

**ON SEMICONDUCTOR CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

	Quarters Ended			Nine Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Revenue	\$ 1,761.9	\$ 1,735.2	\$ 2,180.8	\$ 5,359.8	\$ 6,234.9
Cost of revenue	962.5	951.2	1,150.1	2,922.8	3,293.3
Gross profit	799.4	784.0	1,030.7	2,437.0	2,941.6
Gross margin	45.4 %	45.2 %	47.3 %	45.5 %	47.2 %
Operating expenses:					
Research and development	151.0	156.5	143.4	457.5	427.1
Selling and marketing	65.4	68.6	68.2	203.1	211.6
General and administrative	95.5	85.0	110.7	275.8	273.8
Amortization of acquisition-related intangible assets	13.0	12.9	12.0	38.5	39.0
Restructuring, asset impairments and other charges, net	29.1	72.5	9.4	103.0	63.5
Total operating expenses	354.0	395.5	343.7	1,077.9	1,015.0
Operating income	445.4	388.5	687.0	1,359.1	1,926.6
Other income (expense), net:					
Interest expense	(15.7)	(15.7)	(16.2)	(47.0)	(59.0)
Interest income	28.6	27.4	25.7	83.6	66.8
Loss on debt prepayment	—	—	—	—	(13.3)
Loss on divestiture of business	—	—	(0.1)	—	(0.7)
Other income (expense)	(3.7)	1.9	1.1	(0.8)	4.5
Other income (expense), net	9.2	13.6	10.5	35.8	(1.7)
Income before income taxes	454.6	402.1	697.5	1,394.9	1,924.9
Income tax provision	(51.9)	(63.7)	(114.6)	(200.1)	(302.7)
Net income	402.7	338.4	582.9	1,194.8	1,622.2
Less: Net income attributable to non-controlling interest	(1.0)	(0.2)	(0.2)	(1.9)	(1.2)
Net income attributable to ON Semiconductor Corporation	\$ 401.7	\$ 338.2	\$ 582.7	\$ 1,192.9	\$ 1,621.0
Net income for diluted earnings per share of common stock					
	\$ 401.7	\$ 338.2	\$ 583.1	\$ 1,192.9	\$ 1,622.2
Net income per share of common stock:					
Basic	\$ 0.94	\$ 0.79	\$ 1.35	\$ 2.79	\$ 3.76
Diluted	\$ 0.93	\$ 0.78	\$ 1.29	\$ 2.75	\$ 3.61
Weighted average common shares outstanding:					
Basic	427.0	429.1	431.2	428.1	431.6
Diluted	431.7	433.2	450.7	433.8	449.3

**ON SEMICONDUCTOR CORPORATION**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

(in millions)

	September 27, 2024	June 28, 2024	December 31, 2023
<b>Assets</b>			
Cash and cash equivalents	\$ 2,470.2	\$ 2,231.0	\$ 2,483.0
Short-term investments	300.0	450.0	—
Receivables, net	1,070.6	887.2	935.4
Inventories	2,242.8	2,224.6	2,111.8
Other current assets	461.1	532.2	382.1
Total current assets	6,544.7	6,325.0	5,912.3
Property, plant and equipment, net	4,383.7	4,372.5	4,401.5
Goodwill	1,587.9	1,577.6	1,577.6
Intangible assets, net	273.1	275.0	299.3
Deferred tax assets	725.8	679.1	600.8
ROU financing lease assets	41.1	41.7	42.4
Other assets	367.3	387.9	381.3
Total assets	\$ 13,923.6	\$ 13,658.8	\$ 13,215.2
<b>Liabilities and Stockholders' Equity</b>			
Accounts payable	\$ 597.5	\$ 617.7	\$ 725.6
Accrued expenses and other current liabilities	734.3	684.3	663.2
Current portion of financing lease liabilities	0.4	0.4	0.8
Current portion of long-term debt	796.4	795.6	794.0
Total current liabilities	2,128.6	2,098.0	2,183.6
Long-term debt	2,547.2	2,545.7	2,542.6
Deferred tax liabilities	42.8	39.6	38.7
Long-term financing lease liabilities	22.4	21.7	22.4
Other long-term liabilities	578.6	595.4	627.3
Total liabilities	5,319.6	5,300.4	5,414.6
ON Semiconductor Corporation stockholders' equity:			
Common stock	6.2	6.2	6.2
Additional paid-in capital	5,321.9	5,283.3	5,210.9
Accumulated other comprehensive loss	(49.1)	(56.8)	(45.2)
Accumulated earnings	7,741.0	7,339.3	6,548.1
Less: Treasury stock, at cost	(4,435.9)	(4,232.5)	(3,937.4)
Total ON Semiconductor Corporation stockholders' equity	8,584.1	8,339.5	7,782.6
Non-controlling interest	19.9	18.9	18.0
Total stockholders' equity	8,604.0	8,358.4	7,800.6
Total liabilities and stockholders' equity	\$ 13,923.6	\$ 13,658.8	\$ 13,215.2

