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

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**FORM 8-K**

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

**October 30, 2014  
Date of Report (Date of earliest event reported)**

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

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**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.)

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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 October 30, 2014, ON Semiconductor Corporation (the “Company”) announced in a news release its financial performance for the third quarter ended September 26, 2014 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.

On October 30, 2014, following the release of the Earnings Release, the Company will hold a live conference call at 5:00 p.m. Eastern Daylight Time (EDT) to discuss its financial performance for the quarter ended September 26, 2014 and other related material information. The Earnings Release includes certain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures to the most directly comparable measures prepared in accordance with U.S. GAAP are set forth in the Earnings Release and posted separately on the Investors section of the Company’s website at <http://www.onsemi.com>. The Company will provide a real-time audio broadcast of the teleconference on the Investors section of its website at <http://www.onsemi.com>. The re-broadcast of the call 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 (888) 291-2604 (U.S./Canada) or (760) 536-5202 (International) and providing the conference ID number of 4360192.

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 October 30, 2014, announcing financial performance for the third quarter ended September 26, 2014

**Caution Regarding Forward Looking Statements:**

*Exhibit 99.1 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 exhibit 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 exhibit are made based on information available to us as of the date of this release, 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, poor 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, 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, 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 restructurings, significant litigation, risks associated with decisions to expend cash reserves for various uses 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 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. Information concerning additional factors that could cause results to differ materially from those projected in the forward-looking statements is contained in ON Semiconductor’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other of our filings with the Securities and Exchange Commission. 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 investors could lose all or part of their investment. Readers are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements should not be relied upon as representing our views as of any subsequent date and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made.*

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**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: October 30, 2014

By: /s/ Bernard Gutmann  
Bernard Gutmann  
Executive Vice President and Chief Financial Officer &  
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 October 30, 2014, announcing financial performance for the third quarter ended September 26, 2014



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### ON Semiconductor Reports Third Quarter 2014 Results

**For the third quarter of 2014, highlights include:**

- Total revenues of \$833.5 million
- GAAP gross margin of 34.1 percent
- Non-GAAP gross margin of 35.6 percent
- GAAP net income per diluted share of \$0.09
- Non-GAAP net income per diluted share of \$0.21
- Closed the acquisition of Aptina Imaging

**PHOENIX, Ariz. – October 30, 2014** – ON Semiconductor Corporation (Nasdaq: ONNN), driving energy efficient innovation, today announced that total revenues in the third quarter of 2014 were \$833.5 million, up approximately 10.0 percent compared to the second quarter of 2014. During the third quarter of 2014, the company reported GAAP net income of \$41.6 million, or \$0.09 per diluted share. The third quarter 2014 GAAP net income was negatively impacted by approximately \$51.6 million of special items. The complete special items detail can be found in the attached schedules. Results for third quarter of 2014 include the contribution from our recent acquisition of Aptina Imaging, which closed on August 15, 2014.

Third quarter 2014 non-GAAP net income was \$93.2 million, or \$0.21 per diluted share, compared to \$89.7 million, or \$0.20 per diluted share, for the second quarter of 2014. 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 and business unit, and share count can be found on the "Investors" section of our website.

On a mix-adjusted basis, average selling prices for ON Semiconductor in the third quarter of 2014 were down approximately two percent when compared to the second quarter of 2014. Total company GAAP gross margin in the third quarter was 34.1 percent and total company non-GAAP gross margin in the third quarter was 35.6 percent. For the third quarter of 2014, GAAP operating margin was 6.9 percent, whereas non-GAAP operating margin was 13.0 percent.

Adjusted EBITDA for the third quarter of 2014 was \$157.8 million. Adjusted EBITDA for the second quarter of 2014 was \$146.5 million.

“Our third quarter results and outlook for the fourth quarter were impacted by a slowdown in orders from certain geographies and end-markets,” said Keith Jackson, president and CEO of ON Semiconductor. “However, during the past few weeks, we have noticed a recovery in orders for shipment in first half of 2015. Despite the recent slowdown, our design win momentum in automotive, industrial, and smartphone end-markets remains strong, and we believe that we remain well positioned to benefit from long term secular trends in these markets.

“Initial customer reception of our recent acquisitions of Truesense and Aptina Imaging has exceeded our expectations. These acquisitions have created tremendous new opportunities for the combined company and we are increasingly upbeat about the potential of these acquisitions, especially in the industrial and automotive end-markets.”

