
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

**August 6, 2016
Date of Report (Date of earliest event reported)**

ON Semiconductor Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-30419
(Commission File Number)

36-3840979
(IRS Employer
Identification No.)

ON Semiconductor Corporation
5005 E. McDowell Road
Phoenix, Arizona
(Address of principal executive offices)

85008
(Zip Code)

(602) 244-6600
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operation and Financial Condition.

On August 6, 2016, ON Semiconductor Corporation (the “Company”) announced in a news release its financial performance for the quarter ending July 1, 2016 and other related material information (“Earnings Release”). A copy of the Earnings Release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information under this Item 2.02 of this report, including Exhibit 99.1, is being furnished under Item 2.02 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), or otherwise subject to liability of that section nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

Not applicable.

(b) Pro Forma Financial Information

Not applicable.

(c) Shell Company Transactions

Not applicable.

(d) Exhibits

The below exhibit is furnished as part of this report.

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release for ON Semiconductor Corporation dated August 6, 2016, announcing financial performance for the quarter ended July 1, 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ON SEMICONDUCTOR CORPORATION
(Registrant)

Date: August 8, 2016

By: /s/ Bernard Gutmann
Bernard Gutmann
Executive Vice President, Chief Financial
Officer, and Treasurer

EXHIBIT INDEX

The below exhibit is furnished as part of this report.

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release for ON Semiconductor Corporation dated August 6, 2016, announcing financial performance for the quarter ended July 1, 2016



ON Semiconductor®

Kris Pugsley
Corporate/Media Communications
ON Semiconductor
(312) 909-0661
kris.pugsley@onsemi.com

Parag Agarwal
Investor Relations
ON Semiconductor
(602) 244-3437
Investor@onsemi.com

ON Semiconductor Reports Second Quarter 2016 Results

For the second quarter of 2016, highlights include:

- Total revenues of \$877.8 million
- GAAP earnings per diluted share of \$0.06, non-GAAP earnings per diluted share of \$0.21
- GAAP and non-GAAP gross margin of 35.1 percent
- GAAP operating margin of 8.6 percent, and non-GAAP operating margin of 12.3 percent

PHOENIX, Ariz. – Aug. 6, 2016 – ON Semiconductor Corporation (Nasdaq: ON) today announced that total revenues in the second quarter of 2016 were \$877.8 million, up approximately seven percent compared to the first quarter of 2016. During the second quarter of 2016, the company reported GAAP net income of \$25.1 million, or \$0.06 per diluted share. The second quarter 2016 GAAP net income was negatively impacted by approximately \$63.4 million of special items, details of which can be found in the attached schedules.

Second quarter 2016 non-GAAP net income was \$88.5 million, or \$0.21 per diluted share, compared to \$70.3 million, or \$0.17 per diluted share, for the first quarter of 2016. A reconciliation of these non-GAAP financial measures (and other non-GAAP measures used elsewhere in this release) to the company's most directly comparable measures prepared in accordance with U.S. GAAP are set forth in the attached schedules and on our website at <http://www.onsemi.com>. Additional information on revenue by end market, region, distribution channel, business units and share count can be found on the "Investors" section of our website.

Total company GAAP and non-GAAP gross margin in the second quarter was 35.1 percent. For the second quarter of 2016, GAAP operating margin was 8.6 percent, and non-GAAP operating margin was 12.3 percent.

Adjusted EBITDA for the second quarter of 2016 was \$161.7 million. Adjusted EBITDA for the first quarter of 2016 was \$141.5 million.

"Our execution momentum continued in the second quarter with strong revenue growth and margin expansion," said Keith Jackson, president and CEO of ON Semiconductor. "We intend to continue on our current trajectory of margin expansion as ongoing optimization of our operations should enable us to deliver further improvements in our margins."

“Traction in our strategic end-markets of automotive, industrial, and mobile devices remains strong, even though the global macroeconomic conditions and overall demand environment continue to be subdued. We remain well positioned to outgrow the semiconductor industry, driven by strength of our product portfolio and design win pipeline.”