**ON SEMICONDUCTOR CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)

	Quarters Ended			Nine Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Cash flows from operating activities:</b>					
Net income	\$ 402.7	\$ 338.4	\$ 582.9	\$ 1,194.8	\$ 1,622.2
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	161.8	159.6	155.4	476.3	449.2
Loss on sale and disposal of fixed assets	4.1	0.9	2.5	5.1	7.3
Loss on divestiture of businesses	—	—	0.1	—	0.7
Loss on debt prepayment	—	—	—	—	13.3
Amortization of debt discount and issuance costs	3.6	2.9	2.9	9.2	8.7
Share-based compensation	32.7	32.3	31.1	98.0	90.4
Non-cash asset impairment charges	—	15.7	—	15.7	12.7
Change in deferred tax balances	(45.6)	(27.9)	(79.4)	(122.1)	(109.0)
Other	1.7	3.5	10.8	7.0	1.5
Changes in assets and liabilities	(95.2)	(163.2)	(139.7)	(357.3)	(730.7)
Net cash provided by operating activities	465.8	362.2	566.6	1,326.7	1,366.3
<b>Cash flows from investing activities:</b>					
Purchase of Property, Plant and Equipment (“PP&E”)	(172.2)	(154.5)	(433.0)	(549.1)	(1,185.1)
Deposits and proceeds from sale of PP&E	0.3	0.2	0.2	0.6	2.8
Deposits utilized for purchase of PP&E	10.5	13.4	12.9	12.4	32.4
Purchase of short-term investments	(300.0)	(450.0)	—	(750.0)	—
Proceeds from sale or maturity of short-term investments and available-for-sale securities	450.0	—	12.7	450.0	33.5
Purchase of a business, net of cash acquired	(20.5)	—	—	(20.5)	—
Payments related to acquisition of business	—	—	—	—	(236.3)
Other	—	—	—	(1.5)	—
Net cash used in investing activities	(31.9)	(590.9)	(407.2)	(858.1)	(1,352.7)
<b>Cash flows from financing activities:</b>					
Proceeds for the issuance of common stock under the ESPP	6.5	5.5	6.7	19.6	19.9
Payment of tax withholding for RSUs	(3.1)	(7.7)	(5.9)	(48.3)	(62.4)
Repurchase of common stock	(200.0)	(150.0)	(100.0)	(450.0)	(264.0)
Issuance and borrowings under debt agreements	—	—	—	—	1,845.0
Reimbursement of debt issuance costs	—	—	—	—	4.5
Payment of debt issuance and other financing costs	—	—	(0.3)	—	(11.7)
Repayment of borrowings under debt agreements	—	—	(0.1)	—	(1,603.8)
Payment for purchase of bond hedges	—	—	—	—	(414.0)
Proceeds from issuance of warrants	—	—	—	—	242.5
Payment of finance lease obligations	(0.4)	(0.5)	(1.7)	(1.8)	(10.3)
Net cash used in financing activities	(197.0)	(152.7)	(101.3)	(480.5)	(254.3)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2.4	(2.2)	(0.5)	(0.7)	(1.5)
Net increase (decrease) in cash, cash equivalents and restricted cash	239.3	(383.6)	57.6	(12.6)	(242.2)
Beginning cash, cash equivalents and restricted cash	2,233.1	2,616.7	2,633.2	2,485.0	2,933.0
Ending cash, cash equivalents and restricted cash	\$ 2,472.4	\$ 2,233.1	\$ 2,690.8	\$ 2,472.4	\$ 2,690.8