#### FOURTH QUARTER 2014 OUTLOOK

“Based upon product booking trends, backlog levels, and estimated turns levels, we anticipate that total ON Semiconductor revenue will be approximately \$835 million to \$875 million in the fourth quarter of 2014.” Jackson said. “Backlog levels for the fourth quarter of 2014 represent approximately 80 to 85 percent of our anticipated fourth quarter 2014 revenue. Average selling prices for the fourth quarter of 2014 are expected to be down approximately one to two percent when compared to the third quarter of 2014. The outlook for the fourth quarter of 2014 includes stock-based compensation expense of approximately \$11 million to \$13 million.”

The following table outlines ON Semiconductor’s projected fourth quarter of 2014 GAAP and non-GAAP outlook.

#### ON SEMICONDUCTOR Q4 2014 BUSINESS OUTLOOK

	Total ON Semiconductor GAAP	Special Items ***	Total ON Semiconductor Non-GAAP****
Revenue	\$835 to \$875 million		\$835 to \$875 million
Gross Margin	31.8% to 33.6%	\$13 to \$15 million	33.4% to 35.4%
Operating Expenses	\$237 to \$249 million	\$32 to \$34 million	\$205 to \$215 million
Net Interest Expense / Other Expenses	\$7 to \$9 million		\$7 to \$9 million
Convertible Notes, Non-cash Interest Expense*	\$2 million	\$2 million	\$0 million
Tax	\$7 to \$10 million	\$2 to \$3 million	\$5 to \$7 million
Diluted Share Count **	442 million		442 million

\* Convertible Notes, Non-cash Interest Expense is calculated pursuant to FASB’s Accounting Standards Codification (“ASC”) Topic 470: Debt.

\*\* 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 all of the company’s convertible senior subordinated notes, and the repurchase or the issuance of stock or convertible notes or the sale of treasury shares.

\*\*\* Special items may include: 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, income tax adjustments to approximate cash taxes, actuarial (gains) losses on pension plans and other pension benefits, and certain other special items, as necessary.

\*\*\*\* 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.

## **TELECONFERENCE**

ON Semiconductor will host a conference call for the financial community at 5:00 p.m. Eastern Daylight Time (EDT) on October 30, 2014 to discuss this announcement and ON Semiconductor's results for the third quarter of 2014. 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 (888) 291-2604 (U.S./Canada) or (760) 536-5202 (International). In order to join this conference call, you will be required to provide the Conference ID Number - which is 4360192.

## **About ON Semiconductor**

ON Semiconductor (Nasdaq: ONNN) is driving innovation in energy efficient electronics, empowering design engineers to reduce global energy use. The company offers a comprehensive portfolio of energy efficient power and signal management, logic, discrete and custom solutions to help customers solve their unique design challenges in automotive, communications, computing, consumer, industrial, LED lighting, medical, military/aerospace and power supply applications. ON Semiconductor operates a responsive, reliable, world-class supply chain and quality 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, poor 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, 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 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 2013 Annual Report on Form 10-K filed with the SEC on February 21, 2014 (“2013 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 2013 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. 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 STATEMENT OF OPERATIONS**

(in millions, except per share data)

	Quarter Ended			Nine Months Ended	
	September 26, 2014	June 27, 2014	September 27, 2013	September 26, 2014	September 27, 2013
Revenues	\$ 833.5	\$ 757.6	\$ 715.4	\$ 2,297.6	\$ 2,064.7
Cost of revenues	549.4	484.6	466.2	1,489.7	1,379.2
Gross profit	284.1	273.0	249.2	807.9	685.5
Gross margin	34.1%	36.0%	34.8%	35.2%	33.2%
Operating expenses:					
Research and development	93.4	84.2	84.0	255.7	255.5
Selling and marketing	51.1	47.9	44.2	143.4	127.3
General and administrative	48.5	44.7	34.5	134.2	110.9
Amortization of acquisition-related intangible assets	23.4	10.4	8.2	42.0	24.8
Restructuring, asset impairments and other, net	10.1	4.1	11.0	20.0	11.1
Total operating expenses	226.5	191.3	181.9	595.3	529.6
Operating income	57.6	81.7	67.3	212.6	155.9
Other income (expense), net:					
Interest expense	(8.6)	(7.9)	(9.2)	(24.6)	(28.6)
Interest income	0.2	0.2	0.3	0.6	1.0
Other	(0.9)	(1.2)	(1.4)	(2.7)	3.6
Loss on debt exchange	—	—	—	—	(3.1)
Other income (expense), net	(9.3)	(8.9)	(10.3)	(26.7)	(27.1)
Income before income taxes	48.3	72.8	57.0	185.9	128.8
Income tax benefit (provision)	(6.3)	16.2	(4.2)	3.7	(4.0)
Net income	42.0	89.0	52.8	189.6	124.8
Less: Net income attributable to non-controlling interest	(0.4)	(1.0)	(1.0)	(1.6)	(2.7)
Net income attributable to ON Semiconductor Corporation	\$ 41.6	\$ 88.0	\$ 51.8	\$ 188.0	\$ 122.1
Net income per common share attributable to ON Semiconductor Corporation:					
Basic	\$ 0.09	\$ 0.20	\$ 0.12	\$ 0.43	\$ 0.27
Diluted	\$ 0.09	\$ 0.20	\$ 0.11	\$ 0.42	\$ 0.27
Weighted average common shares outstanding:					
Basic	440.7	441.1	449.3	440.7	449.8
Diluted	444.9	444.5	452.1	444.6	452.6

**ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED BALANCE SHEET**

(in millions)

	<u>September 26, 2014</u>	<u>June 27, 2014</u>	<u>December 31, 2013</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 492.1	\$ 598.9	\$ 509.5
Short-term investments	2.8	2.3	116.2
Receivables, net	488.7	437.3	383.4
Inventories	724.3	632.6	611.8
Other current assets	105.3	90.5	89.3
Total current assets	<u>1,813.2</u>	<u>1,761.6</u>	<u>1,710.2</u>
Property, plant and equipment, net	1,211.9	1,141.7	1,074.2
Goodwill	275.3	211.6	184.6
Intangible assets, net	480.4	245.5	223.4
Other assets	101.4	58.0	64.6
Total assets	<u>\$ 3,882.2</u>	<u>\$ 3,418.4</u>	<u>\$ 3,257.0</u>
<b>Liabilities, Non-Controlling Interest and Stockholders' Equity</b>			
Accounts payable	\$ 398.7	\$ 305.4	\$ 276.8
Accrued expenses	244.0	231.9	220.3
Deferred income on sales to distributors	167.0	162.6	140.5
Current portion of long-term debt	203.3	169.4	181.6
Total current liabilities	<u>1,013.0</u>	<u>869.3</u>	<u>819.2</u>
Long-term debt	980.3	735.5	760.6
Other long-term liabilities	214.6	174.1	190.4
Total liabilities	<u>2,207.9</u>	<u>1,778.9</u>	<u>1,770.2</u>
ON Semiconductor Corporation stockholders' equity:			
Common stock	5.2	5.2	5.2
Additional paid-in capital	3,269.0	3,250.6	3,210.8
Accumulated other comprehensive loss	(44.6)	(45.3)	(47.4)
Accumulated deficit	(954.1)	(995.7)	(1,142.1)
Less: treasury stock, at cost	<u>(632.9)</u>	<u>(608.1)</u>	<u>(572.5)</u>
Total ON Semiconductor Corporation stockholders' equity	<u>1,642.6</u>	<u>1,606.7</u>	<u>1,454.0</u>
Non-controlling interest in consolidated subsidiary	31.7	32.8	32.8
Total stockholders' equity	<u>1,674.3</u>	<u>1,639.5</u>	<u>1,486.8</u>
Total liabilities and equity	<u>\$ 3,882.2</u>	<u>\$ 3,418.4</u>	<u>\$ 3,257.0</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			Nine Months Ended	
	September 26, 2014	June 27, 2014	September 27, 2013	September 26, 2014	September 27, 2013
Net income	\$ 42.0	\$ 89.0	\$ 52.8	\$ 189.6	\$ 124.8
Adjusted for:					
Restructuring, asset impairments and other, net	10.1	4.1	11.0	20.0	11.1
Interest expense	8.6	7.9	9.2	24.6	28.6
Interest income	(0.2)	(0.2)	(0.3)	(0.6)	(1.0)
Loss on debt exchange	—	—	—	—	3.1
Income tax (benefit) provision	6.3	(16.2)	4.2	(3.7)	4.0
Net income attributable to non-controlling interest	(0.4)	(1.0)	(1.0)	(1.6)	(2.7)
Depreciation and amortization	74.5	57.9	52.9	184.8	156.5
Actuarial losses on pension plans and other pension benefits	—	—	—	—	13.6
Expensing of appraised inventory at fair market value step up	12.9	1.3	—	14.2	—
Third party acquisition related costs	4.0	3.7	—	8.0	—
Adjusted EBITDA*	<u>157.8</u>	<u>146.5</u>	<u>128.8</u>	<u>435.3</u>	<u>338.0</u>
Increase (decrease):					
Restructuring, asset impairments and other, net	(10.1)	(4.1)	(11.0)	(20.0)	(11.1)
Interest expense	(8.6)	(7.9)	(9.2)	(24.6)	(28.6)
Interest income	0.2	0.2	0.3	0.6	1.0
Income tax benefit (provision)	(6.3)	16.2	(4.2)	3.7	(4.0)
Net income attributable to non-controlling interest	0.4	1.0	1.0	1.6	2.7
Actuarial losses on pension plans and other pension benefits	—	—	—	—	(13.6)
Expensing of appraised inventory at fair market value step up	(12.9)	(1.3)	—	(14.2)	—
Third party acquisition related costs	(4.0)	(3.7)	—	(8.0)	—
(Gain) loss on sale or disposal of fixed assets	(0.3)	—	(0.5)	(0.6)	(7.6)
Amortization of debt issuance costs	0.3	0.4	0.3	1.0	0.9
Provision for excess inventories	9.6	4.7	5.8	21.1	45.7
Non-cash asset impairment charges	—	1.8	2.9	1.8	3.5
Non-cash share-based compensation expense	11.1	13.4	7.0	33.0	23.4
Non-cash interest	1.8	1.7	2.7	5.1	8.5
Non-cash foreign currency translation gain	—	—	—	—	(21.0)
Reversal of valuation allowance	(0.2)	(21.5)	—	(21.7)	—
Other	3.5	0.9	0.8	6.2	(5.7)
Changes in operating assets and liabilities	(50.0)	3.3	(64.8)	(101.5)	(131.8)
Net cash provided by operating activities	<u>\$ 92.3</u>	<u>\$ 151.6</u>	<u>\$ 59.9</u>	<u>318.8</u>	<u>200.3</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)