THIRD QUARTER 2016 OUTLOOK

“Based on product booking trends, backlog levels, and estimated turns levels, we anticipate that total ON Semiconductor revenue will be approximately \$885 to \$925 million in the third quarter of 2016,” Jackson said. “Backlog levels for the third quarter of 2016 represent approximately 80 to 85 percent of our anticipated third quarter 2016 revenue. The outlook for the third quarter of 2016 includes stock-based compensation expense of approximately \$13 million to \$15 million. Net cash paid for income taxes is expected to be \$5 million to \$9 million.”

The following table outlines ON Semiconductor’s projected third quarter of 2016 GAAP and non-GAAP outlook.

ON SEMICONDUCTOR Q3 2016 BUSINESS OUTLOOK

	Total ON Semiconductor GAAP	Special Items ***	Total ON Semiconductor Non-GAAP****
Revenue	\$885 to \$925 million		\$885 to \$925 million
Gross Margin	34.6% to 36.6%		34.6% to 36.6%
Operating Expenses	\$225 to \$237 million	\$25 to \$27 million	\$200 to \$210 million
Net Interest Expense / Other Expenses*	\$9.5 to \$12.5 million		\$9.5 to \$12.5 million
Convertible Notes, Non-cash Interest Expense, Pre-acquisition Interest Expense	\$22 to \$29 million	\$22 to \$29 million	
Diluted Share Count **	420 million		420 million

* Convertible Notes, Non-cash Interest Expense is calculated pursuant to FASB’s Accounting Standards Codification (“ASC”) Topic 470: Debt. Includes interest expense related to acquisition of Fairchild Semiconductor.

** Diluted share count can vary for, among other things, the actual exercise of options or vesting of restricted stock units, the incremental dilutive shares from the company’s convertible senior subordinated notes, and the repurchase or the issuance of stock or convertible notes or the sale of treasury shares. In periods when the quarterly average stock price per share exceeds \$18.50, the Non-GAAP diluted share count and Non-GAAP net income per share includes the anti-dilutive impact of the company’s hedge transactions, issued concurrently with the 1.00% Notes. At an average stock price per share between \$18.50 and \$25.96, the hedging activity offsets the potentially dilutive effect of the 1.00% Notes and warrants.

*** Special items may include: 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; interest incurred for acquisition related financing for periods prior to the acquisition close; actuarial (gains) losses on pension plans and other pension benefits; income tax adjustments related to these special items; and certain other special items, as necessary. These special items could change significantly and are subject to swings from period to period. As a result, we are not able to reasonably estimate and separately present the individual impact of these special items. For this reason, we use a projected range of the aggregate amount of special items in order to calculate our projected non-GAAP operating expense outlook.

**** Regulation G and other provisions of the securities laws regulate the use of financial measures that are not prepared in accordance with GAAP. We believe these non-GAAP measures provide important supplemental information to investors. We use these measures, 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 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.

UPDATE ON FAIRCHILD TRANSACTION

As previously announced, ON Semiconductor entered into an Agreement and Plan of Merger with Fairchild Semiconductor International, Inc. to acquire all of the outstanding shares of Fairchild common stock. The company continues to work expeditiously to obtain the remaining required regulatory approvals in the U.S. and China in connection with the transaction and expects to close the acquisition around the end of August.

TELECONFERENCE

ON Semiconductor will host a conference call for the financial community at 9:00 a.m. Eastern Time (EDT) on August 8, 2016, to discuss this announcement and ON Semiconductor’s results for the second quarter of 2016. The company will also provide a real-time audio webcast of the teleconference on the Investors page of its website at <http://www.onsemi.com>. The webcast replay will be available at this site approximately one hour following the live broadcast and will continue to be available for approximately 30 days following the conference call. Investors and interested parties can also access the conference call through a telephone call by dialing (877) 356-3762 (U.S./Canada) or (262) 558-6155 (International). In order to join this conference call, you will be required to provide the Conference ID Number – which is 43049480.

