

ON Semiconductor Limited
Annual Report and financial statements
For the year ended 31 December 2021

Registered Number 3765736

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ON Semiconductor Limited

Annual Report and financial statements for the year ended 31 December 2021

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ON Semiconductor Limited

Strategic Report for the year ended 31 December 2021

The directors present their Strategic Report on the company for the year ended 31 December 2021.

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 the sale of electronic devices.

The loss for the financial year for the company amounted to (\$5,576,778) versus profit in 2020 of \$23,254,146. The decrease in profit is driven by lower dividends received from foreign subsidiaries in 2021 (\$4,885,612) compared to 2020 (\$14,600,000) and 2021 impairment of the investments in foreign subsidiaries in total value \$20,273,975. The dividends have been distributed by ON Semiconductor France SAS in 2021 and by ON Semiconductor Netherlands BV in 2020.

Net assets amounted to \$64,324,755 (2020: \$104,901,533). The main balance sheet movements compared to the prior year were an increase in the creditors balance from \$111,583,488 in 2020 to \$151,801,813 in 2021, a decrease of the cash balance from \$17,396,891 in 2020 to \$7,876,980, an increase in the debtors balance from \$128,293,310 in 2020 to \$155,629,090 in 2021 and impairment of the investments in foreign subsidiaries. For further information see Note 8,10 and 11 on page 23 and 24.

Coronavirus disease 2019 ("COVID-19")

In March 2020, the World Health Organization declared COVID-19 to be a pandemic, which continues to spread throughout all regions. The pandemic has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measure including restrictions on travel, business operations and temporary closures of facilities. In response to the impact of the ongoing COVID-19 pandemic on our business and industry, we have proactively implemented preventative protocols, which we continuously assess and update for current conditions and emerging trends. These are intended to safeguard our employees, contractors, customers and suppliers and to ensure business continuity. Our business has been and is expected to continue to be, adversely impacted by the effects of the COVID pandemic. Specifically we and our suppliers, third party distributors and customers have been, and are expected to continue to be, disrupted by worker absenteeism, quarantines and other restrictions as labour shortages, disruptions to ports and other shipping infrastructure, border closures or other travel or health related restrictions.

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 US Dollars and Euros and therefore the company is exposed to movement in exchange rates.

Financial risk management

The company's activities are exposed to a variety of financial risks: credit risk, market risk (including interest risk and foreign currency risk) and liquidity risk. The company's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. ON Semiconductor Group uses derivative financial instruments to economically hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Corporate Treasury) under the Treasury Policy. Group Corporate Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The 'Treasury Policy' provides principles for specific areas, such as credit risk, interest rate risk, foreign currency risk, use of derivative financial instruments and investment of excess liquidity.

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 included in the group's annual financial review under revenue section by operating unit on page 34.

ON Semiconductor Limited

Strategic Report for the year ended 31 December 2021 (continued)

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.

Section 172 Statement

The directors act in such a way as to ensure the continuous success of the company as a whole with regard to employees, customers, shareholders and also with regard to the environment and the local community. We would like to point out that strategic decisions and programs concerning global stakeholders are outlined at the level of the ON Semiconductor Group, while directors and managers of the company help to implement these programs at the local level.

Our Mission, Vision and Culture

At onsemi, we are creating a future we want to live in. We have a mission to propel the world forward through intelligent technology and a goal to achieve net-zero emissions by 2040. How we work, how we impact the environment, and how we give back, make a difference both globally and locally.

We are committed to the mission and principles of the Responsible Business Alliance (RBA), upholding the RBA Code of Conduct and following laws and regulations of those countries where we do business. We are proud of our commitment to the RBA and many other organizations and initiatives we support in relation to technological advances in sustainable energy, power conservation and corporate social responsibility.

Such commitment is ingrained in our core values, Code of Business Conduct and daily operations and allows us to be transparent and socially responsible toward our employees, suppliers, contractors, customers and communities.

