

ON Semiconductor Limited
Directors' report and financial statements
For the year ended 31 December 2007

Registered Number 3765736



ON Semiconductor Limited

Directors' report and financial statements for the year ended 31 December 2007

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Directors' report for the year ended 31 December 2007

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2007

Business review and principal activities

The company is a wholly owned subsidiary of ON Semiconductor Corporation, incorporated in the United States of America. The principal activity of the company is unchanged from 2006 and is the sale of electronic devices. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year, with the exception of the merger agreement of ON Semiconductor Corporation with AMI Holding, Inc, parent company of AMI Semiconductor as reported below.

The profit for the company for the year after taxation amounted to \$6,375,506. No dividends were paid or payable as at 31 December 2007. Full details are set out in the profit and loss account on page 5.

2007 was another solid year of performance for many of ON Semiconductor's business segments. The company saw 14 percent growth in its computing end-market as its power management integrated circuits were adopted by a number of leading computing OEMs. The automotive end-market also had a record year with revenues growing by over 10 percent versus 2006 and representing our highest automotive end-market revenues since 2002. The wireless and consumer electronics end-markets declined slightly in 2007 as two major customers in these end-markets significantly reduced their builds compared to 2006.

In December 2007, ON Semiconductor Corporation signed a definitive merger agreement to acquire AMI Holdings, Inc, parent company of AMI Semiconductor. The Corporation is excited to complete this transaction, with a target closing date in the first half of 2008. This business should complement the existing automotive and industrial businesses and adds new opportunities for ON Semiconductor in the medical and military/aerospace end-markets. As AMI Semiconductor has a significant presence in Europe, this will impact the business of ON Semiconductor in this region. However, as of today, the directors are not in a position to develop the potential impact of the merger on the company's activity.

As for 2008, the business climate has become more challenging over the last few weeks. Consequently, the directors believe that the current level of operating activity should slightly decrease in the year ending 31 December 2008.

Key performance indicators

ON Semiconductor manages its worldwide operations on a divisional basis. For this reason, the directors do not believe that further key performance indicators would be necessary or appropriate for an understanding of the development, performance or position of the company. The performance of the UK entity is discussed in the group's Annual financial review, which does not form part of this report.

Principal risks and uncertainties

Competitive pressure abroad is a continuing risk to the company. The company operates in highly competitive and volatile markets particularly around price and quality. This not only results in downward pressure on margins but also in the risk that we will not exceed our customers' expectations. The company's sales are made in \$ and Euros and therefore the company is exposed to movement in exchange rates.

Post balance events

No significant events have occurred since 31 December 2007.

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Directors

The directors who held office during the year were

- P Tomlinson
- D Colvin
- AM Hebert

None of the directors held any notifiable interest in the shares of the company at any time during the year

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employment of disabled persons

The company considers applications for employment, including those from disabled persons, in the light of its requirements and the qualifications, aptitudes and abilities of each individual. Should employees become disabled during the course of their employment every practical effort will be made to retain their services and to provide retraining where necessary.

All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled persons are not treated differently in this respect.

Employee involvement

The company maintains a policy of informing and consulting employees upon matters of concern to them affecting their immediate jobs.

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The means employed to achieve these objectives vary from formal intimations disseminated by notices to all employees, to discussion and debate within various committees. These committees meet regularly and involve personnel at all levels. The company provides employees with information on the trading performance of the company and encourages interest from the employees in suggesting methods of improvement in production techniques or methods of improving profitability.

Creditor payment policy

The company's policy with regard to the payment of suppliers is to

- agree the terms of payment at the start of business with that supplier,
- ensure that the suppliers are made aware of the terms of the payment,
- pay in accordance with its contractual and legal obligations

During the year ended 31 December 2007, the company took an average of 40 days to settle its bills with suppliers (2006 37 days)

Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'P. Tomlinson', with a large, stylized flourish extending to the right.