**ON SEMICONDUCTOR CORPORATION**

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

(in millions, except per share and percentage data)

	Quarters Ended			Nine Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Reconciliation of GAAP to non-GAAP gross profit:</b>					
GAAP gross profit	\$ 799.4	\$ 784.0	\$ 1,030.7	\$ 2,437.0	\$ 2,941.6
Special items:					
a) Impact of business wind down	—	—	—	—	(3.9)
b) Amortization of acquisition-related intangible assets	1.6	1.6	1.4	4.7	4.2
Total special items	1.6	1.6	1.4	4.7	0.3
Non-GAAP gross profit	\$ 801.0	\$ 785.6	\$ 1,032.1	\$ 2,441.7	\$ 2,941.9
<b>Reconciliation of GAAP to non-GAAP gross margin:</b>					
GAAP gross margin	45.4 %	45.2 %	47.3 %	45.5 %	47.2 %
Special items:					
a) Impact of business wind down	— %	— %	— %	— %	(0.1)%
b) Amortization of acquisition-related intangible assets	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Total special items	0.1 %	0.1 %	0.1 %	0.1 %	— %
Non-GAAP gross margin	45.5 %	45.3 %	47.3 %	45.6 %	47.2 %
<b>Reconciliation of GAAP to non-GAAP operating expenses:</b>					
GAAP operating expenses	\$ 354.0	\$ 395.5	\$ 343.7	\$ 1,077.9	\$ 1,015.0
Special items:					
a) Amortization of acquisition-related intangible assets	(13.0)	(12.9)	(12.0)	(38.5)	(39.0)
b) Restructuring, asset impairments and other, net	(29.1)	(72.5)	(9.4)	(103.0)	(63.5)
c) Third party acquisition and divestiture-related costs	(7.4)	(1.7)	(0.1)	(9.2)	1.2
Total special items	(49.5)	(87.1)	(21.5)	(150.7)	(101.3)
Non-GAAP operating expenses	\$ 304.5	\$ 308.4	\$ 322.2	\$ 927.2	\$ 913.7
<b>Reconciliation of GAAP to non-GAAP operating income:</b>					
GAAP operating income	\$ 445.4	\$ 388.5	\$ 687.0	\$ 1,359.1	\$ 1,926.6
Special items:					
a) Impact of business wind down	—	—	—	—	(3.9)
b) Amortization of acquisition-related intangible assets	14.6	14.5	13.4	43.2	43.2
c) Restructuring, asset impairments and other, net	29.1	72.5	9.4	103.0	63.5
d) Third party acquisition and divestiture-related costs	7.4	1.7	0.1	9.2	(1.2)
Total special items	51.1	88.7	22.9	155.4	101.6
Non-GAAP operating income	\$ 496.5	\$ 477.2	\$ 709.9	\$ 1,514.5	\$ 2,028.2
<b>Reconciliation of GAAP to non-GAAP operating margin (operating income / revenue):</b>					
GAAP operating margin	25.3 %	22.4 %	31.5 %	25.4 %	30.9 %
Special items:					
a) Impact of business wind down	— %	— %	— %	— %	(0.1)%
b) Amortization of acquisition-related intangible assets	0.8 %	0.8 %	0.6 %	0.8 %	0.7 %
c) Restructuring, asset impairments and other, net	1.7 %	4.2 %	0.4 %	1.9 %	1.0 %
d) Third party acquisition and divestiture-related costs	0.4 %	0.1 %	— %	0.2 %	— %
Total special items	2.9 %	5.1 %	1.1 %	2.9 %	1.6 %
Non-GAAP operating margin	28.2 %	27.5 %	32.6 %	28.3 %	32.5 %
<b>Reconciliation of GAAP to non-GAAP income before income taxes:</b>					
GAAP income before income taxes	\$ 454.6	\$ 402.1	\$ 697.5	\$ 1,394.9	\$ 1,924.9
Special items:					
a) Impact of business wind down	—	—	—	—	(3.9)
b) Amortization of acquisition-related intangible assets	14.6	14.5	13.4	43.2	43.2
c) Restructuring, asset impairments and other, net	29.1	72.5	9.4	103.0	63.5
d) Third party acquisition and divestiture-related costs	7.4	1.7	0.1	9.2	(1.2)
e) Loss on debt prepayment	—	—	—	—	13.3
f) Loss on divestiture of business	—	—	0.1	—	0.7

