	c)	Restructuring, asset impairments and other, net		5.6		(3.7)		0.4
f) R&D costs related to licensing income  Total special items  Non-GAAP operating income  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  1.9%  1.9%  1.9%  2.8  35.8  30.3  31.0  12.67  12.9%  14.8 %  13.5%	d)	Intangible asset impairment		1.2		3.5		_
Total special items 35.8 30.3 31.0  Non-GAAP operating income \$215.2 \$253.0 \$216.7  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin 12.9% 14.8 % 13.5%  Special items:  a) Expensing of appraised inventory at fair market value step-up —% — % — %  b) Amortization of acquisition-related intangible assets 1.9% 1.9 % 2.0%  c) Restructuring, asset impairments and other, net 0.4% (0.2)% — %	e)	Third party acquisition and divestiture related costs		3.3		1.5		0.4
Non-GAAP operating income  Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net  \$ 215.2 \$ 253.0 \$ 216.7 \$	f)	R&D costs related to licensing income		_		_		2.8
Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net		Total special items		35.8		30.3		31.0
margin (operating income / revenue):  GAAP operating margin  Special items:  a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net  12.9%  14.8 %  13.5%  - %  - %  - %  - %  2.0%  0.4%  (0.2)%  - %	Non	-GAAP operating income	\$	215.2	\$	253.0	\$	216.7
Special items:  a) Expensing of appraised inventory at fair market value step-up —% — % — % b) Amortization of acquisition-related intangible assets 1.9% 1.9 % 2.0% c) Restructuring, asset impairments and other, net 0.4% (0.2)% —%							-	
a) Expensing of appraised inventory at fair market value step-up  b) Amortization of acquisition-related intangible assets  c) Restructuring, asset impairments and other, net  -% -% -% -% -% -% -% -% -% -% -% -% -%	GAA	AP operating margin		12.9%		14.8 %	כ	13.5%
b) Amortization of acquisition-related intangible assets 1.9% 1.9% 2.0% c) Restructuring, asset impairments and other, net 0.4% (0.2)% -%	Spe	ecial items:						
c) Restructuring, asset impairments and other, net 0.4% (0.2)% —%	a)	Expensing of appraised inventory at fair market value step-up		—%		— %	כ	—%
	b)	Amortization of acquisition-related intangible assets		1.9%		1.9 %	)	2.0%
	c)	Restructuring, asset impairments and other, net		0.4%		(0.2)%	, o	<b>—</b> %
	d)			0.1%				—%
e) Third party acquisition and divestiture related costs 0.2% 0.1 % —%	e)	Third party acquisition and divestiture related costs		0.2%		0.1 %	נ	—%

### RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

				Qua	arters Ende	d	
		N	larch 29, 2019		December 31, 2018		March 30, 2018
f)	R&D costs related to licensing income		—%		— %	, 0	0.2%
	Total special items		2.6%		2.0 %	, o	2.2%
Nor	n-GAAP operating margin		15.5%		16.8 %	0	15.7%
	conciliation of GAAP income before income taxes to non-GAAP ome before income taxes:						
GA	AP income before income taxes	\$	152.3	\$	188.7	\$	156.9
Sp	ecial items:						
a)	Expensing of appraised inventory at fair market value step-up				0.6		_
b)	Amortization of acquisition-related intangible assets		25.7		28.4		27.4
c)	Restructuring, asset impairments and other, net		5.6		(3.7)		0.4
d)	Intangible asset impairment		1.2		3.5		_
e)	Third party acquisition and divestiture related costs		3.3		1.5		0.4
f)	R&D costs related to licensing income		_		_		2.8
g)	Actuarial losses on pension plans and other pension benefits		_		5.8		_
h)	Non-cash interest on convertible notes		9.1		9.5		8.7
i)	Indemnification gain		(4.9)		_		_
j)	Adjustment to contingent consideration				_		(2.1)
k)	Licensing income		_		(3.7)		(3.8)
,	Total special items		40.0		41.9		33.8
Nor	n-GAAP income before income taxes	\$	192.3	\$	230.6	\$	190.7
Cor	conciliation of GAAP net income attributable to ON Semiconductor poration to non-GAAP net income attributable to ON niconductor Corporation:	•					
GA	AP net income attributable to ON Semiconductor Corporation	\$	114.1	\$	165.6	\$	139.6
Sp	ecial items:				-		
a)	Expensing of appraised inventory at fair market value step-up		_		0.6		_
b)	Amortization of acquisition-related intangible assets		25.7		28.4		27.4
c)	Restructuring, asset impairments and other, net		5.6		(3.7)		0.4
d)	Intangible asset impairment		1.2		3.5		_
e)	Third party acquisition and divestiture related costs		3.3		1.5		0.4
f)	R&D costs related to licensing income		_		_		2.8
g)	Actuarial losses on pension plans and other pension benefits		_		5.8		_
h)	Non-cash interest on convertible notes		9.1		9.5		8.7
i)	Indemnification gain		(4.9)		_		_
j)	Adjustment to contingent consideration				_		(2.1)
k)	Licensing income		_		(3.7)		(3.8)
l)	Adjustment of income taxes		23.0		14.5		(2.7)
,	Total special items		63.0		56.4		31.1
Nor	n-GAAP net income attributable to ON Semiconductor Corporation	\$	177.1	\$	222.0	\$	170.7
	ustment of income taxes:			_			
	adjustment for special items (1)	\$	(8.4)	\$	(8.8)	\$	(7.1)
	er non-GAAP tax adjustment (2)		31.0		36.4		4.4
	n-cash impact of U.S. tax reform (3)				35.1		
	,				J J		

#### RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)

(in millions, except per share and percentage data)

			Qua	arters Ende	ed	
	-	March 29, 2019	ı	December 31, 2018	N	March 30, 2018
Impact of U.S. tax method changes		_		(48.2)		
Tax indemnified by third parties		0.4		_		_
Total adjustment of income taxes	\$	23.0	\$	14.5	\$	(2.7)
Reconciliation of GAAP diluted share count to non-GAAP diluted share count	:					
GAAP diluted share count		417.7		420.0		444.2
Special items:						
a) Dilutive share count attributable to convertible notes		(3.9)		_		(12.6)
Total special items		(3.9)		_	_	(12.6)
Non-GAAP diluted share count		413.8		420.0		431.6
Non-GAAP diluted earnings per share:						
Non-GAAP net income attributable to ON Semiconductor Corporation	\$	177.1	\$	222.0	\$	170.7
Non-GAAP diluted share count		413.8		420.0		431.6
Non-GAAP diluted earnings per share	\$	0.43	\$	0.53	\$	0.40
Reconciliation of net cash provided by operating activities to free cash flow:		-		-		-
Net cash provided by operating activities	\$	138.2	\$	421.0	\$	226.5
Special items:						
a) Purchase of property, plant and equipment		(157.0)		(132.0)		(99.5)
Total special items		(157.0)		(132.0)		(99.5)
Free cash flow	\$	(18.8)	\$	289.0	\$	127.0
		-		-		-

- (1) Tax impact of non-GAAP special items (a-k) is calculated using the federal statutory rate of 21% for all periods presented.
- (2) The income tax adjustment primarily represents the use of the net operating loss, non-cash impact of not asserting indefinite reinvestment on earnings of our foreign subsidiaries, deferred tax expense not affecting taxes payable, and non-cash expense (benefit) related to uncertain tax positions.
- (3) Tax impacts of U.S. tax reform legislation, H.R.1, commonly referred to as the "Tax Cuts and Jobs Act," and related provisional impacts recorded pursuant to Staff Accounting Bulletin (SAB) No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act.

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.

		(	Quarters Ende	ed	d		
	March 2 2019	9,	December 31, 2018		March 30, 2018		
Cost of revenue	\$	1.9	\$ 1.9	\$	1.6		
Research and development		3.6	3.7		3.2		
Selling and marketing		3.8	3.6		3.2		
General and administrative	1	0.4	9.7		10.4		
Total share-based compensation expense	\$ 1	9.7	\$ 18.9	\$	18.4		