Peter Tomlinson
Director
4 April 2008

ON Semiconductor Limited

Independent auditors' report to the members of ON Semiconductor Limited

We have audited the financial statements of ON Semiconductor Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow 15 April 2008

ON Semiconductor Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Turnover	1	233,121,669	234,625,191
Cost of sales		(207,862,753)	(209,846,092)
Gross profit		25,258,916	24,779,099
Distribution costs		(23,959,944)	(26,273,825)
Administrative expenses		(268,081)	(307,108)
Other operating income/(expense)		3,669,059	4,143,090
Operating profit		4,699,950	2,341,256
Fair value loss		-	(6,000,000)
Profit/(loss) on ordinary activities before interest and taxation		4,699,950	(3,658,744)
Dividends		2,910,810	-
Interest receivable	2	204,696	339,659
Interest payable	2	-	(356,843)
Profit/(loss) on ordinary activities before taxation	3	7,815,456	(3,675,928)
Tax on profit on ordinary activities	6	(1,439,950)	(1,054,481)
Profit/(loss) for the year		6,375,506	(4,730,409)
Retained profit brought forward		14,373,984	19,104,393
Retained profit carried forward		20,749,490	14,373,984

All results arose from continuing operations. There is no difference between the profit on ordinary activities before taxation and the profit for the year and their historical cost equivalents. The notes on pages 5 to 15 form an integral part of the financial statements.

Statement of total recognised gains and losses for the year ended 31 December 2007

	2007 \$	2006 \$
Profit/(loss) for the financial year	6,375,506	(4,730,409)
Capital contribution	-	9,318,047
Total recognised gains and losses relating to the year	6,375,506	4,587,638

ON Semiconductor Limited

Balance sheet as at 31 December 2007

	Notes	2007 \$	2006 \$
Fixed assets			
Tangible assets	7	4,614	9,040
Investments	8	11,600,002	11,600,002
		11,604,616	11,609,042
Current assets			
Stocks	9	1,900,537	1,992,772
Debtors	10	34,073,716	36,869,502
Cash at bank and in hand		8,412,169	7,426,806
		44,386,422	46,289,080
Current liabilities			
Creditors amounts falling due within one year	11	22,144,464	30,427,054
Net current assets		22,241,958	15,862,026
Net assets			
		33,846,574	27,471,068
Capital and reserves			
Called up share capital	13	3,777,288	3,777,288
Share premium account		1,749	1,749
Capital contribution	8	9,318,047	9,318,047
Profit and loss account		20,749,490	14,373,984
Shareholder's funds	14	33,846,574	27,471,068

The financial statements on page 5 to 15 were approved by the Board of Directors on 4 April 2008 and were signed on its behalf by



Peter J. Tomlinson
Director

ON Semiconductor Limited

Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards

Consolidation

The financial statements contain information about ON Semiconductor Limited as individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its parent company, ON Semiconductor Corporation.

Turnover

Turnover comprises the invoiced value of sales, net of value added tax, for goods supplied during the year. Customers are invoiced at the time of delivery of goods.

Foreign currencies

The Company conducts business primarily in US dollars and as a result, utilizes the dollar as their functional currency. For the translation of financial statements, assets and liabilities that are receivable or payable in cash are translated at current exchange rates while inventories and other non-monetary assets are translated at historical rates. Gains and losses resulting from the translation of the financial statements are included in the operating results, as are gains and losses incurred on foreign currency transactions.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Tangible fixed assets and depreciation

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives using accelerated and straight-line methods. Most of the machinery and equipment currently in use are depreciated on a straight-line basis over a useful life from 2 to 3 years.

Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

Accounting for fixed asset investments

Investments in group undertakings are stated at a current market valuation. Provision for any diminution in value is made as appropriate and valuations are reviewed on an annual basis.

Pension and post retirement benefits

The company operates under a defined contribution plan. Pension contributions are charged to the profit and loss account as incurred.

Inventories

Inventories are stated at the lower cost or net realisable value. Provision is made for obsolete or slow moving items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate of tax in force.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not subject to discounting.

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Notes to the financial statements for the year ended 31 December 2007

1. Turnover

The company is engaged in the design, marketing and sales of a wide variety of semiconductor components. The company's reportable segments are aligned internally as the Integrated Power Group (IPG) and the Analog Products Group (APG).

The company have direct customers and serve also significant original equipment manufacturers indirectly through distributor and electronic manufacturing service provider customers. The direct and indirect customers include (1) leading Original Equipment Manufacturers (O E M) in a broad variety of industries, such as Siemens, Philips, Motorola, Nokia and Sony, (2) global Distributors, such as EBV Elektronik, Avnet, Arrow and Future, (3) Electronic Manufacturing Service Providers (E M S I), such as Flextronics, Jabil and Soletron.