Our core pillars are :

- Culture
- Climate and sustainability
- Compliance and Ethics
- Diversity, Equity and Inclusion
- Social responsibility

Examples of how section 172 has been applied in practice are as follows:

1/Interests of the employees:

- We maintain an open door policy, allowing employees to communicate and engage with management staff.
- Our employees are trained in our Conduct of Business Conduct and policies and programs including corporate social responsibility, prevention of discrimination and harassment, anti-corruption and information security awareness.
- The company conducts anonymous employee engagement and pulse survey to seek employees' opinions and topics such as work environment, work relationship, job responsibilities, etc.
- We have an objective and fair performance management process which all employees are a part of on an annual basis.
- Our Corporate Compliance and Ethics Program (CCEP) is designed to assist us in preventing, detecting and responding to unethical or illegal conduct and promote an ethical and legally compliant business culture. The Code of Business Conduct (Code) outlines the broad principles of legal and ethical conduct embraced by our company and our core values of

ON Semiconductor Limited

Strategic Report for the year ended 31 December 2021 (continued)

respect, integrity, and initiative guide every business decision. A local business ethics liaison (BEL) is located on the site.

- Health and Safety are the priorities for the local management. Establishing a healthy and safe environment allows our employees to come to work each day without fear of injury or illness and is vital to the quality of life of our employees and the success of our business.

2/ Foster business relationship with customers and suppliers

- The use of customer scorecards is an ongoing process and provides results that allow the directors to analyse trends in overall performance for each key attribute included in the scorecard.
- We engage with our key customers on a quarterly basis to discuss results from customer scorecards.
- Customer satisfaction surveys are disseminated on a regular basis in order to obtain insights and improve the performance on issues important to our customers such as sales support, price of products, lead time and quality.
- We participate in a variety of conferences with our customers, suppliers and peers on an annual basis.
- Major suppliers and selected service providers must provide written acknowledgement of onsemi's Code of Business Conduct and RBA code of conduct.

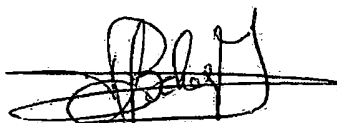
3/Maintaining a reputation for high standards of business conduct and the impact of the company's operation on the community and the environment

We are a member of the Responsible Business Alliance (RBA) and a signatory of the United Nations Global Compact. We are committed to engineering a better tomorrow through the actions we take every day. More details can be found in our Corporate Social Responsibility Report published on group level (www.onsemi.com, section About/People&Planet). Onsemi was also named one of the 2022 World's Most Ethical Companies. This is the seventh consecutive year onsemi has received the honor and is one of only four honourees in the semiconductor industry.

In July 2021, onsemi was recognized, for the second time, as the most sustainable company in the semiconductor industry. 2019 was the first year that World Finance gave awards for sustainability and 2020 was the first year for semiconductors.

This report was approved by the Board on 28 June 2022 and signed on its behalf.

On behalf of the Board



Yolande De Busschop
Director
28 June 2022

ON Semiconductor Limited

Directors' report for the year ended 31 December 2021

The directors submit their annual report together with the audited financial statements of the company for the year ended 31 December 2021.

Future developments

The Covid-19 pandemic has had, and continues to have, a significant impact around the world. However, during 2021, economic conditions began to improve and business conditions became stronger during the second half of the year.

Based on current market trends and booking levels, we believe demand will outpace supply for much of 2022 and we continue to work with our strategic customers to ensure long-term uninterrupted supply.

Dividends

On 9 June 2021, during the Meeting of the shareholders, a dividend distribution for an amount of \$35,000,000 was approved. The amount was paid on 16 June 2021.

Directors

The directors who held office during the year and up to the date of signing these financial statements were:

- Yolande De Busschop
- Patrik Petras

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

Post balance sheet events

On 8th February 2022 the shares of On Semiconductor Belgium BV, owning the silicon wafer fab at Oudenaarde, Belgium, were sold to startup BelGaN Group BV (Mechelen, Belgium). That transaction has implication to the investment value and is recognized in the financial results.

On 24th February 2022 the Russian federation started invading Ukraine. The ongoing military attack has led, and continues to lead, to significant casualties, damage to infrastructure and disruption of the economic activity in Ukraine and Russia. The amount of our activities in Russia and Ukraine is minimal and impact to our business immaterial.

Going concern

The financial statements have been prepared under the going concern basis. This is due to the surplus liquidity available to the company in the form of current cash balance and potential loan drawing from the associated companies.