**ON SEMICONDUCTOR CORPORATION**

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

(in millions, except per share and percentage data)

	Quarters Ended			Nine Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Total special items	51.1	88.7	23.0	155.4	115.6
Non-GAAP income before income taxes	\$ 505.7	\$ 490.8	\$ 720.5	\$ 1,550.3	\$ 2,040.5
<b>Reconciliation of GAAP to non-GAAP net income attributable to ON Semiconductor Corporation:</b>					
GAAP net income attributable to ON Semiconductor Corporation	\$ 401.7	\$ 338.2	\$ 582.7	\$ 1,192.9	\$ 1,621.0
Special items:					
a) Impact of business wind down	—	—	—	—	(3.9)
b) Amortization of acquisition-related intangible assets	14.6	14.5	13.4	43.2	43.2
c) Restructuring, asset impairments and other, net	29.1	72.5	9.4	103.0	63.5
d) Third party acquisition and divestiture-related costs	7.4	1.7	0.1	9.2	(1.2)
e) Loss on debt prepayment	—	—	—	—	13.3
f) Loss on divestiture of a business	—	—	0.1	—	0.7
g) Income taxes	(29.0)	(14.8)	2.7	(47.9)	(21.2)
Total special items	22.1	73.9	25.7	107.5	94.4
Non-GAAP net income attributable to ON Semiconductor Corporation	\$ 423.8	\$ 412.1	\$ 608.4	\$ 1,300.4	\$ 1,715.4
GAAP net income for diluted earnings per share	\$ 401.7	\$ 338.2	\$ 583.1	\$ 1,192.9	\$ 1,622.2
Non-GAAP net income for diluted earnings per share	\$ 423.8	\$ 412.1	\$ 608.8	\$ 1,300.4	\$ 1,716.6
<b>Reconciliation of GAAP to non-GAAP diluted shares outstanding:</b>					
GAAP diluted shares outstanding	431.7	433.2	450.7	433.8	449.3
Special items:					
a) Less: dilutive shares attributable to convertible notes	(4.1)	(3.7)	(11.4)	(4.2)	(10.2)
Total special items	(4.1)	(3.7)	(11.4)	(4.2)	(10.2)
Non-GAAP diluted shares outstanding	427.6	429.5	439.3	429.6	439.1
<b>Non-GAAP diluted earnings per share:</b>					
Non-GAAP net income for diluted earnings per share	\$ 423.8	\$ 412.1	\$ 608.8	\$ 1,300.4	\$ 1,716.6
Non-GAAP diluted shares outstanding	427.6	429.5	439.3	429.6	439.1
Non-GAAP diluted earnings per share	\$ 0.99	\$ 0.96	\$ 1.39	\$ 3.03	\$ 3.91
<b>Reconciliation of net cash provided by operating activities to free cash flow:</b>					
Net cash provided by operating activities	\$ 465.8	\$ 362.2	\$ 566.6	\$ 1,326.7	\$ 1,366.3
Special items:					
a) Purchase of property, plant and equipment	(172.2)	(154.5)	(433.0)	(549.1)	(1,185.1)
Total special items	(172.2)	(154.5)	(433.0)	(549.1)	(1,185.1)
Free cash flow	\$ 293.6	\$ 207.7	\$ 133.6	\$ 777.6	\$ 181.2

