

Income tax expense

	Three Months Ended		
	December 31, 2019	September 29, 2019	December 31, 2018
	(Unaudited, in millions)		
Income tax expense	\$ (62)	\$ (28)	\$ (28)

During the fourth and third quarters of 2019 and the fourth quarter of 2018, we recorded an income tax expense of \$62 million, \$28 million and \$28 million, respectively, reflecting (i) in the third quarter of 2019 the estimated annual effective tax rate in each of our jurisdictions, applied to the consolidated results before taxes in the third quarter of 2019 and (ii) in both fourth quarters the actual tax charges and benefits in each jurisdiction as well as the true-up of tax provisions based upon the most updated visibility on open tax matters in several jurisdictions.

Net income attributable to parent company

	Three Months Ended		
	December 31, 2019	September 29, 2019	December 31, 2018
	(Unaudited, in millions)		
Net income attributable to parent company	\$ 392	\$ 302	\$ 418
As percentage of net revenues	14.2%	11.8%	15.8%

For the fourth quarter of 2019, we reported a net income of \$392 million, compared to a net income of \$302 million and \$418 million in the prior and year-ago quarters, respectively. The fourth quarter 2019 net income represented diluted earnings per share of \$0.43 compared to \$0.34 in the prior quarter and \$0.46 in the prior-year quarter.

Impact of Changes in Exchange Rates

Our results of operations and financial condition can be significantly affected by material changes in the exchange rates between the U.S. dollar and other currencies, particularly the Euro.

As a market practice, the reference currency for the semiconductor industry is the U.S. dollar and the market prices of semiconductor products are mainly denominated in U.S. dollars. However, revenues for some of our products are quoted in currencies other than the U.S. dollar and as such are directly affected by fluctuations in the value of the U.S. dollar. As a result of currency variations, the appreciation of the Euro compared to the U.S. dollar could increase our level of revenues when reported in U.S. dollars or the depreciation of the Euro compared to the U.S. dollar could decrease our level of revenues when reported in U.S. dollars. Over time and depending on market conditions, the prices in the industry could align to the equivalent amount in U.S. dollars, except that there is a lag between the changes in the currency rate and the adjustment in the price paid in local currency, which is proportional to the amplitude of the currency swing, and such adjustment could be only partial and/or delayed, depending on market demand. Furthermore, certain significant costs incurred by us, such as manufacturing costs, SG&A expenses, and R&D expenses, are largely incurred in the currency of the jurisdictions in which our operations are located. Given that most of our operations are located in the Euro zone and other non-U.S. dollar currency areas, including Singapore, our costs tend to increase when translated into U.S. dollars when the U.S. dollar weakens or to decrease when the U.S. dollar strengthens.