The company meets its day-to-day working capital requirements through its working capital and finance provided by fellow group companies.

After making inquiries, review current financial statements and cash flow forecast under a severe but plausible scenario, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Employee involvement

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

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

ON Semiconductor Limited

Directors' report for the year ended 31 December 2021 (continued)

trading performance of the company and encourages interest from the employees in suggesting methods of improvement in production techniques or methods of improving profitability.

Streamlined Energy Carbon Reporting

The report includes the annual quantity of electrical energy purchased by the company for its own use. Because the company does not operate any gas burning devices, reporting of emissions from combustion of gas is not applicable. Emissions from business travel includes only emissions from employee-owned vehicles. Company decided to express the business' annual emissions in relation to a headcount, so the intensity ratio is calculated as an amount of CO2 emissions per employee.

Current reporting year	UK and offshore 01 Jan to 31 Dec 2021	UK and offshore 01 Jan to 31 Dec 2020
Energy consumption used to calculate emissions: /kWh– optional to provide separate figures for gas, electricity, transport fuel and other energy sources	Scope 2 – Indirect electricity (kWh) based on consumption billed via the Landlord 363,975 kWh	Scope 2 – Indirect electricity (kWh) based on consumption billed via the Landlord 333,992 kWh
Emissions from combustion of gas tCO2e (Scope 1)	N/A	N/A
Emissions from combustion of fuel for transport purposes (Scope 1)	N/A Company doesn't have company cars. Some employees receive car allowance. Employees claims for fuel via expenses when they travel for the company	N/A Company doesn't have company cars. Some employees receive car allowance. Employees claims for fuel via expenses when they travel for the company.
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	Scope 3 – Business Travel in employee-owned vehicles 1.326 tCO2e	Scope 3 – Business Travel in employee-owned vehicles 7.031 tCO2e
Emissions from purchased electricity (Scope 2, location-based)	77.283 tCO2e	77.867 tCO2e
Total gross CO2e based on above -	78.609 tCO2e	84.898 tCO2e
Intensity ratio: tCO2e gross figure based from mandatory fields above/ e.g. per FTE (full-time employee)	78.609 tCO2e / 10 employees = 7.861 tCO2e per FTE	84.898 tCO2e / 13 employees = 6.531 tCO2e per FTE

The Methodology

The 2021 Government emission conversion factors have been used. The guidance used, is based on HM Government Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance from March 2019.

ON Semiconductor Limited

Directors' report for the year ended 31 December 2021 (continued)

Energy Efficiency Action Taken: The following continues to remain in place for the period covered by the report:

- All lighting in the premises occupied by the company are equipped with movement sensors. They switch off after 10mins if no movement has been detected,
- The BMS Settings for the AC System are set for opening hours Mon-Fri,
- The Landlord's plant switches off at the weekend,
- The basement carpark lighting system is equipped with PIR sensors.

In addition to the above we participated in the Energy Savings Opportunity Scheme (ESOS) – Phase II, 2021.

Recommended Actions:

- Simple Energy management – Site specific processes in place. Corporate wide policy is currently under review.
- LED Lighting – Will look to replace as the lights start to fail.
- Compressed Air Leak Detection – our Service Compressed Dry Air (CDA) Service Provider has been instructed to check this during each quarterly visit.

Scope 3 – Business Travel in employee-owned vehicles

The reduction in travel was due to the COVID-19 Pandemic. There was a global ban on all unnecessary travel. Those that were allowed to travel had to obtain approval from Global Security Director. Majority of meetings were held via Webex/Teams calls.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.

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Directors' report for the year ended 31 December 2021 (continued)

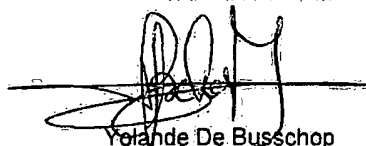
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information 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.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Yolande De Busschop', is written over a horizontal line.