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

	Quarters Ended				
	December 31, 2023	March 29, 2024	June 28, 2024	September 27, 2024	Last Twelve Months
Net cash provided by operating activities	\$ 611.2	\$ 498.7	\$ 362.2	\$ 465.8	\$ 1,937.9
Purchase of property, plant and equipment	(390.5)	(222.4)	(154.5)	(172.2)	(939.6)
Free cash flow	\$ 220.7	\$ 276.3	\$ 207.7	\$ 293.6	\$ 998.3
Revenue	\$ 2,018.1	\$ 1,862.7	\$ 1,735.2	\$ 1,761.9	\$ 7,377.9

**ON SEMICONDUCTOR CORPORATION**  
**RECONCILIATION OF GAAP VERSUS NON-GAAP DISCLOSURES (Continued)**

(in millions, except per share and percentage data)

**SHARE-BASED COMPENSATION**

Total share-based compensation related to restricted stock units, stock grant awards and the employee stock purchase plan was as follows:

	Quarters Ended			Nine Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Cost of revenue	\$ 6.2	\$ 6.5	\$ 4.8	\$ 18.1	\$ 13.4
Research and development	6.1	6.4	5.3	18.2	15.0
Selling and marketing	4.8	5.4	4.7	15.4	13.8
General and administrative	15.6	14.0	16.3	46.3	48.2
<b>Total share-based compensation</b>	<b>\$ 32.7</b>	<b>\$ 32.3</b>	<b>\$ 31.1</b>	<b>\$ 98.0</b>	<b>\$ 90.4</b>

**SUPPLEMENTAL FINANCIAL DATA**

	Quarters Ended			Nine Months Ended	
	September 27, 2024	June 28, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net cash provided by operating activities	\$ 465.8	\$ 362.2	\$ 566.6	\$ 1,326.7	\$ 1,366.3
Free cash flow	\$ 293.6	\$ 207.7	\$ 133.6	\$ 777.6	\$ 181.2
Cash paid for income taxes	\$ 49.2	\$ 221.3	\$ 99.8	\$ 294.1	\$ 327.4
Depreciation and amortization	\$ 161.8	\$ 159.6	\$ 155.4	\$ 476.3	\$ 449.2
Less: Amortization of acquisition-related intangible assets	14.6	14.5	13.4	43.2	43.2
<b>Depreciation and amortization (excl. amortization of acquisition-related intangible assets)</b>	<b>\$ 147.2</b>	<b>\$ 145.1</b>	<b>\$ 142.0</b>	<b>\$ 433.1</b>	<b>\$ 406.0</b>

## NON-GAAP MEASURES

To supplement the consolidated financial results prepared in accordance with GAAP, onsemi uses certain non-GAAP measures, which are adjusted from the most directly comparable GAAP measures to exclude items related to the amortization of acquisition-related intangibles, expensing of appraised inventory fair market value step-up, inventory valuation adjustments, 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 and divestiture-related costs, tax impact of these items and certain other non-recurring items, as necessary. Management does not consider the effects of these items in evaluating the core operational activities of onsemi. Management uses these non-GAAP measures internally to make strategic decisions, forecast future results and evaluate onsemi's current performance. In addition, the Company believes that most analysts covering onsemi use the non-GAAP measures to evaluate onsemi's performance. Given management's and other relevant parties' use of these non-GAAP measures, onsemi believes these measures are important to investors in understanding onsemi'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 onsemi's core business across different time periods. These non-GAAP measures are not prepared in accordance with, and should not be considered alternatives or necessarily superior 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 Revenue*

The use of non-GAAP revenue allows management to evaluate, among other things, the revenue from the Company's core businesses and trends across different reporting periods on a consistent basis, independent of special items. In addition, non-GAAP revenue 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 and 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 the Company's revenue generation performance relative to the direct costs of operations of onsemi's core businesses.