	<b>Quarter Ended</b>			<b>Nine Months Ended</b>	
	<u>September 26, 2014</u>	<u>June 27, 2014</u>	<u>September 27, 2013</u>	<u>September 26, 2014</u>	<u>September 27, 2013</u>
<b>Reconciliation of GAAP gross profit to non-GAAP gross profit:</b>					
GAAP gross profit	\$ 284.1	\$ 273.0	\$ 249.2	\$ 807.9	\$ 685.5
Special items:					
a) Actuarial (gains) losses on pension plans and other pension benefits	—	—	—	—	6.7
b) Expensing of appraised inventory at fair market value step up	12.9	1.3	—	14.2	—
Total special items	<u>12.9</u>	<u>1.3</u>	<u>—</u>	<u>14.2</u>	<u>6.7</u>
Non-GAAP gross profit	\$ <u>297.0</u>	\$ <u>274.3</u>	\$ <u>249.2</u>	\$ <u>822.1</u>	\$ <u>692.2</u>
<b>Reconciliation of GAAP gross margin to non-GAAP gross margin:</b>					
GAAP gross margin	34.1%	36.0%	34.8%	35.2%	33.2%
Special items:					
a) Actuarial (gains) losses on pension plans and other pension benefits	— %	— %	— %	— %	0.3%
b) Expensing of appraised inventory at fair market value step up	1.5%	0.2%	— %	0.6%	— %
Total special items	<u>1.5%</u>	<u>0.2%</u>	<u>— %</u>	<u>0.6%</u>	<u>0.3%</u>
Non-GAAP gross margin	<u>35.6%</u>	<u>36.2%</u>	<u>34.8%</u>	<u>35.8%</u>	<u>33.5%</u>
<b>Reconciliation of GAAP operating expenses to non-GAAP operating expenses:</b>					
GAAP operating expenses	\$ 226.5	\$ 191.3	\$ 181.9	595.3	529.6
Special items:					
a) Amortization of acquisition related intangible assets	(23.4)	(10.4)	(8.2)	(42.0)	(24.8)
b) Actuarial gains (losses) on pension plans and other pension benefits	—	—	—	—	(6.9)
c) Restructuring, asset impairments and other, net	(10.1)	(4.1)	(11.0)	(20.0)	(11.1)
d) Third party acquisition related costs	(4.0)	(3.7)	—	(8.0)	—
Total special items	<u>(37.5)</u>	<u>(18.2)</u>	<u>(19.2)</u>	<u>(70.0)</u>	<u>(42.8)</u>
Non-GAAP operating expenses	\$ <u>189.0</u>	\$ <u>173.1</u>	\$ <u>162.7</u>	\$ <u>525.3</u>	\$ <u>486.8</u>
<b>Reconciliation of GAAP operating income to non-GAAP operating income:</b>					
GAAP operating income	\$ 57.6	\$ 81.7	\$ 67.3	\$ 212.6	\$ 155.9
Special items:					
a) Actuarial (gains) losses on pension plans and other pension benefits (cost of revenues)	—	—	—	—	6.7
b) Expensing of appraised inventory at fair market value step up	12.9	1.3	—	14.2	—
c) Amortization of acquisition related intangible assets	23.4	10.4	8.2	42.0	24.8
d) Actuarial (gains) losses on pension plans and other pension benefits (operating expenses)	—	—	—	—	6.9