Yolande De Busschop

Director

28 June 2022

ON Semiconductor Limited

Independent auditors' report to the members of ON Semiconductor Limited

Report on the audit of the financial statements

Opinion

In our opinion, ON Semiconductor Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2021; Statement of income and retained earnings for the year then ended; the Accounting Policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements

ON Semiconductor Limited

does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below:

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of non standard journals and bias in assumptions related to accounting estimates. Audit procedures performed by the engagement team included:

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- enquiries with management around actual or potential litigation and claims;
- reviewing minutes of meetings of those charged with governance;
- understanding and evaluating the design and implementation of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management;
- identifying and testing journal entries which may be indicative of fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors.

Glasgow

28 June 2022

ON Semiconductor Limited

Statement of income and retained earnings for the year ended 31 December 2021

	Note	2021 \$	2020 \$
Revenue	1	1,124,253,611	816,393,810
Cost of sales		(1,041,697,336)	(751,534,464)
Gross profit		82,556,275	64,859,346
Distribution costs		(67,210,518)	(56,737,116)
Administrative expenses		(22,349,125)	(448,708)
Other operating (expense)/income	2	(1,095,684)	2,887,254
(Loss)/Profit before interest and taxation		(8,099,052)	10,560,776
Income from shares in group undertakings	5	4,885,612	14,600,000
Net financial (expense)/income	6	(52,001)	31,210
(Loss)/Profit before taxation		(3,265,441)	25,191,986
Tax on profit	7	(2,311,337)	(1,937,840)
(Loss)/Profit for the financial year		(5,576,778)	23,254,146
Retained earnings brought forward		45,087,609	36,433,463
Dividend paid		(35,000,000)	(14,600,000)
Retained earnings carried forward		4,510,831	45,087,609

ON Semiconductor Limited

Balance Sheet as at 31 December 2021

	Note	2021 \$	2020 \$
Fixed assets			
Investments	8	33,718,120	53,992,095
		33,718,120	53,992,095
Current assets			
Inventories	9	18,902,378	16,802,725
Debtors	10	155,629,090	128,293,310
Cash at bank and in hand		7,876,980	17,396,891
		182,408,448	162,492,926
Creditors: amounts falling due within one year	11	(151,801,813)	(111,583,488)
Net current assets		30,606,635	50,909,438
Net assets		64,324,755	104,901,533
Equity			
Called up Share capital	13	3,777,289	3,777,289
Share premium account		1,749	1,749
Capital contribution		56,034,886	56,034,886
Profit and loss account		4,510,831	45,087,609
Total Shareholders' funds		64,324,755	104,901,533

The notes on page 15 to 26 are an integral part of these financial statements.

The financial statements on page 13 to 26 were approved by the Board of Directors on 28 June 2022 and were signed on its behalf by:


 Yolande De Busschop
 Director
 28 June 2022

ON Semiconductor Limited

Accounting Policies

For the year ended 31 December 2021

General information

ON Semiconductor Limited is a Private Limited company, limited by shares and incorporated and domiciled in the United Kingdom. The address of its registered office is 2nd & 4th Floor, Greenwood House, London Road, Bracknell, Berkshire, RG12 2AA, United Kingdom.

Statement of compliance

The individual financial statements of ON Semiconductor Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed as required.

(b) Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future.

The company's forecasts and projections, prepared under a severe but plausible scenario, show that the company should be able to operate within the level of its current facilities.

After making inquiries, review current financial statements and cash flow forecast, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

(i) Cash flow statements: The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, ON Semiconductor Corporation, includes the Company's cash flows in its own consolidated financial statements.

(ii) Related party transactions: the Company has exercised the exemptions available under the terms of FRS102, Paragraph 33.1A relating to the disclosure of related party transactions with entities that are part of the ON Semiconductor Corporation Company.

(iii) Financial instrument disclosures: the Company has exercised exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

ON Semiconductor Limited

Accounting Policies (continued) For the year ended 31 December 2021

(d) Foreign currency

- (i) Functional and presentation currency: the company's functional and presentation currency is the US Dollars due to the primary economic environment in which the company operates and generates net cash flows.
- (ii) Transactions and balances: 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.

(e) Consolidated financial statements

The company is a wholly owned subsidiary of ON Semiconductor Corporation, a company incorporated in Delaware, United States of America. It is included in the consolidated financial statements of ON Semiconductor Corporation which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Revenue

Revenue 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 and revenue is recognised at that point.