About ON Semiconductor

ON Semiconductor (Nasdaq: ON) is driving energy efficient innovations, empowering customers to reduce global energy use. The company is a leading supplier of semiconductor-based solutions, offering a comprehensive portfolio of energy efficient power management, analog, sensors, logic, timing, connectivity, discrete, SoC and custom devices. The company’s products help engineers solve their unique design challenges in automotive, communications, computing, consumer, industrial, medical, aerospace and defense applications. ON Semiconductor operates a responsive, reliable, world-class supply chain and quality program, a robust compliance and ethics program, and a network of manufacturing facilities, sales offices and design centers in key markets throughout North America, Europe and the Asia Pacific regions. For more information, visit <http://www.onsemi.com>.

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ON Semiconductor and the ON Semiconductor logo are registered trademarks of Semiconductor Components Industries, LLC. All other brand and product names appearing in this document are registered trademarks or trademarks of their respective holders. Although the company references its website in this news release, information on the website is not to be incorporated herein.

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included or incorporated in this document could be deemed forward-looking statements, particularly statements about the future financial performance of ON Semiconductor. These forward-looking statements are often characterized by the use of words such as “believes,” “estimates,” “expects,” “projects,” “may,” “will,” “intends,” “plans,” “should,” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in this document are made based on our current expectations, forecasts, estimates and assumptions, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the

forward-looking statements. Among these factors are our revenues and operating performance, economic conditions and markets (including current financial conditions), effects of exchange rate fluctuations, the cyclical nature of the semiconductor industry, changes in demand for our products, changes in inventories at our customers and distributors, technological and product development risks, enforcement and protection of our intellectual property rights and related risks, risks related to the security of our information systems and secured network, availability of raw materials, electricity, gas, water and other supply chain uncertainties, our ability to effectively shift production to other facilities when required in order to maintain supply continuity for our customers, variable demand and the aggressive pricing environment for semiconductor products, our ability to successfully manufacture in increasing volumes on a cost-effective basis and with acceptable quality for our current products, risks associated with our pending acquisition of Fairchild, including: (1) the risk that the conditions to the closing of the transaction are not satisfied; (2) litigation challenging the transaction; (3) uncertainties as to the timing of the consummation of the transaction and the ability of each party to consummate the transaction; (4) risks that the proposed transaction disrupts our current plans and operations; (5) our ability to retain key personnel; (6) competitive responses to the transaction; (7) unexpected costs, charges or expenses resulting from the transaction; (8) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction; (9) our ability to realize the benefits of the acquisition of Fairchild; (10) delays, challenges and expenses associated with integrating the businesses; (11) delays, challenges and expenses associated with the indebtedness planned to be incurred in connection with the transaction; and (12) legislative, regulatory and economic developments, competitor actions including the adverse impact of competitor product announcements, pricing and gross profit pressures, loss of key customers, order cancellations or reduced bookings, changes in manufacturing yields, control of costs and expenses and realization of cost savings and synergies from restructuring activities, significant litigation, risks associated with decisions to expend cash reserves for various uses in accordance with our capital allocation policy such as debt prepayment, stock repurchases or acquisitions rather than to retain such cash for future needs, risks associated with acquisitions and dispositions (including from integrating and consolidating and timely filing financial information with the Securities and Exchange Commission ("SEC") for acquired businesses and difficulties encountered in accurately predicting the future financial performance of acquired businesses), risks associated with our substantial leverage and restrictive covenants in our debt agreements that may be in place from time to time, risks associated with our worldwide operations, including foreign employment and labor matters associated with unions and collective bargaining arrangements, as well as man-made and/or natural disasters affecting our operations and finances/financials, the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally, risks and costs associated with increased and new regulation of corporate governance and disclosure standards, risks related to new legal requirements and risks involving environmental or other governmental regulation. Additional factors that could cause results to differ materially from those projected in the forward-looking statements are contained in ON Semiconductor's 2015 Annual Report on Form 10-K filed with the SEC on February 24, 2016 ("2015 Form 10-K"), Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other of our filings with the SEC. You should carefully consider the trends, risks and uncertainties described in this document, the 2015 Form 10-K and other reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of these trends, risks or uncertainties actually occurs or continues, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information, except as may be required by law. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	Quarter Ended			Six Months Ended	
	July 1, 2016	April 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Revenues	\$877.8	\$817.2	\$880.5	\$1,695.0	\$1,751.3
Cost of revenues (exclusive of amortization shown below)	569.9	541.7	576.1	1,111.6	1,146.5
Gross profit	307.9	275.5	304.4	583.4	604.8
Gross margin	35.1%	33.7%	34.6%	34.4%	34.5%
Operating expenses:					
Research and development	103.0	98.0	100.4	201.0	200.8
Selling and marketing	52.7	49.2	50.4	101.9	103.7
General and administrative	46.0	44.5	45.0	90.5	91.7
Amortization of acquisition-related intangible assets	23.5	23.7	33.6	47.2	67.5
Restructuring, asset impairments and other, net	5.2	1.7	3.5	6.9	1.2
Intangible asset impairment	2.2	—	3.7	2.2	3.7
Total operating expenses	232.6	217.1	236.6	449.7	468.6
Operating income	75.3	58.4	67.8	133.7	136.2
Other income (expense), net:					
Interest expense	(42.1)	(15.6)	(10.7)	(57.7)	(19.9)
Interest income	2.1	0.3	0.3	2.4	0.6
Other	(1.9)	(1.4)	2.1	(3.3)	5.8
Loss on debt extinguishment	—	—	(0.4)	—	(0.4)
Other (expense) income, net	(41.9)	(16.7)	(8.7)	(58.6)	(13.9)
Income before income taxes	33.4	41.7	59.1	75.1	122.3
Income tax (provision) benefit	(7.6)	(5.3)	(7.7)	(12.9)	(15.1)
Net income	25.8	36.4	51.4	62.2	107.2
Less: Net income attributable to non-controlling interest	(0.7)	(0.4)	(0.7)	(1.1)	(1.4)
Net income attributable to ON Semiconductor Corporation	\$ 25.1	\$ 36.0	\$ 50.7	\$ 61.1	\$ 105.8
Net income per common share attributable to ON Semiconductor Corporation:					
Basic	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.15	\$ 0.25
Diluted	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.15	\$ 0.24
Weighted average common shares outstanding:					
Basic	414.9	412.6	426.9	413.7	429.2
Diluted	417.6	415.5	436.3	416.5	438.2