e)	Restructuring, asset impairments and other, net	10.1	4.1	11.0	20.0	11.1
f)	Third party acquisition related costs	4.0	3.7	—	8.0	—
	Total special items	50.4	19.5	19.2	84.2	49.5
	Non-GAAP operating income	\$108.0	\$101.2	\$ 86.5	\$296.8	\$205.4
<b>Reconciliation of GAAP operating margin to non-GAAP operating margin</b>						
<b>(operating income / revenues):</b>						
	GAAP operating margin	6.9%	10.8%	9.4%	9.3%	7.6%
	Special items:					
a)	Actuarial (gains) losses on pension plans and other pension benefits (cost of revenues)	— %	— %	— %	— %	0.3%
b)	Expensing of appraised inventory at fair market value step up	1.5%	0.2%	— %	0.6%	— %
c)	Amortization of acquisition related intangible assets	2.8%	1.4%	1.1%	1.8%	1.2%
d)	Actuarial (gains) losses on pension plans and other pension benefits (operating expenses)	— %	— %	— %	— %	0.3%
e)	Restructuring, asset impairments and other, net	1.2%	0.5%	1.5%	0.9%	0.5%
f)	Third party acquisition related costs	0.5%	0.5%	— %	0.3%	— %
	Total special items	6.0%	2.6%	2.7%	3.7%	2.4%
	Non-GAAP operating margin	13.0%	13.4%	12.1%	12.9%	9.9%
<b>Reconciliation of GAAP net income to non-GAAP net income:</b>						
	GAAP net income attributable to ON Semiconductor Corporation	\$ 41.6	\$ 88.0	\$ 51.8	\$188.0	\$122.1
	Special items:					
a)	Actuarial (gains) losses on pension plans and other pension benefits (cost of revenues)	—	—	—	—	6.7
b)	Expensing of appraised inventory at fair market value step up	12.9	1.3	—	14.2	—
c)	Amortization of acquisition related intangible assets (operating expenses)	23.4	10.4	8.2	42.0	24.8
d)	Actuarial (gains) losses on pension plans and other pension benefits (operating expenses)	—	—	—	—	6.9
e)	Restructuring, asset impairments and other, net	10.1	4.1	11.0	20.0	11.1
f)	Third party acquisition related costs	4.0	3.7	—	8.0	—
g)	Loss on debt exchange	—	—	—	—	3.1
h)	Non-cash interest on convertible notes	1.8	1.7	2.7	5.1	8.5
i)	Adjustment to reflect cash taxes	(0.6)	(19.5)	1.7	(19.2)	(5.9)
	Total special items	51.6	1.7	23.6	70.1	55.2
	Non-GAAP net income	\$ 93.2	\$ 89.7	\$ 75.4	\$258.1	\$177.3
	Non-GAAP net income per share:					
	Basic	\$ 0.21	\$ 0.20	\$ 0.17	\$ 0.59	\$ 0.39
	Diluted	\$ 0.21	\$ 0.20	\$ 0.17	\$ 0.58	\$ 0.39
	Weighted average common shares outstanding:					
	Basic	440.7	441.1	449.3	440.7	449.8
	Diluted	444.9	444.5	452.1	444.6	452.6

Certain of the amounts in the above table 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			Nine Months Ended	
	September 26, 2014	June 27, 2014	September 27, 2013	September 26, 2014	September 27, 2013
Cost of revenues	\$ 1.7	\$ 1.7	\$ 1.3	\$ 4.8	\$ 3.8
Research and development	2.2	2.2	1.5	6.2	4.6
Selling and marketing	2.1	2.2	1.4	5.8	4.1
General and administrative	5.1	7.3	2.8	16.2	10.9
Total share-based compensation expense	<u>\$ 11.1</u>	<u>\$ 13.4</u>	<u>\$ 7.0</u>	<u>\$ 33.0</u>	<u>\$ 23.4</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 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, 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. 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.



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### *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.