### *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 profit and gross margin 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, impact of business wind down and non-recurring facility costs. 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 and 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 operating performance independent of certain non-cash items and the effects of certain variables unrelated to our overall operating performance.

### *Non-GAAP Operating Income and Operating Margin*

The use of non-GAAP operating income and operating margin allows management to evaluate, among other things, the operating income and operating margin 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, impact of business wind down, non-recurring facility costs, amortization and impairments of intangible assets, third party acquisition and divestiture-related costs, restructuring charges and certain other special items as necessary. 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 and 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 operating performance independent of certain non-cash items and the effects of certain variables unrelated to our overall operating performance.

### *Non-GAAP Net Income Attributable to ON Semiconductor Corporation and Non-GAAP Diluted Earnings Per Share*

The use of non-GAAP net income attributable to onsemi and non-GAAP diluted earnings per share allows management to evaluate the operating results of onsemi's core businesses and trends across different reporting periods on a consistent basis, independent of non-cash items including, generally, the amortization and impairments of intangible assets, expensing of appraised inventory fair market value step-up, impact of business wind down, non-recurring facility costs, restructuring, gains and losses on debt prepayment, actuarial (gains) losses on pension plans and other pension benefits, third party acquisition and divestiture-related costs, discrete tax items and other non-GAAP tax adjustments and certain other special items, as necessary.

## NON-GAAP MEASURES (Continued)

In addition, these measures 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 and for strategic decision making, preparing budgets, setting targets and forecasting future results. For our non-GAAP reporting, we are utilizing a projected and normalized non-GAAP effective tax rate of 16%. We calculate this non-GAAP effective tax rate on an annual basis. We expect to use this normalized non-GAAP effective tax rate of 16% through 2025, however, we may update this non-GAAP effective tax rate at any time for a variety of reasons, including, but not limited to, the rapidly evolving global tax environment, significant changes in our geographic earnings mix or changes to our strategy or business operations. Management presents these non-GAAP financial measures to enable investors and analysts to understand the results of operations of onsemi's core businesses and, to the extent comparable, to compare our results of operations on a more consistent basis against those of other companies in our industry.

### *Free Cash Flow*

The use of free cash flow allows management to evaluate, among other things, the ability of the Company to make interest or principal payments on its debt. Free cash flow is defined as the difference between cash flow from operating activities and capital expenditures disclosed under investing activities in the consolidated statement of cash flows. Free cash flow is not an alternative to cash flow from operating activities as a measure of liquidity. 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 and 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 financial performance independent of the cash capital expenditures.

### *Non-GAAP Diluted Share Count*

The use of non-GAAP diluted share count allows management to evaluate, among other things, the potential dilution due to the outstanding restricted stock units excluding the dilution from the convertible notes that is covered by hedging activity up to a certain threshold. In periods when the quarterly average stock price per share exceeds \$52.97 for the 0% Notes and \$103.87 for the 0.50% Notes, the non-GAAP diluted share count includes the anti-dilutive impact of the Company's hedge transactions issued concurrently with the 0% Notes and the 0.50% Notes, respectively. At an average stock price per share between \$52.97 and \$74.34 for the 0% Notes and \$103.87 and \$156.78 for the 0.50% Notes, the hedging activity offsets the potentially dilutive effect of the 0% Notes and the 0.50% Notes, respectively. In periods when the quarterly average stock price exceeds \$74.34 for the 0% Notes and \$156.78 for the 0.50% Notes, the dilutive impact of the warrants issued concurrently with such notes are included in the diluted shares outstanding.