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in millions)

	<u>July 1, 2016</u>	<u>April 1, 2016</u>	<u>July 3, 2015</u>
Assets			
Cash and cash equivalents	\$ 588.1	\$ 619.5	\$ 576.6
Short-term investments	—	—	1.3
Receivables, net	487.4	428.2	489.9
Inventories	750.2	759.7	743.0
Other current assets	96.1	94.3	121.3
Total current assets	<u>1,921.8</u>	<u>1,901.7</u>	<u>1,932.1</u>
Restricted cash	2,235.8	—	—
Property, plant and equipment, net	1,277.2	1,270.4	1,225.5
Goodwill	270.6	270.6	263.8
Intangible assets, net	276.8	302.3	387.3
Other assets	115.6	110.1	90.8
Total assets	<u>\$ 6,097.8</u>	<u>\$ 3,855.1</u>	<u>\$3,899.5</u>
Liabilities, Non-Controlling Interest and Stockholders' Equity			
Accounts payable	\$ 302.5	\$ 305.9	\$ 335.5
Accrued expenses	302.6	245.2	273.8
Deferred income on sales to distributors	118.7	112.9	155.1
Current portion of long-term debt	536.7	525.4	555.9
Total current liabilities	<u>1,260.5</u>	<u>1,189.4</u>	<u>1,320.3</u>
Long-term debt	2,935.1	835.1	806.4
Other long-term liabilities	176.5	152.5	153.1
Total liabilities	<u>4,372.1</u>	<u>2,177.0</u>	<u>2,279.8</u>
ON Semiconductor Corporation stockholders' equity:			
Common stock	5.4	5.4	5.3
Additional paid-in capital	3,457.1	3,437.0	3,387.8
Accumulated other comprehensive loss	(39.4)	(41.3)	(43.6)
Accumulated deficit	(648.3)	(673.4)	(809.8)
Less: Treasury stock, at cost	<u>(1,073.9)</u>	<u>(1,073.7)</u>	<u>(942.3)</u>
Total ON Semiconductor Corporation stockholders' equity	<u>1,700.9</u>	<u>1,654.0</u>	<u>1,597.4</u>
Non-controlling interest in consolidated subsidiary	24.8	24.1	22.3
Total stockholders' equity	<u>1,725.7</u>	<u>1,678.1</u>	<u>1,619.7</u>
Total liabilities and equity	<u>\$ 6,097.8</u>	<u>\$ 3,855.1</u>	<u>\$3,899.5</u>

