

September 13, 2012

## MESSAGE FROM OUR PRESIDENT AND CEO



**Keith D. Jackson**  
President and CEO

To Fellow Employees:

As the semiconductor industry continues to navigate global economic headwinds, I would like to address those elements that are impacting ON Semiconductor and discuss the transformation that is occurring within the company. Specifically, I'd like to share my thoughts on the senior leadership transition, current macroeconomic environment and our corporate strategy to steer the company through these difficult times and position us for future growth.

### SENIOR LEADERSHIP TRANSITION

ON Semiconductor is entering its next phase of leadership. We are fortunate to have outstanding leaders and employees that have had a major impact in successfully building a top 20 global semiconductor supplier. As this leadership evolves we are in discussion with both internal and external succession candidates who will step up to the challenges, opportunities, and complexity of ON Semiconductor as it grows. As in previous announcements, the current positions being filled or reorganized include chief financial officer, chief operating officer and senior vice president of human resources.

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**Donald Colvin**, executive vice president and chief financial officer, has effectively led and managed ON Semiconductor's finance and investor relations organizations for nearly 10 years. He is departing to pursue other opportunities which may include both semi-retirement and consulting. We are working to name a replacement prior to Donald's expected departure at the end of October. Let me reiterate that, in the interim, Donald leaves behind an experienced team of highly skilled accounting and finance professionals that have assisted Donald with major financial transactions, and mergers and acquisitions. Donald has been instrumental at getting our company to the next level. He has guided our finance department through years of growth and a number of significant acquisitions. During his tenure, we have significantly reduced our net debt position, improved our EBITDA and became a top 20 supplier of semiconductors globally. We are grateful to Donald for his leadership and contributions during his tenure with ON Semiconductor.

**John Nelson**, executive vice president and chief operating officer, has been offered an exciting opportunity as group chief executive officer (CEO) at UTAC, an Asia-based semiconductor test and assembly services provider. John leaves the company at the end of September after five years of service. John has made a significant contribution to every aspect of the company's operations and, for that, we thank him. Under his guidance, the company successfully streamlined its global manufacturing operations. This includes consolidating numerous front-end and back-end facilities and integrating nine corporate acquisitions, which involved complicated broad-scope production transfers. John's global responsibilities for manufacturing, quality, supply chain and information technology (IT) will be redistributed internally among members of the company's current management team.

**Colleen McKeown**, senior vice president human resources (HR), recently departed the company to accept a senior executive position with a company located in Seattle, Washington to be closer to family. She was instrumental in the standardization of globalized HR systems and processes, and successful employee integrations during numerous mergers and acquisitions. Additionally, she implemented programs including university relations and student intern initiative. We wish Colleen the best in her new career endeavor and thank her for her many contributions to ON Semiconductor. A search is underway

both internally and externally to fill this role. Tobin Cookman, HR vice president, will lead the HR team in the interim.

We are fortunate to have strong and competent teams in place to allow us to execute on the company strategy as we fill and reorganize each position.

### **GLOBAL MACROECONOMICS**

As discussed in the All Hands Meeting held in August 2012, a global slowdown is occurring. Global [GDP](#) growth is expected to slow year-on-year in 2012 and flatten in 2013. While macroeconomic factors are outside of our control, they are essential to both understand and respond to market changes. The semiconductor business is cyclical in nature and closely correlated to global GDP. As such, the company and its competitors are facing the negative impact of the global economic slowdown. The industry is projected to remain relatively flat in 2012 (for a second consecutive year) and our served market is expected to contract by about six percent. (For more information, access the recorded webcast of the [All Hands Meeting](#).)

### **ON SEMICONDUCTOR STRATEGY**

Macroeconomic factors are beyond our control. What we can control, however, is our cost structure, new

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product development, quality, customer service and design wins. As previously communicated, several cost reduction actions are already in place. The global organizational structure is also being reviewed for optimal alignment to the corporate strategy in order to enhance operating efficiency and execution. Our goal is to focus our global team on corporate strategy and on what we can control to position the company to outperform the market. Our corporate strategy consists of the following: aligning the company’s resources around applications, products and customers that will drive our growth,

expanding our product portfolio through organic development and M&A, increasing applications expertise to support complex customer designs, expanding global operations and infrastructure, improving economies of scale and demand management, and maintaining world-class manufacturing, quality and supply chain logistics.

Collectively we must focus on the following priorities and actions to emerge as a stronger company:

- Execute on new product development and design wins to grow top line revenue
- Continue to aggressively cross-sell SANYO – ON Semiconductor product portfolios
- Realign costs to the current revenue outlook in order to maintain strong free cash flow
- Maintain strong quality and customer service performance
- Align the global organizational structure to optimally support business strategy execution
- Execute the stock repurchase program to strengthen the value of our stock

Together I ask that we embrace the coming changes and work together for future success. This communication is one of many you will receive in the coming months. As decisions are made, we will strive to keep you informed and focused on the goals and priorities at hand.

Thank you for your hard work and dedication as we continue on this journey together. By maintaining focus on our corporate and departmental strategies, and those items within our control, we can continue to compete in this difficult market and become an even stronger company as the industry climate improves.

Sincerely,

**Keith Jackson**