Leases

Leases do not transfer all the risks and rewards of ownership and are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Investments

Investments in group undertakings are stated at the lower of cost and fair value less cost to sell. Provision for any diminution in value is made as appropriate and reviewed on an annual basis which is considered as an appropriate timing taking into account the nature of the investments.

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 of cost and estimated selling price less cost to complete and sell. Provision is made for obsolete or slow moving items where appropriate.

Current 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.

Financial instruments

The Company's financial instruments include cash and accounts receivable. The company has applied section 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

ON Semiconductor Limited

Accounting Policies (continued) For the year ended 31 December 2021

Critical accounting policies and estimation

Accounting policies are continually evaluated based on the historical experiences and other factors, including expected reasonable future events. The company prepares estimation concerning the future. The estimates are elaborated based on the current knowledge and could vary from the future results.

Significant accounting judgements and key sources of estimation uncertainty

The directors consider the accounting estimates and assumptions below to be its critical accounting estimates and judgements:

Investments in partially owned subsidiaries

The company holds investment in several group entities with the total net value \$33,718,120. The investments are assessed for impairment on an annual basis against the equity value of the particular entity. Based on the current value and the trend in profitability of each entity, impairment is not required in the foreseeable future. The only exception is disposal of the investment related to Belgium entities which were sold in February 2022; refer to note 8 for details.

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Notes to the financial statements for the year ended 31 December 2021

1. Revenue

The company is engaged in the design, marketing and sales of a wide variety of semiconductor components.

The company is organized into three operating segments: Advanced Solutions Group (APG), Power Solutions Group (PSG) and Intelligent Sensing Group (ISG). These segments represent the company's view of the business and as such are used to evaluate the progress of major initiatives.

The company has direct customers and also serves 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 Continental Automotive Systems, Hella KG, Bosch, Valeo or ZF Automotive; (2) Global Distributors, such as EBV Elektronik, Arrow Electronics or Avnet; (3) Electronic Manufacturing Service Providers (E.M.S.I.), such as BMS Circuits, Flextronics International or Melec EWS GmbH.

	2021	2020
By Geography	\$	\$
Germany	511,447,930	340,390,693
Netherland	157,108,003	100,267,491
Hungary	94,522,958	82,559,152
Romania	63,737,851	49,549,466
France	59,816,087	49,847,695
United Kingdom	50,514,318	42,849,853
Spain	34,899,328	28,373,542
Czech Republic	26,161,908	19,089,053
Poland	25,380,678	15,543,751
Denmark	21,050,099	15,968,105
Portugal	15,914,083	14,935,909
Ireland	12,339,480	10,944,588
Italy	11,268,364	5,651,290
Slovakia	9,391,085	5,624,311
Austria	8,168,970	6,708,174
Bulgaria	5,560,372	4,806,073
Other European countries	16,972,097	23,284,664
Total	1,124,253,611	816,393,810

ON Semiconductor Limited

1. Revenue (continued)

By product group	2021	2020
	\$	\$
PSG	603,634,096	403,282,676
ASG	343,724,795	267,263,703
ISG	176,894,720	145,847,431
Total	1,124,253,611	816,393,810

By Customer	2021	2020
	\$	\$
O.E.M.	561,081,502	460,081,809
Distributors	507,178,646	310,439,357
E.M.S.I.	55,993,463	45,872,644
Total	1,124,253,611	816,393,810

2. Other operating (expense)/income

Other operating (expense)/income is stated after (charging) / crediting:

	2021	2020
	\$	\$
Auditors' remuneration - audit services	(124,881)	(120,983)
Auditors' remuneration - non audit services	(80,505)	(51,392)
Exchange (loss)/profit	(1,095,684)	3,163,380
Impairment of Investments in foreign subsidiaries	(20,273,975)	-

ON Semiconductor Limited

3. Staff costs

	2021	2020
	\$	\$
Wages and salaries	1,754,825	1,885,285
Social security costs	212,012	207,775
Other pension costs (Note 15)	233,019	150,471
	2,199,856	2,243,531

The average monthly number of persons employed by the company during the year (excluding directors) was 9 (2020: 12). Two employees (2020: 2) are in Marketing Department and 7 (2020: 10) are Sales employees.