Information about segments is as follows, in thousands of US Dollars

	2007	2006
	\$000	\$000
Germany	95,560	97,366
Belgium	19,860	18,299
United Kingdom	19,596	17,301
Italy	16,130	14,880
France	14,446	19,398
Spain	10,164	8,616
Hungary	10,136	9,862
Turkey	9,822	11,701
Israel	8,468	8,635
Sweden	8,245	9,306
Poland	4,724	5,136
Other European countries	15,971	14,125
Total	233,122	234,625

By product group	2007	2006
	\$000	\$000
Integrated power group	140,451	140,692
Analog products group	92,671	93,933
Total	233,122	234,625

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1. Turnover (continued)

By Customer	2007	2006
	\$000	\$000
Distributors	116,929	112,472
O E M	95,429	100,049
E M S I	20,764	22,104
Total	233,122	234,625

2. Interest and similar items

	2007	2006
	\$	\$
Bank interest receivable	204,696	339,659
Interest payable on loans from company undertakings	-	(356,843)
Net interest payable/receivable	204,696	(17,184)

3. Profit on ordinary activities before taxation

Operating profit is stated after charging/(crediting)

	2007	2006
	\$	\$
Auditors' remuneration – audit services	78,750	72,775
Auditors' remuneration – non audit services	24,529	64,672
Depreciation (Note 7)	3,881	6,179
Operating lease expenses on buildings	86,436	76,836
Exchange gain	(3,822,303)	(4,602,529)

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4. Staff costs

	2007	2006
	\$	\$
Wages and salaries	746,722	684,355
Social security costs	88,070	82,142
Other pension costs (Note 16)	69,900	61,455
	904,692	827,952

The average number of persons employed by the company during the year (excluding directors) was 6 (2006 6)

5. Directors' remuneration

None of the directors received remuneration and retirement benefits from the company

During the year, Peter F Tomlinson was a related party of the Company and his partnership (Peter F Tomlinson & Co) charged \$46,588 (2006 \$61,592 18) for the provision of his services. As at 31 December 2007, the Company owed \$6,986 06 (2006 \$4,904) to his partnership

6. Taxation on profit on ordinary activities

	2007	2006
	\$	\$
Current tax:		
- UK corporation tax on profits of the year at 30% (2006 30%)	1,417,328	753,534
- adjustment in respect of previous year	(4,098)	343,834
Total current tax	1,413,230	1,097,368
Deferred tax:		
- charge/(credit) for the year	26,720	(42,887)
Total deferred tax (Note 12)	26,720	(42,887)
Tax on profit on ordinary activities	1,439,950	1,054,481

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)

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6. Taxation on profit on ordinary activities (continued)

The differences are explained below

	2007 \$	2006 \$
Profit/(loss) on ordinary activities before tax	7,815,456	(3,675,928)
Profit/(loss) on ordinary activities multiplied by the standard rate in the UK 30% (2006 30%)	2,344,637	(1,102,778)
Effects of		
Permanent differences	(911,702)	1,816,369
Capital allowances for the period in excess of depreciation	(1,789)	(2,139)
Adjustment in respect of previous year	(4,098)	343,834
Timing differences	(15,152)	42,082
Translation differences	1,334	-
Total current tax	1,413,230	1,097,368

As the result of the 2001 to 2004 tax enquiries, the Company has paid an additional corporation tax for a total amount of £225,000 (\$395,100) on 10 February 2006. This additional tax relates to the 2004 tax return only.

Factors that may affect future tax charges: the standard rate of Corporation in the UK changes to 28% with effect from the 1 April 2008.

7. Tangible fixed assets

	Machinery & equipment \$
Cost	
At 1 January 2007	47,120
Disposals	(14,192)
At 31 December 2007	32,928
Depreciation	
At 1 January 2007	38,080
Charge for year	3,881
Disposals at cost	(13,647)
At 31 December 2007	28,314
Net book amount	
31 December 2007	4,614
31 December 2006	9,040

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8. Investments

The Company's investments as at 31 December 2007 are as follows

Company	Shareholdings %	2007	2006
		\$	\$
ON Semiconductor France SAS	100	7,100,000	7,100,000
ON Semiconductor Germany GmbH	100	1,100,000	1,100,000
ON Semiconductor Italy S r l	100	300,000	300,000
ON Semiconductor Canada Trading Corporation	100	2,000,000	2,000,000
SCG Korea Limited	100	1,100,000	1,100,000
Other	-	2	2
		11,600,002	11,600,002

Investments in Company undertakings are stated at a current market valuation. The principal activity of all subsidiaries is the sale of electronic devices and dedicated activities (R&D) to develop new products. Other investments represent a single share in SCG Hong Kong SAR Limited and in ON Semiconductor Industries Singapore Pte Limited.