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

UNAUDITED RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA* AND

NET CASH PROVIDED BY OPERATING ACTIVITIES

(in millions)

	Quarter Ended			Six Months Ended	
	July 1, 2016	April 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Net income	\$ 25.8	\$ 36.4	\$ 51.4	\$ 62.2	\$ 107.2
Adjusted for:					
Restructuring, asset impairments and other, net	5.2	1.7	3.5	6.9	1.2
Intangible asset impairment	2.2	—	3.7	2.2	3.7
Interest expense	42.1	15.6	10.7	57.7	19.9
Interest income	(2.1)	(0.3)	(0.3)	(2.4)	(0.6)
Loss on debt extinguishment	—	—	0.4	—	0.4
Gain on sale of available-for-sale securities	—	—	(1.3)	—	(4.7)
Income tax provision (benefit)	7.6	5.3	7.7	12.9	15.1
Net income attributable to non-controlling interest	(0.7)	(0.4)	(0.7)	(1.1)	(1.4)
Depreciation and amortization	79.6	80.7	88.4	160.3	178.6
Third party acquisition related costs	2.0	2.5	—	4.5	—
Adjusted EBITDA*	161.7	141.5	163.5	303.2	319.4
Increase (decrease):					
Restructuring, asset impairments and other, net	(5.2)	(1.7)	(3.5)	(6.9)	(1.2)
Interest expense	(42.1)	(15.6)	(10.7)	(57.7)	(19.9)
Interest income	2.1	0.3	0.3	2.4	0.6
Gain on sale of available-for-sale securities	—	—	1.3	—	4.7
Income tax provision	(7.6)	(5.3)	(7.7)	(12.9)	(15.1)
Net income attributable to non-controlling interest	0.7	0.4	0.7	1.1	1.4
Third party acquisition related costs	(2.0)	(2.5)	—	(4.5)	—
Loss (gain) on sale or disposal of fixed assets	0.3	(0.1)	(0.5)	0.2	(4.5)
Amortization of debt issuance costs	2.1	1.0	0.6	3.1	0.9
Amortization of debt discount	0.9	—	—	0.9	—
Write-down of excess inventories	17.8	17.9	10.5	35.7	28.2
Non-cash asset impairment charges	—	—	0.2	—	0.2
Non-cash share-based compensation expense	16.1	11.6	14.1	27.7	25.4
Non-cash interest on convertible notes	6.5	6.5	3.0	13.0	4.8
Change in deferred taxes	2.1	1.1	—	3.2	(0.4)
Other	(4.9)	1.5	(2.1)	(3.4)	(5.1)
Changes in operating assets and liabilities	(44.3)	(41.7)	(68.1)	(86.0)	(154.3)
Net cash provided by operating activities	<u>\$104.2</u>	<u>\$114.9</u>	<u>\$101.6</u>	<u>\$219.1</u>	<u>\$ 185.1</u>

* 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, 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 our company or other companies, 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)