4. Directors' remuneration

None of the directors received remuneration or retirement benefits from the company. The costs have been paid by another group company and have not been recharged to ON Semiconductor Limited.

5. Income from shares in group undertakings

During the year, the company received dividend income of \$4,885,612. The dividends have been distributed by ON Semiconductor France SAS.

During the year 2020, the company received dividend income of \$14,600,000. The dividends have been distributed by ON Semiconductor Netherlands BV.

6. Net financial (expense)/income

	2021	2020
	\$	\$
Bank interest receivable	-	65,791
Bank interest payable	(52,001)	(34,581)
	(52,001)	31,210

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7. Tax on Profit

	2021 \$	2020 \$
Current tax:		
- Current tax on profits of the year at 19% (2020: 19%)	2,327,420	1,973,484
- Adjustment in respect of prior years	35,058	-
Total Current tax	2,362,478	1,973,484
Deferred tax:		
- Current year	(51,141)	(12,910)
- Impact of tax rate	-	(22,734)
Total Deferred tax (Note 12)	(51,141)	(35,844)
Total tax charge on profits	2,311,337	1,937,840

On 3 March 2021 the tax rate increase to 25% was introduced for businesses with profits of 250,000 GBP or higher, with the new rate effective from 1 April 2023.

This will increase the company's future current tax charge accordingly and increase the deferred tax assets.

	2021 \$	2020 \$
(Loss)/Profit before taxation	(3,265,441)	25,191,986
Profit before tax multiplied by the standard effective rate of tax in the UK 19% (2020: 19.0%)	(620,434)	4,786,477
Effects of:		
Income not taxable for tax purposes	(928,266)	(2,827,643)
Expenses not deductible for tax purposes	3,876,120	14,650
Adjustment in respect of prior years	35,058	-
Current year deferred tax	(51,141)	(12,910)
Impact of tax rate	-	(22,734)
Total tax charge on profits	2,311,337	1,937,840

ON Semiconductor Limited

8. Investments

The Company's investments, as at 31 December 2021 are as follows and the company received dividend income of \$4,885,612 (2020: \$ 14,600,000) :

Company	Address of the registered office	Shareholdings
		(Ordinary shares) %
ON Semiconductor France SAS	132 Chemin de Basso Cambo - 31035 Toulouse, France	100
ON Semiconductor SAS	132 Chemin de Basso Cambo-31035 Toulouse, France	100
ON Semiconductor Germany GmbH	Einsteinring 28, 85609Anschelm, Germany	100
ON Semiconductor Italy S.r.l.	Via Gobetti 2/C - 20063 Cernusco sul Navigli, Milano, Italy	100
ON Semiconductor Canada Trading Corporation	Pointe Claire, Quebec H9R 5M9, Canada	100
SCG Korea Limited	93 BaekHyeon-ro, Bundang gu Gyunggi do, South Korea	100
AMI Semiconductor companies		
ON Semiconductor Netherlands BV	High Tech Campus 10,5656 AE Eindhoven	100
ON Semiconductor Leasing BV	Westerring 15,9700 Oudenaarde, Belgium	100
ON Semiconductor Belgium BV	Westerring 15,9700 Oudenaarde, Belgium	100
ON Semiconductor Design Czech S.r.o.	Videnska 204/125, 619 00 Brno	100
ON Semiconductor Switzerland SA	Champs-Montants 12A, 2074 Marin, Switzerland	100

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8. Investments (continued)

	in \$
Cost as at 1 January 2021	53,992,095
Cost as at 31 December 2021	53,992,095
Accumulated impairment as at 1 January 2021	-
Impairment charge for year	20,273,975
Accumulated impairment as at 31 December 2021	20,273,975
Net book value as at 31 December 2021	33,718,120
Net book value as at 1 January 2021	53,992,095

Investments in subsidiaries are stated at deemed costs which are the existing FRS 102 carrying value amounts. 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, in Semiconductor Components Industries Singapore Pte Limited and in ON Electronics Private Ltd.

The 2021 impairment relates to the sale of the shares of On Semiconductor Belgium BV. The sale was completed on 8th of February 2022. The impairment results from the lower selling price in comparison to the carrying value.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

9. Inventories

	2021	2020
	\$	\$
Finished goods and goods for resale	18,902,378	16,802,725

The inventories are stored in consignment inventories at our customers' premises.