The Company purchased a 100% shareholding in the above entities from fellow Company undertakings on 31 December 2003 for a total consideration of \$17,600,002 (£10,042,796).

As at November 14, 2006, ON Semiconductor France SAS reduced its capital by Euro 7,272,906 (\$9,318,047). The amount of the reduction was paid in 2006 to ON Semiconductor Limited which resulted in a relating reduction of the value of ON Semiconductor France SAS shares.

In 2006, the remaining carrying value of the assets and liabilities acquired at 31 December 2003 was updated to reflect their fair value. An increase of the carrying value for a total amount of \$3,318,047 was recorded accordingly in 2006. In the opinion of the directors, there has been no change in the fair value during 2007 and as at December 31, 2007, \$11,600,002 reflects the fair value of the acquired entities.

9. Stocks

	2007	2006
	\$	\$
Finished goods and goods for resale	1,900,537	1,992,772

The inventories are stored in consignment inventories, either in our customers' premises or in a warehouse located in Utrecht (The Netherlands).

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10. Debtors

	2007	2006
	\$	\$
Trade debtors	27,227,139	30,226,865
Amounts owed by group company undertakings	4,200,151	4,169,099
Prepayments and accrued income	47,881	94,749
Other debtors	2,461,639	2,215,163
Deferred taxation (Note 12)	136,906	163,626
	34,073,716	36,869,502

11. Creditors: amounts falling due within one year

	2007	2006
	\$	\$
Trade creditors	256,964	293,502
Amounts due to group company undertakings	15,308,836	23,338,238
UK Corporation tax payable	760,127	(4,336)
Social security & other payroll liabilities	30,014	28,428
VAT payable	1,246,328	2,555,614
Accruals	4,542,195	4,215,608
	22,144,464	30,427,054

12. Deferred taxation

The Company has a deferred taxation asset of \$136,906 as at 31 December 2007 (2006 \$163,626)

	2007	2006
	\$	\$
Accelerated capital allowances	6,978	9,266
Short term timing differences	127,955	152,325
Pension provision	1,973	2,035
Closing balance	136,906	163,626

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12. Deferred taxation (continued)

The movement in the deferred taxation asset is as follows

	\$
At 1 January 2007	163,626
Charged to profit and loss account	(26,720)
At 31 December 2007	136,906

13. Called up share capital

	2007	2006
Authorised – 5,000,000 of £1 each	5,000,000	5,000,000
Allotted and fully paid Ordinary shares 2,155,371 of £1 each	2,155,371	2,155,371
Allotted and fully paid Ordinary shares : 2,155,371 at \$1.7525 each	3,777,288	3,777,288

Share capital is translated at the rate of exchange ruling at date of change of functional currency and this becomes the historic rate

14. Shareholder's funds

	2007	2006
	\$	\$
Profit/(loss) for the financial year	6,375,506	(4,730,409)
Opening shareholders' funds	27,471,068	22,883,430
Capital contribution	-	9,318,047
Closing shareholders' funds	33 846,574	27,471,068

15. Operating lease commitments

Annual payments to be made by the Company during the year ending 31 December 2007 in respect of buildings held under operating leases comprise those whose commitments expire as follows

	Land and buildings	
Company	2007	2006
	\$	\$
- within one year	45,000	59,000
- in two to five years	-	108,000
	45,000	167,000

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16. Pension commitments

Defined contribution scheme

The Company operates a defined contribution Company personal pension scheme. Contributions are charged to the profit and loss account as incurred.

The cost of contributions to the Company scheme amount to \$69,900 (2006 \$61,455), and are based on pension costs across the Company as a whole. An amount of \$7,045 (2006 \$6,784) is included being the outstanding contributions to the Company scheme.

17. Parent undertaking and principal subsidiaries

The immediate holding company is ON Semiconductor Trading Limited, in Bermuda. The ultimate holding company is ON Semiconductor Corporation, incorporated in Delaware, United States of America.

Copies of the Company consolidated financial statements can be obtained from 5005 East McDowell Road, Phoenix, AZ 85 008, United States of America.

18. Related party transactions

The Company has exercised the exemptions available under the terms of FRS 8 Related Party Disclosures relating to the disclosure of related party transactions with entities that are part of the ON Semiconductor Corporation Company. Details of transactions with directors are disclosed in note 5.