	Quarter Ended			Six Months Ended	
	July 1, 2016	April 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Reconciliation of GAAP gross profit to non-GAAP gross profit:					
GAAP gross profit	\$307.9	\$275.5	\$304.4	\$583.4	\$604.8
Non-GAAP gross profit	<u>\$307.9</u>	<u>\$275.5</u>	<u>\$304.4</u>	<u>\$583.4</u>	<u>\$604.8</u>
Reconciliation of GAAP gross margin to non-GAAP gross margin:					
GAAP gross margin	35.1%	33.7%	34.6%	34.4%	34.5%
Non-GAAP gross margin	<u>35.1%</u>	<u>33.7%</u>	<u>34.6%</u>	<u>34.4%</u>	<u>34.5%</u>
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:					
GAAP operating expenses	\$232.6	\$217.1	\$236.6	\$449.7	\$468.6
Special items:					
a) Amortization of acquisition related intangible assets	(23.5)	(23.7)	(33.6)	(47.2)	(67.5)
b) Restructuring, asset impairments and other, net	(5.2)	(1.7)	(3.5)	(6.9)	(1.2)
c) Intangible asset impairments	(2.2)	—	(3.7)	(2.2)	(3.7)
d) Third party acquisition related costs	(2.0)	(2.5)	—	(4.5)	—
Total special items	<u>(32.9)</u>	<u>(27.9)</u>	<u>(40.8)</u>	<u>(60.8)</u>	<u>(72.4)</u>
Non-GAAP operating expenses	<u>\$199.7</u>	<u>\$189.2</u>	<u>\$195.8</u>	<u>\$388.9</u>	<u>\$396.2</u>
Reconciliation of GAAP operating income to non-GAAP operating income:					
GAAP operating income	\$ 75.3	\$ 58.4	\$ 67.8	\$133.7	\$136.2
Special items:					
a) Amortization of acquisition related intangible assets	23.5	23.7	33.6	47.2	67.5
b) Restructuring, asset impairments and other, net	5.2	1.7	3.5	6.9	1.2
c) Intangible asset impairments	2.2	—	3.7	2.2	3.7
d) Third party acquisition related costs	2.0	2.5	—	4.5	—
Total special items	<u>32.9</u>	<u>27.9</u>	<u>40.8</u>	<u>60.8</u>	<u>72.4</u>
Non-GAAP operating income	<u>\$108.2</u>	<u>\$ 86.3</u>	<u>\$108.6</u>	<u>\$194.5</u>	<u>\$208.6</u>

	Quarter Ended			Six Months Ended	
	July 1, 2016	April 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Reconciliation of GAAP operating margin to non-GAAP operating margin (operating income / revenues):					
GAAP operating margin	8.6%	7.1%	7.7%	7.9%	7.8%
Special items:					
a) Amortization of acquisition related intangible assets	2.7%	2.9%	3.8%	2.8%	3.9%
b) Restructuring, asset impairments and other, net	0.6%	0.2%	0.4%	0.4%	0.1%
c) Intangible asset impairments	0.3%	— %	0.4%	0.1%	0.2%
d) Third party acquisition related costs	0.2%	0.3%	— %	0.3%	— %
Total special items	3.7%	3.4%	4.6%	3.6%	4.2%
Non-GAAP operating margin	12.3%	10.6%	12.3%	11.5%	12.0%
Reconciliation of GAAP net income to non-GAAP net income:					
GAAP net income attributable to ON Semiconductor Corporation	\$25.1	\$ 36.0	\$50.7	\$ 61.1	\$105.8
Special items:					
a) Amortization of acquisition related intangible assets (operating expenses)	23.5	23.7	33.6	47.2	67.5
b) Restructuring, asset impairments and other, net	5.2	1.7	3.5	6.9	1.2
c) Intangible asset impairments	2.2	—	3.7	2.2	3.7
d) Third party acquisition related costs	2.0	2.5	—	4.5	—
e) Loss on debt extinguishment	—	—	0.4	—	0.4
f) Gain on sale of available-for-sale securities	—	—	(1.3)	—	(4.7)
g) Non-cash interest on convertible notes	6.5	6.5	3.0	13.0	4.8
h) Pre-acquisition interest expense, net	23.9	—	—	23.9	—
i) Adjustment to income taxes for special items	0.1	(0.1)	(0.9)	—	(1.2)
h) Total special items	63.4	34.3	42.0	97.7	71.7
Non-GAAP net income	\$88.5	\$ 70.3	\$92.7	\$158.8	\$177.5
Reconciliation of GAAP basic net income per share to non-GAAP basic net income per share:					
GAAP basic net income per share:	\$0.06	\$ 0.09	\$0.12	\$ 0.15	\$ 0.25
Special items:					
a) Amortization of acquisition related intangible assets (operating expenses)	0.06	0.06	0.08	0.11	0.16
b) Restructuring, asset impairments and other, net	0.01	—	0.01	0.02	—
c) Intangible asset impairments	0.01	—	0.01	0.01	0.01
d) Third party acquisition related costs	—	0.01	—	0.01	—
e) Loss on debt extinguishment	—	—	—	—	—
f) Gain on sale of available-for-sale securities	—	—	—	—	(0.01)
g) Non-cash interest on convertible notes	0.02	0.02	0.01	0.03	0.01
h) Pre-acquisition interest expense, net	0.06	—	—	0.06	—
i) Adjustment to income taxes for special items	—	—	—	—	—
h) Total special items	0.15	0.08	0.10	0.23	0.16
Non-GAAP basic net income per share:	\$0.21	\$ 0.17	\$0.22	\$ 0.38	\$ 0.41