There is no significant difference between the replacement cost of finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of \$75,586 (2020: \$236,099).

10. Debtors

	2021	2020
	\$	\$
Trade debtors	150,398,840	123,699,105
Amounts owed by group undertakings	4,381,464	4,199,807
Corporation tax receivable	276,112	-
Other debtors	305,557	55,934
Deferred taxation (Note 12)	267,117	215,976
Prepayments and accrued income	-	122,488
	155,629,090	128,293,310

ON Semiconductor Limited

10. Debtors (continued)

Amounts owed by group undertakings are repayable according to the payment terms agreed in the intercompany agreements. The payment term is Net 30 days.

11. Creditors: amounts falling due within one year

	2021 \$	2020 \$
Trade creditors	296,915	176,192
Amounts owed to group undertakings	113,278,122	89,741,999
Corporation tax payable	-	1,008,554
Other taxation and social security	257,060	166,636
VAT payable	13,259,474	3,196,882
Accruals and deferred income	24,710,242	17,293,225
	151,801,813	111,583,488

Amounts owed to group undertakings are repayable according to the payment terms agreed in the intercompany agreements. The payment term is Net 30 days.

12. Deferred taxation

The Company has a deferred taxation asset of \$267,117 as at 31 December 2021 (2020: \$215,976):

	2021 \$	2020 \$
Short term timing differences	264,610	213,826
Pension provision	2,507	2,150
Closing balance	267,117	215,976

The movement in the deferred taxation asset is as follows:

	2021 \$	2020 \$
At 1 January	215,976	180,332
Charged to profit and loss account (Note 7)	51,141	35,644
At 31 December	267,117	215,976

There are no unused tax losses or unused tax credits.

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset and therefore the asset has been recognised within the financial statements.

ON Semiconductor Limited

13. Called up Share capital

The Called up Share capital is as follows:

- Authorized shares: 5,000,000 of £1 each (2020: 5,000,000). No new shares have been issued within the year.
- Ordinary shares: 2,155,372 at £1 each (\$1.7525) (2020: 2,155,372). No new shares have been issued within the year.

There is a single class of ordinary shares. The shares are all 'pari passu in all respects': there are no restrictions on the distribution of dividends and the repayment of capital.

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

As at 26 March 2009, ON Semiconductor Trading Limited increased its ownership in the Company through a capital contribution, in return for the issue of one share, for a total amount of \$45,551,840 to allow its subsidiary to acquire the European AMI Semiconductor companies as listed in note 8.

14. Operating lease commitments

Annual payments to be made by the Company during the year ending 31 December 2021 in respect of buildings held under operating leases whose commitments expire are as follows:

Company	Land and buildings	
	2021	2020
	\$	\$
- within one year	61,455	61,542
- between two and five years	245,820	246,167
- after more than five years	53,261	114,878
	360,536	422,587

Lease expenses for 2021 amounted to \$55,724 (2020: \$51,716).

15. 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 \$233,019 (2020: \$150,471), and are based on pension costs across the Company as a whole. An amount of \$13,197 (2020: \$11,316) is included as being the outstanding contributions to the Company scheme.

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16. Parent undertaking and principal subsidiaries

The immediate parent undertaking is ON Semiconductor Trading Sàrl, in Switzerland. The ultimate parent undertaking and controlling party is ON Semiconductor Corporation, incorporated in Delaware, United States of America.

ON Semiconductor Corporation is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements as at 31 December 2021.

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

17. Events after the end of the reporting period

On 8th February 2022 the shares of On Semiconductor Belgium BV registered in Oudenaarde Belgium, were sold to startup BelGaN Group BV (Mechelen, Belgium). The shares of ON Semiconductor Leasing BV were 100% owned by ON Semiconductor Belgium BV. Consequently ownership of these entities were transferred to external buyer.

On 24th February 2022 the Russian federation started invading Ukraine. The ongoing military attack has led, and continues to lead, to significant casualties, damage to infrastructure and disruption of the economic activity in Ukraine and Russia. The amount of our activities in Russia and Ukraine is minimal and impact to our business immaterial.