	Quarter Ended			Six Months Ended	
	July 1, 2016	April 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Reconciliation of GAAP diluted net income per share to non-GAAP diluted net income per share:					
GAAP diluted net income per share:	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.15	\$ 0.24
Special items:					
a) Amortization of acquisition related intangible assets (operating expenses)	0.06	0.06	0.08	0.11	0.15
b) Restructuring, asset impairments and other, net	0.01	—	0.01	0.02	—
c) Intangible asset impairments	0.01	—	0.01	0.01	0.01
d) Third party acquisition related costs	—	0.01	—	0.01	—
e) Loss on debt extinguishment	—	—	—	—	—
f) Gain on sale of available-for-sale securities	—	—	—	—	(0.01)
g) Non-cash interest on convertible notes	0.02	0.02	0.01	0.03	0.01
h) Pre-acquisition interest expense, net	0.06	—	—	0.06	—
i) Adjustment to income taxes for special items	—	—	—	—	—
h) Total special items	0.15	0.08	0.09	0.23	0.17
Non-GAAP diluted net income per share:	\$ 0.21	\$ 0.17	\$ 0.21	\$ 0.38	\$ 0.41
Weighted average common shares outstanding:					
Basic	414.9	412.6	426.9	413.7	429.2
Diluted	417.6	415.5	436.3	416.5	438.2

Certain of the amounts in the above tables may not total due to rounding of individual amounts.

Prior period amounts have been adjusted for comparability purposes because we no longer include an adjustment to reflect cash taxes.

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			Six Months Ended	
	July 1, 2016	April 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Cost of revenues	\$ 2.1	\$ 1.9	\$ 1.9	\$ 4.0	\$ 3.8
Research and development	2.9	2.5	2.5	5.4	4.8
Selling and marketing	2.5	2.1	2.3	4.6	4.5
General and administrative	8.6	5.1	7.4	13.7	12.3
Total share-based compensation expense	\$16.1	\$ 11.6	\$14.1	\$27.7	\$25.4

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 the 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, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition related costs, their related tax effects 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. In addition, we believe that most analysts covering ON Semiconductor use the non-GAAP measures as well. Given management's and other relevant 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 non-GAAP gross profit and gross margin allows management to evaluate, among other things, the gross margin and gross profit of the company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally speaking, 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 incentive and reward process as it is used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets, obtaining targets, 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 Operating Profit and Operating Margin

The use of non-GAAP operating profit and operating margin allows management to evaluate, among other things, the operating margin and operating profit of the company's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally speaking, expensing of appraised inventory fair market value step-up, amortization of intangible assets, third party acquisition related costs, and restructuring charges. In addition, it is an important component of management's internal performance measurement and incentive and reward process as it is used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets, obtaining targets, 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 operations of ON Semiconductor's core businesses.

Non-GAAP Net Income and Net Income Per Share

The use of non-GAAP net income and net income per share 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, generally speaking, the 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, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition related costs, and certain other special items, as necessary. In addition, they are important components of management's internal performance measurement and incentive and reward process as they are used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets, obtaining targets, 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 the extent comparable, to compare our results of operations on a more consistent basis against that of other companies in our industry. In periods when the quarterly average stock price per share exceeds \$18.50, the Non-GAAP diluted share count and Non-GAAP net income per share includes the anti-dilutive impact of the company's hedge transactions, issued concurrently with the 1.00% Notes. At an average stock price per share between \$18.50 and \$25.96, the hedging activity offsets the potentially dilutive effect of the 1.00% Notes and warrants.